

GAMING POLICY AND ENFORCEMENT BRANCH

Ministry of Housing and Social Development

Annual Report

*April 1, 2007 to
March 31, 2008*



**BRITISH
COLUMBIA**

The Best Place on Earth

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LETTER OF TRANSMITTAL

I am pleased to submit the Gaming Policy and Enforcement Branch 2007/08 Annual Report to the British Columbia Legislature. The information presented in this report reflects the activities of the Ministry of Housing and Social Development's Gaming Policy and Enforcement Branch for the 12 months ending March 31, 2008.

The Gaming Policy and Enforcement Branch regulates British Columbia's gaming industry, to ensure it is operated with honesty and integrity and to protect the interests of the public and participants.

Over the past year, British Columbia's lottery retail network and prize payout policies and procedures have been reviewed. In fall 2006, the Branch reviewed the British Columbia Lottery Corporation's prize payout systems and processes. This review was followed in early 2007 by an investigation into allegations of potential retailer impropriety by the British Columbia Ombudsman. Both the Branch and the Ombudsman made recommendations to improve the integrity of lottery gaming in the province. All of the Ombudsman's recommendations were accepted by the Province, and extensive work has been done to implement them.

In addition, to ensure the integrity of lottery gaming in British Columbia the Province

contracted an independent firm, Deloitte and Touche, to conduct a comprehensive audit of the roles of the Branch and the Corporation in the lottery network. The Deloitte report was released in November 2007.

In general, the report found that the Branch and the Corporation had made significant progress to ensure public trust and confidence in British Columbia's lottery retailer system; that although fraud can never be completely eliminated, it can be effectively managed through proper safeguards and regulatory oversight; and that further work was required to improve communication between the Branch and the Corporation, and to enhance programs related to prize claims, detecting fraud and managing risk.

The Branch has reported quarterly on its progress in implementing all the recommendations included in the Branch and the Ombudsman's reports, as well as the recommendations made by Deloitte that were accepted by Government. The Branch will continue to report on its progress until the accepted recommendations have been addressed and implemented.

I look forward to continuing to work closely with Branch management and staff to ensure the effective regulation of British Columbia's gaming industry and strong protection for customers.

Honourable Richard Coleman
Minister of Housing and Social Development

ACCOUNTABILITY STATEMENT

Honourable Richard Coleman
Minister of Housing and Social Development
Province of British Columbia

Minister:

It is my pleasure to present the Annual Report of the Gaming Policy and Enforcement Branch for the fiscal year 2007/08. The information in this report reflects the activities of the Branch for the 12 months ending March 31, 2008. I am responsible for the contents of the report, including the selection of accomplishments and how they are reported.

The past year presented several challenges. Challenges that the Branch has responded to well. Over the past 18 months, B.C.'s lottery retail network has been reviewed by the Branch, the B.C. Ombudsman and an independent auditor. The Branch has worked hard to implement the recommendations made by each entity. This includes registering nearly 3,000 lottery retailers, conducting reviews of all retailer and retail employee wins between January 1, 2005 and December 31, 2006 and implementing a comprehensive audit plan that covers all of the British Columbia Lottery Corporation's operations.

Every effort will be made in the coming year to implement each of the recommendations.

In 2007/08, the Branch implemented several initiatives to better serve the interests of British Columbians. This included significantly enhancing customer service by allowing individuals and

organizations to apply for a range of licences, grants and registrations online. The Branch's online service is the single biggest improvement to customer service ever undertaken by the Branch, and has resulted in quicker processing times.

Addressing problem gambling is a priority of government. The Branch funds clinical counselling services for individuals affected by gambling issues across the province. The Branch ensures that any individual who needs help receives the assistance he or she needs, wherever they are in the province.

To ensure gaming is delivered in a socially responsible manner, the Branch supported several projects to educate the public about responsible gambling practices and to increase awareness of problem gambling. This included launching a problem gambling awareness program in several post-secondary institutions across the province.

In 2008/09, the Branch will continue to ensure that gaming remains safe, fair and beneficial for British Columbians.

My thanks to Branch staff for another year of dedicated and exemplary service.

Sincerely,

Derek Sturko
Assistant Deputy Minister & General Manager
Gaming Policy and Enforcement Branch

KEY FACTS ABOUT GAMING IN BRITISH COLUMBIA

Gaming is a \$2.6 billion per year industry in B.C. In the past year the gaming sector had:

- 13,750 direct employees and an estimated additional 5,000 indirect jobs
- Over 6,000 licensed gaming events
- 250 companies that were directly or indirectly involved in the industry

As of March 31, 2008, the commercial gaming industry included:

- Provincial and national lottery games
- 17 casinos
- 15 commercial bingo halls
- 12 community gaming centres
- 6 horse race tracks
- 23 horse racing teletheatres

In 2007/08, the regulation of gaming in B.C. included:

- Issuing 6,663 grants and 7,097 gaming event licences to charitable and religious organizations
- Issuing and renewing registrations for 7,366 gaming workers
- Issuing new registrations for 2,923 lottery retailers
- Renewing registration for 171 senior gaming officials and issuing 117 new registrations
- Renewing registration for 1,009 horse race workers and issuing 168 new registrations
- Registering 22 new gaming services and gaming equipment providers and renewing registration for further 18
- Certifying 601 types of gaming equipment or gaming supplies
- Conducting 576 audits of licensed gaming events and organizations' use of gaming grant proceeds
- Auditing all casinos, community gaming centres and horse race tracks and conducting bi-annual audits of commercial bingo halls
- Reviewing the operations of every teletheatre in the province
- Investigating 4,547 notifications of suspicious activity and potential wrongdoing

ENSURING THE INTEGRITY OF GAMING

In October 2006, in response to allegations of lottery retailer fraud in Ontario, the Branch initiated a review of B.C.'s lottery retailer network. The Branch released its report in December 2006 with 10 recommendations to improve B.C.'s lottery retailer system. Later that month, the B.C. Ombudsman announced she would investigate B.C.'s lottery system.

The B.C. Ombudsman released her report in May 2007 with a total of 27 recommendations. Twenty-three of the recommendations related directly to the BC Lottery Corporation's lottery retailer winnings and prize validation procedures, while four of the recommendations called on the Branch to strengthen its oversight of the Corporation. Most of the recommendations made to the Corporation had implications for the Branch.

The Branch has implemented several changes to address the recommendations made by the B.C. Ombudsman. These include considerable enhancements to the Branch's registration, audit, investigation, and equipment certification operations.

The Branch's equipment certification program expanded significantly in 2007/08. The Branch has improved and formalized its scrutiny of lottery games and gaming equipment. The Branch also completed the certification of all existing lottery products, and implemented processes for monitoring and evaluating the Corporation's quality assurance testing.

Immediately after the Branch completed its review of B.C.'s lottery retailer network it began enhancing its registration work relative to the Corporation's lottery business. These

enhancements included a program to register all new and pre-existing lottery retailers in the province.

The B.C. Ombudsman's report clearly indicated that the Branch must significantly enhance its scrutiny of the Corporation. To address this, the Branch developed and implemented a comprehensive audit plan that covers all of the Corporation's gaming operations, including its lottery retailer network.

The B.C. Ombudsman was critical of the Corporation's prize payout procedures and of the Branch's reliance on BCLC's Corporate Security to identify real or suspected incidents of retailer fraud. To address this, the Branch has implemented new policies to ensure that all known retailer wins are reported to the Branch for independent verification. In addition, the Branch reviewed, and where appropriate, investigated all 191 known retailer win files from January 1, 2005 to December 31, 2006.

Immediately after the B.C. Ombudsman released her report in June 2007, the Solicitor General ordered an independent and comprehensive audit by Deloitte and Touche of the roles of the Corporation and the Branch in the lottery business. The goal was to ensure the Province was on the right track in enhancing the integrity of the lottery industry.

The Solicitor General released the Deloitte and Touche report in November 2007. Of the 44 recommendations resulting from the report, four impacted both the Branch and the Corporation, 16 were directed to the Branch and 24 were directed to the Corporation. As with the Ombudsman's

report, many of the recommendations made to the Corporation had implications for the Branch.

In response to a specific recommendation made by Deloitte and Touche, and in order to reflect its expanded mandate, the Branch has restructured its organization. This has allowed the Branch to enhance its focus on enforcement and compliance issues (particularly, but not only, as they relate to B.C.'s lottery systems), better balance components of the Branch, increase the emphasis on responsible gambling and enhance its public accountability and risk management practices.

Deloitte and Touche recommended that the various roles and responsibilities of the Branch, the Corporation and gaming service providers be clarified. The Branch has addressed this issue by formally affirming the Branch's regulatory oversight, responsibilities and authority relative to the integrity of gaming. The Branch has articulated the implications these have for the Corporation.

In addressing the recommendations made by the B.C. Ombudsman and Deloitte and Touche the Branch has reassigned some current staff, and hired additional staff, to ensure the successful implementation of all the recommendations. In addition, two of the Branch's divisions – Investigations and Regional Operations and Audit and Compliance – have added lottery units to their existing operations. The Lottery Investigations Unit handles all reports of real or suspected wrongdoing involving B.C.'s lottery retailer network. The Audit and Compliance Lottery Unit conducts all audits related to lottery gaming in British Columbia.

The work conducted by the Branch in addressing the recommendations made by the B.C. Ombudsman and Deloitte and Touche are reflected throughout this annual report. Details on how the Branch has addressed each recommendation, and the status of work done thus far, are available in quarterly reports that the Branch has published on its web site.

SERVICES TO CITIZENS AND COMMUNITIES

The Branch provides a range of services to citizens and communities. It distributes grants to non-profit community organizations, licenses charitable gaming events, provides programs and services that foster a responsible approach to gaming in both industry participants and consumers, and provides problem gambling services to those who need them.

Enhancing Customer Service

A major project for the Branch in 2007/08 focused on improving the Branch's service delivery to its clients, including gaming workers, charitable organizations applying for gaming event licences and seeking community gaming grants, and gaming services providers looking to do business in B.C. The centre piece to this project is Gaming Online Service (GOS), a suite of tools which allows clients to access Branch services via the internet. Gaming Online Service is being introduced in five phases. Three of these phases were implemented in 2007/08, the final phases will be completed in 2008/09.

The first phase of GOS was launched on April 17, 2007, enabling British Columbians to access a range of online services 24 hours a day, seven days a week. This included allowing charitable organizations to submit applications for gaming grants and gaming licences as well as enhancing access to a full range of gaming information for the general public. With the introduction of this service, the Branch significantly improved its processing efficiency and turn-around time.

The second phase was introduced on September 24, 2007 and significantly enhanced the Branch's internal operations. These enhancements included improving the administrative processes for the registration of gaming corporations and gaming workers, increasing the efficiency for equipment certifications, and automating the process for generating registration cards for racing and gaming workers as well as registration certificates for lottery retailers. Internal enhancements also included providing Branch management with new tools to track and monitor investigations and a variety of activities related to horse racing (i.e. drug testing, race day incidents, postings, rulings, etc.).

The third phase further enhanced public access to services. Launched on February 27, 2008 these enhancements allowed gaming service providers (i.e. casino, race track and community gaming centre operators) to submit online reports of real or suspected wrongdoing to Branch investigators. In addition, starting on this date members of the general public could submit notifications of real or suspected wrongdoing to the Investigations Division.

This phase also enhanced services for charitable organizations, allowing them to submit required financial reports electronically through a secure online connection to the Branch. Internally, the third phase significantly enhanced Branch operations related to its audit processes and operations.

In 2008/09, the Branch will implement the fourth and fifth phase of GOS.

Supporting Community Organizations (Community Gaming Grants)

On behalf of the Province, the Branch distributes grants to community organizations through the Direct Access and Bingo Affiliation grant programs. These grants are provided from government gaming revenues. In 2007/08, a total of \$147.3 million was distributed to community organizations across B.C. Funding is based on the type of organization applying, the programs and services the organization delivers and financial need.

There are five main sectors funded by gaming grants:

- Arts, Culture and Sport – programs that support performing arts, media arts, visual arts, literature, heritage, culture or sports in the community.
- Environment – programs that support B.C.'s environment or protect the welfare of animals and wildlife.
- Human and Social Services – programs that significantly contribute to the quality of life in a community. Service organizations and service clubs are included in this sector.
- Public Safety – programs that support public safety initiatives, disaster relief, and emergency preparedness within B.C.
- Major Capital Projects – the Branch provides funding to a limited number of organizations that require funds to build, renovate or repair facilities.

Outside these five main funding sectors, all Parent Advisory Councils (PACs) and District Parent Advisory Councils (DPACs) are automatically eligible for gaming grants. PACs receive \$20 per student annually, while DPACs receive grants of \$2,500 each year.

The Branch administered three additional grant programs in 2007/08: SportsFunder Lottery grants,

BC150 Years grants and PAC Playground grants. The latter two are short-term grant programs.

SportsFunder Lottery grants provide financial assistance to amateur athletes, support athletic development programs, assist athletes with travel costs and support coaching and leadership development. This program is funded by the net revenue from the SportsFunder suite of lottery products managed by the BC Lottery Corporation.

BC150 Years grants support community projects and events celebrating the 150th anniversary of the founding of the Crown Colony of B.C. From September 2007 to August 2008, non-profit community organizations have been able to apply for up to \$10,000 of funding to go towards their celebration projects and events.

The Playground Grant program provided up to \$20,000 to elementary school PACs in the province to replace old or non-existent playground equipment.

In 2007/08, the Branch began implementation of several enhancements to the Direct Access and Bingo Affiliation grant programs. The purpose of these enhancements is to provide charitable organizations with increased financial stability and to increase Branch efficiency. Starting in September 2007, the Branch moved from a one year funding model to a three year funding model for recipients of Direct Access grants. In 2008/09, the Branch will move all charitable organizations that receive Bingo Affiliation grants from a monthly to an annual payment cycle. These changes will give charitable organizations longer-term financial stability and provide greater flexibility.

Table 1: Community Gaming Grants

Direct Access grants by funding sector		2007/08		2006/07	
Core Direct Access grant sectors		Number	Funding	Number	Funding
Human & Social Services		1,192	\$34.6	1,203	\$33.4
Environment		101	2.9	85	2.2
Arts, Culture and Sport		1,474	35.1	1,416	32.6
Public Safety		141	5.1	144	4.9
Major Capital Projects*		73	3.8	79	4.2
PACs and District PACs		1,603	12.1	1,646	12.3
Other Direct Access grant programs					
PAC Playground		97	1.5	n/a	n/a
BC150 Years		30	0.3	n/a	n/a
SportsFunder		82	2.0	185	2.2
Total Direct Access		4,793	\$97.4	4,758	\$91.8
Bingo Affiliation grants by funding sector		2007/08		2006/07	
		Number	Funding	Number	Funding
Arts, Culture and Sport		516	\$13.8	519	\$14.1
Environment		21	0.6	21	0.6
Human & Social Services		997	32.6	1,047	34.1
PACs and District PACs		194	1.8	192	1.8
Public Safety		46	1.0	42	1.0
Bingo Associations†		17	0.2	27	0.3
Total Bingo Grants		1,791	\$49.9	1,848	\$51.9
Grand Total		6,663	\$147.3	6,611	\$144.5

* Major Capital Project grants provide funding to organizations for projects where the total costs exceed \$20,000.

† Each commercial bingo hall has a bingo association that organizes volunteers from affiliated charitable community organizations. The Branch provides grants to these associations to cover administrative costs.

Supporting Provincial Organizations (One Time Payments)

The Branch also distributes a limited number of one-time grants to organizations for specific projects that have a significant, positive impact on British Columbians. In 2007/08, five organizations received one-time grants from the Branch.

Two of these organizations included the Vancouver Symphony Society, which was granted \$250,000 for the Vancouver Symphony Orchestra's tour of Asia in October 2008. The tour itinerary includes orchestral performances in Seoul, Macau, Guangzhou (Vancouver's Sister City in B.C.'s Sister Province), Beijing, Shanghai, and Suzhou (Victoria's Sister City).

Another organization that received funding in 2007/08 was the New Hope Recovery Society. New Hope is an addictions recovery program patterned after the successful San Patrignano program in Italy, where clients live in a self-contained community for three to four years. New Hope received a \$150,000 grant from the Branch to support the long-term, live-in treatment centre located outside Prince George.

Table 2: One Time Payments

One Time Payment	2007/08		2006/07	
	Number	Funding	Number	Funding
Total One Time Payments	5	\$820,000	5	\$800,000

Benefiting Community Organizations (Licenced Gaming Events)

The Branch issues gaming event licences to eligible charitable and religious organizations so they can raise money to support their projects and services. The gaming events available for licensing are ticket raffles, independent bingos (which are conducted in facilities other than commercial bingo halls), wheels of fortune and social occasion casinos (casino-style events without slot machines). The type of licence issued depends on the size and location of the gaming event.

Class A licences are issued for gaming events expected to generate \$20,000 or more in gross revenue. Organizations seeking Class A licences can apply to run ticket raffles, independent bingos, wheels of fortune or social occasion casinos.

Class B licences are issued for gaming events expected to generate up to \$20,000 in gross revenue. Organizations seeking Class B licences are limited to running ticket raffles, independent bingos and wheels of fortune.

Class C licences are issued to eligible fairs or exhibitions for the purpose of running ticket raffles, independent bingos, wheels of fortune or social occasion casinos.

On April 17, 2007, the Branch launched a new class of licence. This new Class D licence is tailored to those groups or organizations wishing to conduct small-scale fundraising events. The licence costs \$10 and is restricted to ticket raffles and independent bingo events. Projected gross revenues must not exceed \$5,000.

In total, almost 7,100 licences were issued to eligible organizations around British Columbia.

Table 3: Charitable Gaming Licences

A Licences: Charitable gaming events over \$20,000	2007/08	2006/07
Minor Raffles (\$20,000 to \$100,000)	197	138
Major Raffles (\$100,000 to \$250,000)	36	32
Registered Ticket Raffles (over \$250,000)	20	17
Independent Bingos	151	110
Total Class A Licences	404	297
B Licences: Charitable gaming events up to \$20,000	2007/08	2006/07
Ticket Raffles	4,223	6,091
Independent Bingos	162	206
Wheels of Fortune	33	38
Social Occasion Casinos	35	29
Total Class B Licences	4,453	6,364
C Licences: Gaming events at fairs and exhibitions	2007/08	2006/07
Ticket Raffles	5	3
Independent Bingos	1	1
Wheels of Fortune	2	1
Limited Casino	1	3
Total Class C Licences	9	8
D Licences: Charitable gaming events less than \$5,000	2007/08	2006/07
Ticket Raffles	2,199	n/a
Independent Bingos	32	n/a
Total Class D Licences	2,231	n/a

Class A gaming events earned a total of \$19 million in 2007/08. Several large scale raffles earned over \$100,000 for charitable organizations. These included the Vancouver General Hospital and University of British Columbia Hospital Foundations, the Knights of Columbus Charity Foundation, the Vancouver Opera Association, the United Chinese Community Enrichment Services Society and the Variety Club of British Columbia.

An estimated \$8.1 million was earned by Class B licence holders, at an average of nearly \$1,800 per event. Examples of charitable organizations that benefited from charitable gaming events include search and rescue societies, arts councils, galleries and theatre groups, SPCAs and Big Sisters and Big Brothers.

The amount reportedly earned by community organizations through Class B gaming events

declined significantly from the previous year. Prior to 2007/08 charitable organizations were not required to report on revenues earned. Estimations of charitable earning were based on projections made by the organization. In addition, the introduction of Class D licences has seen a significant decrease in the overall number of Class B licences issued.

A total of \$2.9 million was earned by Class C licence holders. The majority of this amount was earned by the Pacific National Exhibition's raffle.

An estimated \$1.5 million was earned by Class D licence holders, at an average of nearly \$700 per event.

In 2007/08, community organizations in B.C. earned approximately \$31.7 million through licensed gaming.

Table 4: Charitable Gaming Revenues

Revenues Earned by Charitable Groups (all figures in millions)	2007/08	2006/07
Class A licences (over \$20,000)	\$19.0	\$18.5
Class B licences (up to \$20,000)	8.1	28.5
Class C licences (exhibitions and fairs)	2.9	3.2
Class D licences (up to \$5,000)	1.5	n/a
Total Revenues Earned by Charitable Groups through Licensed Gaming	\$31.7	\$50.2

Ensuring Citizens are Protected from the Risks Related to Excessive Gambling

The Province's Responsible Gambling Strategy, launched in 2003, has three goals: to reduce the incidence of problem gambling, to reduce the harmful impacts of excessive gambling and to ensure gambling is delivered in a manner that encourages responsible practices and healthy choices.

To achieve these goals, the Strategy guides work in three key areas: the British Columbia Problem Gambling Program; responsible gambling awareness; and problem and responsible gambling research.

Reducing the incidence of problem gambling

The Branch works to reduce the incidence of problem gambling by creating greater awareness of problem gambling issues and services, and by educating players to understand the risks, know their limits and to play within their means.

In 2007/08, 26 contracted service providers – an increase of 37 per cent over 2006/07 – delivered problem gambling education and prevention programs on behalf of the Province. Service providers make presentations and distribute information that both raise awareness of Problem Gambling services and educate people about responsible gambling practices. Presentations and information are delivered to a variety of audiences, including community organizations, senior's groups, elementary and secondary school classes, treatment centres and health care professionals.

Research shows that many problem gamblers start gambling at an early age, as the tendency for risk-

taking makes them more vulnerable at this age. In 2006/07, the Branch partnered with Richmond Addiction Services and the City of Richmond to successfully pilot a school-based problem gambling prevention teaching tool called *Know Dice*. This multimedia program teaches grade six students about the risks related to gambling by dispelling common myths, such as the concept of skill versus luck. Throughout 2007/08, the program continued to be delivered in Richmond, and the Branch is currently working toward offering the program in other communities in 2008/09.

Research also shows that young adults, particularly 18 – 24 year olds, are at an increased risk for developing gambling problems. In January 2008 the Branch partnered with the Responsible Gambling Council in Ontario to bring *Know the Score* to BC. *Know the Score* is an interactive problem gambling awareness program that engages post-secondary students in a dialogue with peers about responsible gambling practices and where to get help if needed.

Staffed by students from the host school, a *Know the Score* display is set up on a post-secondary campus for four days and students are encouraged to stop by and learn about problem and responsible gambling issues. During this pilot project, *Know the Score* visited four B.C. campuses – Capilano College, University College of the Fraser Valley, Simon Fraser University, and the University of Victoria – and reached over 4,000 people. The program was well received by students, faculty and staff, and will be delivered at more post-secondary campuses across the province in 2008/09.

Reducing the harmful impacts of excessive gambling

In 2007/08, the Branch contracted with 37 professional clinical counsellors across B.C. to provide problem gambling counselling services. These services are provided free of charge to anyone who is experiencing a problem with gambling or is affected by someone else's gambling, and include individual and group therapy sessions. Counsellors provide services at the client's convenience, which may include travelling to a location of the client's choosing, making themselves available during evenings and weekends and/or providing counselling over the telephone or internet.

The Branch also funds a dedicated, 24-hour toll-free Problem Gambling Help Line. Help Line operators provide crisis counseling and refer

individuals and their families to treatment and prevention services provided by the Province in their community. The Help Line, along with the free counselling services, represent an immediate response network designed to ensure anyone experiencing difficulties as a result of excessive gambling receives professional clinical help.

The table on page 16 shows that the number of erroneous calls relative to the total number of calls received by the Help Line continues to decline. This suggests that the Branch's efforts to educate the public about Problem Gambling Program services are working. While referrals to counselling from the Help Line declined over the period, the number of counselling admissions remained relatively constant. This shows people are accessing this service by varied means.

Table 5: *Know the Score Participation*

Post-Secondary Campus	Total Visitors
Capilano College	1,231
University College of the Fraser Valley	1,138
Simon Fraser University*	701
University of Victoria	941
Total Participation for the Pilot Project	4,011

*Due to snow storms, the *Know the Score* display was only open for three days at SFU.

Ensuring that gambling is delivered in a manner that encourages responsible gambling and healthy choices.

The Province is committed to ensuring problem gambling prevention and responsible gambling practices and policies are maintained within the gaming industry.

In 2006/07, the Branch and the BC Lottery Corporation piloted Responsible Gambling Information Centres (RGICs) at three casinos in Richmond (River Rock), Vancouver (Edgewater) and Langley (Cascades). Staffed by trained Responsible Gambling Officers, RGICs provide onsite education and referrals to casino patrons seeking information or anyone experiencing distress.

Following the success of the pilot project, the Branch expanded the RGIC program to four more casinos in 2007/08 in Prince George (Treasure Cove), Kelowna (Lake City), Coquitlam (Boulevard) and New Westminster (Royal City Star, now Starlight). In 2008/09 the Branch will further expand the RGIC program to include all casinos throughout the province.

The Branch continues to support Appropriate Response Training (ART), an educational program for gaming workers designed to enhance their knowledge, awareness, attitudes and skills so they can respond appropriately to patrons who may be experiencing distress in a gaming facility.

Table 6: Problem Gambling Program

Problem Gambling Program Statistics	2007/08	2006/07
Total Help Line calls (includes erroneous calls and hang-ups)	5,656	5,696
Calls made to Help Line specific to problem gambling	4,938	4,769
Referrals to the Problem Gambling Program	2,695	2,869
Counselling service admissions	1,054	1,100
Number of prevention information sessions delivered	1,855	1,750
Contracted service providers		
Clinical counsellors	36	32
Prevention service providers	24	19
Provincial coordinators	3	3
Responsible Gambling Officers (RGIC Staff)	9	2

Research

2007/08 saw the culmination of two significant research projects for the Province – the 2007 B.C. Problem Gambling Prevalence Study and the Final Report of the Lower Mainland Casino Impact Study. Both projects were funded by the Branch but contracted to independent research firms.

The Problem Gambling Prevalence Study consisted of telephone surveys of 3,000 individuals in English, Chinese and Punjabi in fall 2007. The survey investigated British Columbians' gambling behaviour, views on gambling, problem gambling rates and awareness of available problem gambling services. The 2007 study updates data obtained by similar studies in 1993, 1996 and 2002. This research informs the development of effective policies and programs, and ensures the right services are in place to address problem gambling issues and educate about responsible gambling practices.

In 2004 the Branch commissioned a multi-year study on the socioeconomic impacts of new gaming opportunities in four Lower Mainland communities – the Cities of Vancouver, Surrey and Langley and the Township of Langley. The

Final Report compares baseline data collected prior to the new venues opening in 2004 to data collected in 2005 and 2006; this allowed for scientific measurement of the socioeconomic impacts in each community. The Branch plans to replicate the study in 2009/10 to measure long term impacts.

In addition to external research projects commissioned by the Branch, the Problem Gambling Program routinely undertakes surveys of its clinical and prevention services. These entail surveys of client satisfaction and measurements of the impact of these services on clients.

The results of the research and additional summary information can be found in the B.C. Responsible Gambling Strategy 2007/08 Annual Report. Full copies of research undertaken by the Branch can be found on the responsible gambling website at: www.bcresponsiblegambling.ca

PROTECTING CITIZENS AND COMMUNITIES

The Branch regulates all gaming and gaming events in B.C. to ensure the integrity of gaming industry companies, people and equipment. This mandate includes regulatory oversight of the BC Lottery Corporation (which conducts and

manages lotteries, casinos, community gaming centres and commercial bingo halls), all gaming services providers and gaming workers, B.C.'s horse racing industry and licensed gaming events.

Protecting Citizens Through Laws and Regulations

The Branch fulfills its mandate under Canada's Criminal Code and the Province's Gaming Control Act and Regulations. In 2007/08, four amendments were made to the Gaming Control Regulation and the General Manager of the Branch issued two new directives to enhance the regulatory structure of gaming.

Gaming Control Regulation Amendments

The first two amendments to the Gaming Control Regulation were introduced to strengthen the Branch's oversight of the BC Lottery Corporation's lottery retail system. These amendments were consistent with recommendations made in the Ombudsman's report and the Deloitte and Touche review. Both amendments came into effect on November 22, 2007.

The first amendment confirmed the existing practice of registering the lottery contract manager for each lottery retailer, in addition to on site managers. The second amendment formalized the existing practice of registering all Lottery Corporation officials and employees of the Branch.

The third amendment was introduced to help streamline the gaming facility approval process

under the Gaming Control Act. Prior to this amendment, potential host local governments were required to consult with all local governments that shared its boundaries, regardless of distance from the gaming facility. The amendment narrowed consultations to local governments within five kilometers from the existing or proposed gaming facility. The new approval process was developed in consultation with both the Lottery Corporation and the Union of British Columbia Municipalities.

The fourth amendment confirmed in legislation restrictions on the duties that volunteer floor workers in commercial bingo halls could perform. Commercial bingo halls have longstanding policies that do not permit volunteers to provide gaming services, such as distributing bingo cards and collecting money from players. However, previous legislation listed those tasks as part of the role of volunteer bingo floor workers. This amendment ensured the role of volunteer bingo floor workers was consistent in both policy and legislation.

General Manager Directives

Under the Gaming Control Act, the General Manager may issue directives to the Lottery

Corporation, subject to Ministerial approval, and the Corporation must comply. In 2007/08, the General Manager issued two directives to the Corporation.

On April 16, 2007, a directive was issued indicating that all Corporation employees must immediately report to the Branch's Registration Division any real or potential conflicts of interest that could impact their roles and responsibilities as Corporation employees. This includes disclosing any outside employment or involvement in the gaming or horse racing industry, any financial interest in a registered gaming service provider

and/or any other activities that could result in real, potential or perceived conflicts of interest in their roles and responsibilities as Corporation employees.

On May 14, 2007, the General Manager issued a directive clarifying the internal review processes for specified types of decisions made by the Branch. This directive replaced and rescinded a previous directive dated August 19, 2002, entitled "Internal Review of Decisions under the Gaming Control Act".

Ensuring suitable people and companies are involved with gaming

The Branch's registration program ensures that existing and potential employees (individuals) and corporate service providers (companies) are suitable for participation in B.C.'s gaming industry. The registration process involves thorough background checks that include, but are not limited to, a criminal record check, a credit check and verification of information confirming personal and financial integrity. Registrants are also monitored to ensure ongoing compliance with the conditions of registration and the Gaming Control Act.

The Branch's registration program can be divided into three key areas: registration of lottery retailer personnel, registration of gaming workers and registration of gaming service providers (companies).

Registration of Lottery Retailers

In October 2006, in response to allegations of fraudulent lottery retailer activity in Ontario, the Branch initiated a review of the Lottery Corporation's lottery retailer network. Following this review, the Branch enhanced its registration program, and implemented a plan to register all new and existing lottery retailers. This registration process involves the same background checks detailed above, and helps ensure BC's lottery retail network continues to operate in a fair and secure manner.

In 2007/08 the Branch created two new positions, Director of Personnel Registration (Lotteries) and Manager of Regulatory Compliance, to oversee this enhanced registration program, and hired several new staff members to ensure its goals were met. As of March 31, 2008, all lottery retail

stores (kiosks) had been registered, while 90 per cent of corporate lottery retailers (chain stores) and 40 per cent of independent retailers had been registered. This represents the registration of 2,600 lottery retail sites.

The Branch registered the remaining 1,400 retail sites by August 2008.

Registration of Gaming Workers

All individuals directly or indirectly involved in B.C.'s commercial gaming industry must also undergo the Branch's registration process. This includes gaming workers (employees of casinos, bingo halls, community gaming centres, teletheatres, and managers of large-scale charitable licensed gaming events); facility managers, senior employees and security, surveillance and personnel managers; horse racing workers (race horse owners, veterinarians, jockeys, trainers, groomers, among others); key

Table 11: *Registrations*

Corporate Registrations	2007/08 (new)	2007/08 (renewal)	2006/07*
Gaming service providers	12	19	11
Gaming equipment suppliers	4	4	8
Ancillary service contractors	8	2	29

Personnel Registrations	2007/08 (new)	2007/08 (renewal)	2006/07*
Gaming workers	5,008	2,358	5,267
Lottery retailers	2,923	n/a	n/a
Horse race workers	168	1,009	1,172
Senior officials and senior employees	117	171	109
Branch and Corporation personnel	124	11	552

* In 2007/08, the Branch began reporting on the number of new and renewed registrations to better reflect the work done by the Registration and Certification Division.

persons in the industry (directors, company officers and senior officials); and all Corporation and Branch personnel.

Registration of Companies

In addition to individuals, the Branch registers companies directly or indirectly involved in gaming. This includes gaming services providers (commercial casinos, bingo halls, community

gaming centres, horse race tracks and gaming management companies); gaming equipment suppliers who manufacture and/or distribute gaming equipment and supplies, such as bingo paper, slot machines and playing chips; and ancillary services contractors who provide services not directly related to the delivery of gaming operations, such as janitorial, maintenance, and concession services. In 2007/08 the Branch registered 22 new gaming companies.

Ensuring the integrity of gaming equipment and supplies

The Branch's certification process ensures that gaming equipment and products work the way they are supposed to and deliver the stated odds of winning. All gaming equipment, such as slot machines, related computer systems, lottery products, and table game equipment (cards, chips, dice, etc.), must be certified by the Branch before it can be used in British Columbia's gaming venues.

All Branch decisions related to the certification of gaming equipment are supported and verified with test results from independent accredited testing facilities (ATFs). Gaming equipment is tested for compliance with British Columbia's published gaming equipment technical standards. All ATFs used for this purpose are also registered by the Branch.

In response to lottery retailer reviews conducted by the Branch and the B.C. Ombudsman, the Branch significantly enhanced its equipment certification program in 2007/08. A new position, Manager of Game Integrity, was created to oversee the enhanced scrutiny of gaming equipment and particularly lottery games.

In the past year, the Branch certified the technical integrity of all existing lottery products, including pull-tab and scratch and win games. Additionally, approximately 500 other gaming equipment technical certifications were issued. The Branch also completed a new set of certification standards for ensuring the technical integrity of pull-tab tickets and scratch and win tickets. Under the authority of the Gaming Control Act, the Branch investigates reports of gaming equipment malfunctions or errors from the

Corporation and the general public. In 2007/08, the Branch conducted nine technical investigations into real or suspected gaming equipment malfunctions or errors.

Interim certifications are issued when a new lottery tickets needs to be printed and subsequently tested in a lab or where a new lottery scheme needs to be tested in a live environment before the full certification process can be completed.

Certifications are revoked by the Branch for a variety of reasons. These include when a piece of equipment or software is deemed obsolete, is updated by the manufacturer or is deemed to

have the potential for error. It is important to note that it is very rare for the Branch to revoke a certification due to a malfunction that may impact the integrity of a game. Rather, more commonly, potential errors include display, sound or upgrade compatibility issues. In all instances, a new Certificate of Technical Integrity must be issued before the gaming equipment in question can be returned to service.

In 2007/08 the Branch also certified all equipment designed to allow lottery players to check their own lottery tickets at retail locations, such as self-checking machines and related hardware and software.

Table 8: Equipment Certifications

Number of Equipment Certifications	Certifications	Interim Certifications	Revocations
Lottery certifications (pull-tab tickets)	43	13	0
Lottery certifications (scratch and win tickets)	52	38	0
Internet Lottery (BCLC PlayNow e-lottery games)	17	10	0
Electronic gaming machines and materials	489	22	39

Ensuring Proper Conduct of Horse Racing

The Branch is responsible for the regulation and management of horse racing in B.C., including oversight of all horse races in the province and the licensing of all participants in the racing industry. Each year the Branch also revises and updates The Rules of Thoroughbred and Standardbred Horse Racing in British Columbia.

Horse racing statistics are reported by calendar year in keeping with the racing season. In 2007, the Branch oversaw the running of over 1,800 races on 183 race dates at tracks around the province.

In 2007, approximately \$216.6 million was wagered at race tracks and teletheatres in B.C. Of this amount, approximately 86 per cent was wagered on simulcast races and 14 per cent on live racing.

Table 9: Horse Racing

Thoroughbred Tracks	Live Race Days		Live Races		Horses Ran	
	2007	2006	2007	2006	2007	2006
Hastings Racecourse (Vancouver)	68	78	610	700	4,864	5,888
Sagebrush Downs (Kamloops)	6	5	38	33	283	207
Sunflower Downs (Princeton)	1	1	9	9	76	70
Kin Park (Vernon)	3	2	18	14	128	104
Total	78	86	675	756	5,351	6,269

Standardbred Tracks	Live Race Days		Live Races		Horses Ran	
	2007	2006	2007	2006	2007	2006
Fraser Downs Racecourse (Surrey)	102	99	1,123	1,117	9,029	9,233
Sandown Racecourse (Sidney)	3	10	29	117	206	809
Total	105	109	1,152	1,234	9,235	10,042

ENSURING COMPLIANCE WITH REGULATIONS AND STANDARDS

The Branch monitors compliance with regulations and standards in several ways: by conducting audits of licensed gaming events and individual charities' use of gaming grants, commercial gaming facilities and operations, and of lottery retail sites and the Corporation, including their PlayNow internet operations; and by issuing and enforcing rulings for infractions at horse race events. The Branch enforces compliance by

participating in investigations concerning illegal gambling activity and by conducting investigations of unlawful activity in legal gaming venues.

In 2007/08, several of the Branch's activities related to ensuring compliance with gaming regulations and standards were strengthened and enhanced.

Auditing for Compliance

The Branch employs a comprehensive audit strategy to monitor compliance with all applicable legislation, regulations, policies and directives. The Branch's authority is defined in the Gaming Control Act and Gaming Control Regulations, and is further guided by policy directives and Public Interest Standards.

Under this authority the Branch delivers a comprehensive risk-based audit strategy to assess regulatory compliance for commercial gaming including lottery gaming, licensed charitable gaming and community organizations' use of gaming proceeds. In addition, the Branch encourages enhanced compliance through public education programs and advisory services.

The Branch has three audit streams. The first stream focuses on commercial gaming, which includes all commercial casinos, community gaming centres, bingo halls and race tracks. Commercial audits involve conducting compliance audits of the conduct, management and operation of commercial gaming activities by the Lottery Corporation and its service providers. Every year,

the Branch audits all commercial casinos, community gaming centres and race tracks in the province. Commercial bingo halls are audited once every two years. The findings for casino audits are accessible on the Branch website at:

<http://www.hsd.gov.bc.ca/gaming/access-to-information/audits.htm>

In 2007/08, audits of commercial gaming venue compliance with responsible gambling standards indicated most casinos were compliant with provincially-mandated responsible gambling initiatives. However, these audits also showed that responsible gambling initiatives were not well supported in other types of gaming facilities. In the coming year, the Branch will focus on increasing compliance with responsible gambling policies.

The second audit stream focuses on charitable gaming. This includes auditing licensed gaming events for compliance with terms and conditions for both event conduct and use of proceeds, as well as confirmation of appropriate use of

proceeds by grant recipients. Each year, the Branch audits every large-scale registered raffle in the province. In addition, every year the Branch audits a sample of smaller-scale charitable gaming events to ensure compliance. The audit findings for large-scale registered raffles are also accessible on the Branch website.

The third audit stream focuses on B.C.'s lottery retailer network. This includes inspecting lottery retail sites and auditing the Corporation's processes and procedures related to its lottery business.

Ongoing work for the Branch has included improving compliance among organizations receiving gaming funds, focusing on ensuring proper use of gaming proceeds, and financial accountability from the organizations benefiting from these proceeds.

In 2007/08, the Branch enhanced its audit plan that examines the Corporation's conduct and

management of all forms of gaming, including casinos, community gaming centres, bingo halls, lotteries and the Corporation's PlayNow site. The audit plan has three core objectives:

- Verifying compliance with the Gaming Control Act, Gaming Control Regulation, Branch directives and Public Interest Standards;
- Confirming that the integrity, fairness, security and public safety of the gaming environment, gaming equipment, gaming assets and gaming supplies is maintained; and
- Confirming that a safe and supportive environment for the delivery of gaming products and services is in place and that responsible gambling is encouraged, gambling risks are minimized, and effective and timely information and assistance is provided for those experiencing distress.

The Branch will report annually on the results of these audits.

Table 10: Audit Compliance Activities

Types of Audits	2007/08	2006/07
Commercial gaming compliance audits	50	49
Commercial gaming compliance audits of BCLC	4	0
Inspections of lottery retailers	862	0
Audits of charitable organizations receiving grants and conducting licenced gaming events	576	568
Percentage of audited gaming funds recipients in compliance	77%	83%

Enforcing the Rules and Regulations of Horse Racing

The regulation of horse racing includes enforcing the Rules of Horse Racing and adjudicating matters that occur on the track or in the backstretch area that could have a negative impact on the integrity of racing. Management of racing events also involves determining the winners of each race and issuing rulings. The Branch has staff at all race meets held in the province. During the 2007 racing season, 324 rulings were issued by stewards and judges.

Before each season, the Branch consults with the racing industry with regard to the regulation of

racing, including those violations that might require more attention. The Branch will enhance its enforcement, as needed.

Fluctuations in the types of rulings from 2006 to 2007 reflect the Branch's enhanced focus on certain types of violations. In 2007, the Branch significantly improved its scrutiny of driving infractions in standardbred races and increased the Branch's presence in backstretch areas, resulting in more rulings regarding inappropriate behaviour.

Table 11: Horse Race Rulings by Track

Thoroughbred Tracks	Live Race Days		Live Race Penalties	
	2007	2006	2007	2006
Hastings Racecourse (Vancouver)	68	78	103	127
Sagebrush Downs (Kamloops)	6	5	1	0
Sunflower Downs (Princeton)	1	1	0	0
Kin Park (Vernon)	3	2	0	0
Total	78	86	104	127

Standardbred Tracks	Live Race Days		Live Race Penalties	
	2007	2006	2007	2006
Fraser Downs Racecourse (Surrey)	102	99	218	158
Sandown Racecourse (Sidney)	3	10	2	12
Total	105	109	220	170

Table 12: Standardbred Rulings

Types of Rulings	2007	2006
Whipping violations	54	67
Racing or driving infractions committed during a race	112	62
Drug or alcohol infractions involving either horses or registered horse race workers	11	14
Inappropriate behaviour in the backstretch area of a race track	24	8
Licensing or registration violations	1	5
Horses that bled during a race	3	2
Restoration of a horse or a horse race worker to good standing	13	3
Other categories	2	9
Total	220	170

Table 13: Thoroughbred Rulings

Types of Rulings	2007	2006
Racing or riding infractions committed during a race	34	33
Drug or alcohol infractions involving either horses or registered horse race workers	7	26
Entering an ineligible horse	5	18
Inappropriate behaviour in the backstretch area of a race track	18	8
Licensing or registration violations	4	10
Horses that bled during a race	9	10
Restoration of a horse or a horse race worker to good standing	7	7
Other categories	20	15
Total	104	127

Enforcing the Rules and Regulations of Gaming

The Province maintains a comprehensive enforcement strategy to ensure the integrity of legal gambling and to combat illegal gambling. The strategy is supported by an integrated team of

Branch and RCMP investigators who coordinate efforts with other law enforcement agencies, as necessary.

Table 14: Real or Suspected Wrongdoing at or near Legal Gaming Venues

Type of Notification and/or Complaint	Number	Disposition of Files		
Criminal Code		CC Charge	GCA Charge	GCA Admin. ¹
Theft	695	12	n/a	n/a
Assault & Threats	313	8	n/a	n/a
Fraud	392	1	n/a	n/a
Money Laundering/ Loan Sharking	69	0	n/a	n/a
Cheat at Play	75	2	n/a	n/a
Counterfeit	359	0	n/a	n/a
Gaming Control Act		CC Charge	GCA Charge	GCA Admin. ¹
Individuals barred by BCCLC attempting to enter gaming venues	1,005	n/a	27	0
All other GCA violations	257	n/a	2	157
Other		CC Charge	GCA Charge	GCA Admin. ¹
Notifications and/or complaints not categorized above	1,382	3	0	1
TOTAL	4,547	26	29	158

1. Includes breaches of conditions of licences or registration.
2. Includes insufficient evidence to lay charges, assist police of jurisdiction on unrelated criminal matters, unidentified suspects, reports of non-reportable issues.

This strategy is supported by a strong, comprehensive framework for addressing regulatory offences under B.C.'s Gaming Control Act and criminal offences under Canada's Criminal Code. Under this framework, the Branch has the ability to utilize a range of enforcement actions and sanctions.

The Branch supports its enforcement strategy by investigating, or assisting law enforcement agencies in investigating complaints and allegations of suspected criminal activity and regulatory infractions related to gaming and horse racing in B.C.

Disposition of Files (continued)				Ongoing
Warnings	Other ²	Intelligence ³	Unfounded	Ongoing
7	584	14	35	44
1	270	11	13	12
2	181	4	150	55
0	12	46	4	7
3	53	7	7	5
0	2	352	1	4
Warnings	Other ³	Intelligence ²	Unfounded	Ongoing
2	16	957	2	2
3	40	3	15	39
Warnings	Other ³	Intelligence ²	Unfounded	Ongoing
4	1,075	90	93	118
22	2,233	1,484	320	286

3. Includes correlating data on suspect individuals and groups and forwarding to police of jurisdiction, (RCMP Proceeds of Crime, Major Crime or Commercial Crime, FINTRAC) maintaining data for future potential investigations; e.g. RCMP receive all compiled counterfeit bills and suspect data for inclusion on National Counterfeit Data Bank in Ottawa.

In general, enforcement activities are classified in two broad categories. The first category relates to real or suspected regulatory offences that occur in conjunction with legal forms of gaming. The second category relates to real or suspected incidences of illegal gambling.

Ensuring the Integrity of Legal Gaming

Branch investigators conduct investigations involving regulatory offences (which may also be criminal offences) where they occur in conjunction with legal forms of gambling. This includes, but is not limited to, money laundering, assaults, threats, frauds, counterfeiting, loan sharking, cheating at play and theft.

Under the Gaming Control Act, the Branch has the authority to issue warnings, administer sanctions, or issue tickets. For more serious violations, the Branch will recommend to Crown Counsel that charges be laid under the Act or the Criminal Code.

In 2007/08, the Branch received 4,547 notifications of suspicious activity or suspected wrongdoing.

Approximately 42 per cent of the 4,530 notifications were related to alleged offences under the Criminal Code. Of these, the most common notification was for theft (695). Other notifications included fraud (392), assaults and threats (313) passing counterfeit materials (359), cheating at play (75) and money laundering/loan sharking (169).

Of the 1,262 notifications or complaints concerning alleged violations of the Gaming Control Act, approximately 80 per cent (1,005) were notifications of individuals barred by the BC Lottery Corporations attempting to enter a gaming facility.

To further ensure all allegations of wrongdoing are given full consideration, the Branch has extended and enhanced its investigation program. These enhancements include clarifying the Corporation's obligations to the Branch concerning investigations, extending the Branch's investigative activities, strengthening the focus on the Corporation's lottery business, and clarifying the obligations of lottery retailers in reporting incidents to the Branch. In addition, the Branch has created a Lottery Investigations Unit to handle all reports of real or suspected wrongdoing involving B.C.'s lottery retailer network.

In response to a specific recommendation from B.C.'s Ombudsman, the Branch completed a review of all retailer win files from January 1, 2005 to December 31, 2006. Branch investigators determined that 139 of the 191 files required no further consideration; however, Branch investigators determined 52 files required further, independent investigation.

Reducing the Incidence of Illegal Gambling

To address real or suspected incidents of illegal gambling, Branch investigators work in conjunction with 12 dedicated RCMP officers on the Integrated Illegal Gaming Enforcement Team (IIGET). A Consultative Board has administrative oversight over IIGET.

For the past three years, the Branch has provided summary statistics of IIGET activities. This information has been provided as part of the Branch's commitment to regulating gaming in a fair and transparent manner. Starting with this annual report, the Branch will report on IIGET activities in a different manner.

This year's annual report will report on the activities of IIGET, including the opening of new files in 2007/08, the results of some ongoing investigations, and the development and delivery of educational programs.

In 2007/08, IIGET opened 234 files related to incidents of illegal gambling. These incidents included common gaming houses, unlicensed lotteries, illegal sports betting, illegal video gaming machines, illegal Internet gambling sites and other types of illegal gaming.

Several files in 2007/08 resulted in Criminal Code charges. The majority of these files concerned the operation of common gaming houses in communities around the province. In total, 91 Criminal Code charges were approved against individuals for keeping common gaming houses, being found in common gaming houses and for keeping cock fighting pits. It should be noted that the British Columbia Society for the Prevention of Cruelty to Animals (BCSPCA) was an instrumental partner in investigations related to cockfighting.

IIGET cleared one file in 2007/08 for holding an unlicensed gaming event that resulted in the approving of charges under the Gaming Control Act.

IIGET also issued 87 verbal or written warning to individuals and organizations for a variety of offences, including, operating unlicensed lotteries or sports betting.

In 2007/08, IIGET initiated a province-wide educational outreach program to inform law enforcement agencies of issues related to illegal gambling. During the past year, over 100 presentations were made. Through this work IIGET has increased the strength of its partnerships with law enforcement agencies through British Columbia.

In 2008/09, IIGET will provide a complete illegal gaming data collection plan and threat assessment to the IIGET Consultative Board. The information gathered will be used to develop and present a 5-year strategic plan for IIGET.

In 2008/09, IIGET will be consolidating its operations. Regional offices in Northern British Columbia, the Interior and Vancouver Island will be closed and staff will be transferred to the Lower Mainland offices. This organizational shift will allow IIGET to dedicate more resources to the data collection and threat assessment and to efficiently react to illegal gaming issues as they arise throughout the Province.

PUBLIC SATISFACTION WITH THE REGULATION OF GAMING

Since 2006/07, the Branch has annually surveyed British Columbians' perceptions of government's efforts to regulate gaming, address problem gambling and distribute gaming revenues. Tracking British Columbians' familiarity and confidence in the regulation of gaming is a performance measure in the Ministry's 2008/09 Service Plan.

The 2007/08 survey was part of B.C. STATS monthly omnibus service. The survey ran for three months (December 2007 to February 2008) and included a total of 1,627 respondents.

The survey queried respondents' familiarity and satisfaction on three gambling related topics: the regulation of legal gaming in BC, how the government is addressing problem gambling in BC, and the distribution of gaming revenue in British Columbia (e.g., municipal revenue sharing, economic development, charitable gaming, health care, etc.).

In general, the results of the 2007/08 survey reinforce the trends identified in the 2006/07 survey. There were slight increases in familiarity with respect to both the regulation of gambling and government's efforts to deal with problem gambling.

The overall lack of familiarity and satisfaction with the regulation and management of gambling in B.C. continues to present some significant challenges for the Branch. In 2008/09, the Branch will continue to address the low levels of satisfaction with respect to the way it addresses problem gambling and distributes gaming revenues.

The 2007/08 survey once again found positive relationships between familiarity and satisfaction for all three sets of questions. The more familiar British Columbians were with the regulation and management of gambling, the more likely they were to be satisfied with the regulation and management of gambling. Simply put, the greater the awareness, the greater the satisfaction with the work of the Branch. In 2008/09, the Branch will develop and implement a variety of public awareness initiatives to increase public knowledge of its activities.

The 2007/08 and 2006/07 reports can be viewed at the following link:

<http://www.hsd.gov.bc.ca/gaming/>

Table 16: Familiarity with Gaming Management

Familiarity with how government is regulating gambling	... addressing problem gambling	... distributing gaming revenues	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07
				2007/08	2006/07	2007/08	2006/07	2007/08	2006/07
Very familiar	8.4%	9.7%	8.1%	7.6%	6.2%	6.2%	6.0%	6.0%	6.0%
Somewhat familiar	39.0%	32.9%	35.4%	32.0%	30.6%	30.6%	30.7%	30.7%	30.7%
Not very familiar	26.1%	28.7%	28.8%	31.0%	27.0%	27.0%	26.5%	26.5%	26.5%
Not at all familiar	26.5%	28.7%	27.7%	29.4%	36.1%	36.1%	36.9%	36.9%	36.9%

Table 17: Satisfaction with Gaming Management

Satisfactions with how government is regulating gambling	... addressing problem gambling	... distributing gaming revenues	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07
				2007/08	2006/07	2007/08	2006/07	2007/08	2006/07
Very satisfied	10.8%	10.9%	6.7%	5.6%	4.6%	4.6%	5.4%	5.4%	5.4%
Somewhat satisfied	17.7%	19.9%	10.7%	11.3%	14.0%	14.0%	11.0%	11.0%	11.0%
Neither satisfied nor dissatisfied	41.3%	40.6%	40.0%	40.6%	41.2%	41.2%	46.2%	46.2%	46.2%
Somewhat dissatisfied	14.1%	13.4%	21.3%	21.6%	19.9%	19.9%	17.7%	17.7%	17.7%
Very dissatisfied	16.1%	15.2%	21.2%	20.9%	20.3%	20.3%	19.7%	19.7%	19.7%

WHERE THE MONEY GOES

In 2007/08, total gross revenue from commercial gaming conducted and managed by the BC Lottery Corporation was \$2.6 billion. After expenses and prize payouts, government revenue from gaming totalled \$1,089 million. This revenue supports local communities and government programs.

Supporting Communities

Approximately one out of every four dollars from gaming revenue directly benefits people and communities through grants and municipal programs. This is distributed through the Branch's grant programs, payments to municipalities that host casinos and/or community gaming centres, and grants to support the revitalization of B.C.'s horse racing industry.

These grants support social programs, community services, and local economic development that might not otherwise receive funding. In 2007/08, the Branch distributed \$147.3 million in community gaming grants to approximately 5,800 community organizations.

In addition, the Branch paid \$83 million in gaming revenue to 25 local governments that host casinos or community gaming centres. Host local governments may use these funds for any purpose within their legal authority that is of benefit to the community. Since 1999, the Province has distributed over \$440 million in gaming revenue to local governments.

Gaming funds support a wide variety of vital community programs, capital projects and other expenditures. For instance, in 2007/08, these included:

- \$3.4 million for the Town Centre Tournament Facility in Coquitlam;

- \$3.9 million for RCMP municipal policing services in Kelowna;
- \$0.9 million for flood protection in New Westminster;
- \$0.1 million for the Nanaimo and District Museum Society; and
- \$0.7 million for Pine Beetle Control in Prince George.

To support the revitalization of horse racing, the Branch also distributed \$5.7 million to the industry through a number of economic and business initiatives, including increased purses.

B.C. Government Programs

Approximately three-quarters of all gaming revenues are directed towards government's Health Special Account and the Consolidated Revenue Fund to support provincial health care and education services.

The Health Special Account is used exclusively for the administration, operation and delivery of health care, health research, and health promotion and education services. In 2007/08, approximately \$147.3 million was paid into the account. Since its creation in 1992, over \$1.5 billion in gaming revenue has been directed to this account.

In 2007/08, over \$658.4 million was directed to the Consolidated Revenue Fund to support social programs, primarily health care and education. In the past ten years, over \$3.7 billion in gaming revenue has been directed to the Fund.

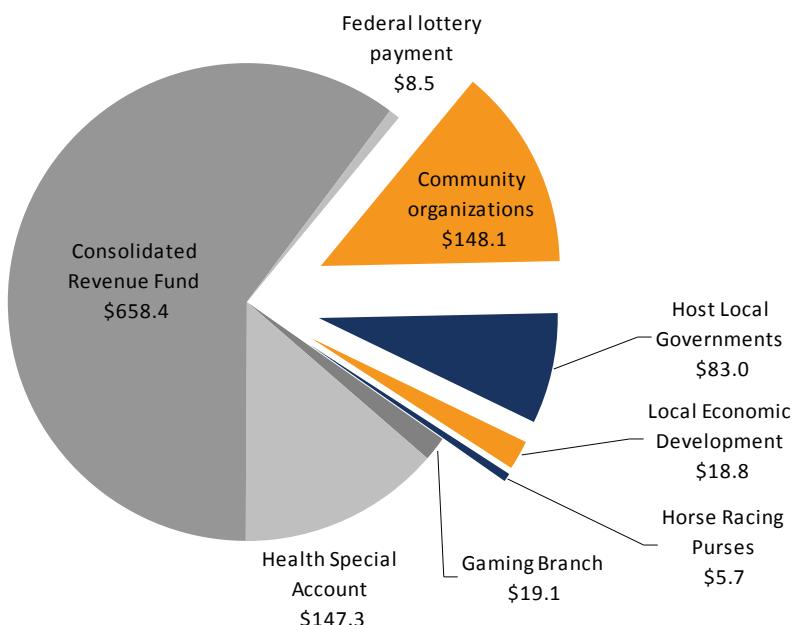
Gaming Policy and Enforcement Branch Operations

In 2007/08, the Branch spent \$19.1 million on the regulation of gaming in British Columbia. Core Branch operations cost \$13.7 million, an increase of \$3.3 million from 2006/07. This increase was required to address the initiatives and increased obligations brought about by reviews of the B.C. lottery retail network conducted by the Branch, the B.C. Ombudsman and Deloitte and Touche. The Problem Gambling Program cost a further \$5.4 million.

Government of Canada Transfer

As part of a revenue sharing agreement between the federal and provincial governments, \$8.5 million of lottery revenues was transferred to the federal government.

Figure 1: Where the Money Goes



LOOKING AHEAD

Gaming is a popular form of entertainment in British Columbia. Recent surveys indicate that approximately eight out of every ten British Columbians over the age of 19 gambled at least once in 2007/08. The gaming industry is complex and continues to evolve. In the past year, the industry has seen the emergence of more multi-purpose gaming venues, higher scrutiny of lottery gaming and an increase in the popularity of illegal and unregulated internet gambling sites.

In 2008/09, the Branch intends to complete implementation of all recommendations made by the British Columbia Ombudsman and Deloitte and Touche. In addition, the Branch will continue to enhance the services it provides to citizens and communities. This includes enhanced protection of citizens and communities and efforts to ensure compliance with standards and regulations. The Branch will also continue to measure public perception of the Branch's efforts to regulate and manage gaming.

Services to citizens and communities

In 2007/08, the Branch implemented Gaming Online Service, an integrated Internet-based information system that has improved the overall business functions of the Branch and ensured a single point of access for clients. British Columbians can now go online to apply for gaming grants and licences, 24 hours a day, seven days a week.

In 2008/09, the Branch will develop and implement the final phases of its online service. These enhancements will add the Branch's audit, investigation and registration functions to online operations. In particular, enhancements to

Gaming Online Service in the coming year will allow prospective gaming workers and companies to submit registration applications, as well as make any payments and receive confirmations online. These enhancements will make the registration process more efficient and client-centered, and further ensure the integrity of gaming operations.

In the coming year, the Problem Gambling Program will undertake several initiatives to increase services to at-risk populations and reduce barriers to access. These initiatives will include expanding the Know the Score program across the province; placing Responsible Gambling Information Centres in every casino in the province; and contracting with specialized service providers to identify at-risk populations and develop materials and programs to meet their specific needs.

The Problem Gambling Program will also enhance its overall service capacity by increasing the number of contracted prevention service providers and offering a more comprehensive continuum of clinical care by introducing day, evening and weekend retreat programs.

The Branch will be working towards the creation of an external panel of experts to consider and recommend problem and responsible gambling-related research to the Province. The panel will be responsible for identifying potential areas of research to inform effective policy making and program development, helping ensure that gambling continues to be delivered in a safe, healthy and responsible manner.

Protecting citizens and communities

In 2008/09, the Branch will continue to enhance and strengthen its regulatory oversight of gaming in the province. This will include issuing directives and developing legislation in response to the recommendations of the Ombudsman and Deloitte and Touche.

The Branch's responsibilities with regard to registration have expanded significantly in the past year. In 2008/09 the Branch will continue to register lottery retailers, with completion of the remaining 1,400 pre-existing retailers by August 2008. The Branch will also implement certification standards for ensuring the technical integrity of scratch and win tickets.

The Branch will continue to support the horse racing industry, as well as regulate and manage all horse racing in B.C. In 2008/09, the Branch will oversee the running of approximately 2,000 races on almost 200 race dates at tracks around the province.

Ensuring compliance with standards and regulations

The Branch plans to conduct over 600 audits in 2008/09, with a particular focus on commercial gaming facilities, registered raffle licensees and community organizations receiving gaming grants.

As a result of the Ombudsman's report, the Branch developed a comprehensive five-year audit plan that examines the BC Lottery

Corporation's conduct and management of all forms of gaming, including casinos, community gaming centres, bingo halls, lotteries and the Corporation's PlayNow web site. In 2008/09, the Branch will fully implement this plan. In addition, the Branch will continue to monitor, report and comment on the Corporation's implementation of all the recommendations made by the Ombudsman and Deloitte and Touche regarding B.C.'s lottery retail network.

The reports by the Ombudsman and Deloitte and Touche made recommendations to strengthen and widen the scope of the Branch's enforcement work. In 2008/09, the Branch will continue to implement initiatives to ensure comprehensive and independent investigations of issues related to all the Corporation's business areas are undertaken, including its lottery retail business. This will include ensuring the Corporation is aware of its reporting requirements, conducting fully independent investigations of any alleged impropriety involving lottery retailers, and regularly reporting on the status of investigations.

In the coming year, the Branch, through its partnership with the RCMP, will continue to investigate all reports of illegal gambling in the province. In addition, the Branch will be targeting individuals who have been prohibited from entering legal gaming venues. These efforts will help ensure undesirable individuals are prevented from profiting from illegal activity.

APPENDIX A: GAMING INDUSTRY LEGAL AND OPERATING FRAMEWORK

Gaming in the province is regulated under the Criminal Code of Canada and B.C.'s Gaming Control Act. Responsibility for ensuring the effective regulation of gaming belongs to the Minister of Housing and Social Development. The Minister provides broad policy direction to ensure

government's social and economic priorities for gaming are achieved. The Minister is not involved in decisions respecting individuals or specific companies or organizations, or in the day-to-day management of gaming.

Regulating the British Columbia Gaming Industry

Gaming is regulated by the Gaming Policy and Enforcement Branch. The Branch is made up of six divisions:

- The Policy, Responsible Gambling and Management Services Division is responsible for developing and maintaining the policy and regulatory framework for gaming and horse racing in B.C. The Division establishes industry-wide public interest standards and manages responsible gambling initiatives and problem gambling treatment programs. In addition, the Division is responsible for providing financial advice to Branch executive, administering the Branch budget, making payments on behalf of the Branch, providing information and technology support and managing all Branch facilities.
- The Licensing and Grants Division is responsible for distributing grants to community organizations and issuing gaming event licences to eligible organizations.
- The Racing Division is responsible for regulating and managing horse racing in B.C.
- The Registration and Certification Division is responsible for conducting financial and personal background checks on all gaming services providers and gaming workers. The Division also approves and certifies all gaming equipment used in the province.
- The Audit and Compliance Division is responsible for conducting audits of commercial gaming, lottery gaming, licensed gaming events and community organizations' use of gaming proceeds. The Division works with community organizations to improve compliance with legislation and policies.
- The Investigations and Regional Operations Division fulfills the Branch's enforcement function and is responsible for investigating all complaints and allegations of regulatory wrongdoing and assists law enforcement agencies in criminal investigations in or near gaming and horse racing facilities in B.C. In addition, the Division is responsible for the day to day management of regional offices in Kelowna, Prince George and Burnaby.

Conduct and Management of Gaming in British Columbia

British Columbia Lottery Corporation

The BC Lottery Corporation conducts and manages all commercial gaming in the province, with the exception of horse racing. Headed by a board of directors appointed by Cabinet, the Corporation reports to the Minister of Public Safety and Solicitor General (Minster of Housing and Social Development since June 2008) and is regulated by the Branch. The Branch routinely audits Corporation operations to ensure that commercial gaming is operated according to government public interest standards. The Corporation manages all contracts and formal relationships with service providers, as well as all lottery agreements with other provinces and the federal government. In addition, the Corporation sets the rules of play for lotteries, casinos and commercial bingo halls.

Horse Racing Service Providers

The Branch licenses private companies to conduct and operate live horse racing events at horse racing tracks. These service providers are responsible for conducting horse racing in accordance with rules and regulations as set by the Province in the Gaming Control Act and the *Rules of Thoroughbred and Standardbred Horse Racing* in British Columbia. Pari-mutuel wagering on horse races is regulated by the federal government through the Canadian Pari-Mutuel Agency.

Licensed Community and other Organizations

The Branch licenses community and other eligible organizations to conduct and manage gaming events such as ticket raffles, independent bingos, wheels of fortune and social occasion casinos. Community organizations that host licensed charitable gaming events must comply with the rules and regulations outlined by the Province. These rules include disclosing required financial information within two months of hosting a gaming event. The rules also require that, except in two modest cases, licensees ensure no one under the age of 19 participates in gambling activities.

Supporting the Delivery of Gaming in British Columbia

Gaming Services Providers

The BC Lottery Corporation contracts with private companies to provide day to day operational services at its gaming facilities and lottery outlets. These companies include casino, bingo and community gaming centre operators. Services providers must ensure all gaming employees have taken Appropriate Response Training and that no persons under the age of 19 participate in gambling activities or are present where gambling activity occurs. These gaming services providers are monitored by the Registration Division to ensure they adhere to the conditions of their registration and continuously demonstrate the highest level of integrity.

Key Persons

The Branch identifies as key persons those individuals who hold critical security, operational or financial responsibilities in the gaming and horse racing industries. These individuals include directors, officers and senior employees of any business that is involved with gaming operations in the province. Key persons are registered for up to five years and are required to undergo a rigorous vetting process to ensure the honesty, integrity and financial responsibility of gaming in B.C. The division conducts a background check that includes, but is not limited to, a criminal record check, a credit check and verification of assets and liabilities.

Gaming Equipment Suppliers

Gaming equipment suppliers manufacture and/or distribute gaming equipment and materials to gaming venues. Manufacturers include companies

that produce gaming equipment and materials, such as bingo paper, slot machines and playing chips. Distributors also include companies that market gaming equipment and materials.

Ancillary Service Providers

Ancillary contractors include companies that provide services to gaming operators that are not directly related to the delivery of gaming. These include janitorial services, landlords and concessionaires.

Gaming and Horse Race Workers

Gaming and horse racing workers are registered by the Province to ensure the integrity, honesty and financial responsibility of gaming and horse racing operations. Gaming workers are individuals who are paid to conduct, manage or present large-scale licensed raffles, casino games, commercial bingos or teletheatres. Horse race workers include individuals who work for, or conduct business with, race tracks. These include jockeys, trainers, race horse owners and racing officials.

Horse Racing Teletheatre Operators

The Branch licenses teletheatre sites to present simulcast satellite broadcasts of horse races run at local, national and international tracks. There are 26 teletheatre locations in B.C. Twenty-three are operated by TBC Teletheatre BC in venues across the province. The remaining three teletheatres are located at race tracks (Hastings Racecourse, Fraser Downs Racetrack and Sandown Raceway) and are operated by the Great Canadian Gaming Corporation.

APPENDIX B: GAMING PERMITTED IN BRITISH COLUMBIA

Appendix B

Gaming is a rapidly evolving industry. New products, approaches and methods of delivery are continually being developed. Players' preferences are also continually changing. The Province of British Columbia has chosen to take a cautious and responsible approach to determining the forms of games it will permit and where the

games may take place. Such opportunities must not jeopardize the integrity of the industry and must be capable of being effectively regulated and socially responsible. The following table summarizes the forms of gaming the Province has authorized, and the locations where each may be offered.

Table 18: Gaming Permitted in B.C.

Commercial Gaming	Casinos	Bingo Halls	CGCs*	Co-Located Race Tracks/ Casinos	Race Tracks	Lottery Outlets	Internet	Licensed Events	Pubs & Bars
Commercial Bingo Games									
Lottery Products									
Slot Machines									
Table Games									
Poker Tables									
Electronic Table Games									
Live Horse Racing									
Teletheatres									
Licensed Charitable Gaming									
Ticket Raffles									
Independent Bingo									
Social Occasion Casinos									
Wheels of Fortune									

* Community Gaming Centres

APPENDIX C: SOURCE AND DISTRIBUTION OF REVENUES

Table 19: *Government Gaming Revenues and Disbursements*

Revenue – In (all figures in \$ millions)	2007/08	2006/07
Lotteries	\$262.0	\$281.6
Horse Racing Betting Fee	1.9	1.9
Casinos	761.8	698.6
Bingo (includes community gaming centres)	63.2	36.7
Total Revenue	\$1088.9	\$1,018.8
Disbursements – Out	2007/08	2006/07
Supporting Communities		
Community Organizations	\$148.1	\$144.5
Payment to Host Local Governments	83.0	76.1
Local Economic Development (DAC)	18.8	16.5
Horse Racing Purse Enhancements	5.7	5.2
Gaming Policy and Enforcement Branch Operations		
Core Programs to Regulate Gaming	13.7	10.4
Problem Gambling Program	5.4	4.3
B.C. Government Programs		
Health Special Account	147.3	147.3
Consolidated Revenue Fund	658.4	606.1
Government of Canada Transfer		
Under a federal/provincial lottery agreement	8.5	8.4
Total Disbursements	\$1088.9	\$1,018.8

Table 20: Host Local Government Share of Gaming Revenues

Host Government	Casino or Community Gaming Centre	2007/08	2006/07
Burnaby	Gateway Casino Burnaby	\$10,435,052	\$9,806,757
Campbell River	Campbell R. Bingo Palace* (closed 06/07)	122,951	432,574
	Campbell River Chances* (opened 07/07)	554,408	-
Coquitlam	Boulevard Casino	9,946,588	9,186,194
Courtenay	Chances Courtenay* (opened 02/08)	53,553	-
Dawson Creek	Bear Mountain Bingo Hall*	816,934	691,606
Cowichan	Chances Cowichan* (opened 03/07)	691,551	-
Fort St. John	Chances Fort. St. John* (opened 09/07)	424,771	-
Kamloops	Lake City Casino Kamloops	2,401,859	2,119,709
	Chances Kamloops*	306,720	215,655
Kelowna	Lake City Casino Kelowna	3,072,288	2,957,877
	Chances Kelowna*	970,691	635,199
Ktunaxa Tribal (Cranbrook)	Casino of the Rockies [†]	1,731,597	1,534,266
Langley	Cascades Casino	7,508,464	6,807,091
Mission	Chances Boardwalk* (opened 08/07)	265,244	-
Nanaimo	Great Canadian Nanaimo	3,054,116	3,084,271
New Westminster	Royal City Star (Riverboat) [†] (closed 12/07)	2,387,439	3,411,003
	Starlight Casino [†] (opened 12/07)	1,776,486	
Penticton	Lake City Casinos Penticton [†]	1,853,805	2,543,797
Port Alberni	Chances Rim Rock* (opened 09/07)	227,557	-
Prince George	Treasure Cove Casino	3,039,251	2,859,166
	Chances Good Time Prince George (opened 03/08)	7,755	-
Prince Rupert	Chances Prince Rupert* (opened 10/07)	190,606	-
Quesnel	Billy Barker Casino	702,038	638,975
Richmond	River Rock Casino	12,583,081	12,698,623
Surrey	Fraser Downs	3,923,856	3,387,454
	Great Canadian Holiday Inn (closed 11/07)	773,996	1,253,621
Vancouver	Edgewater Casino	5,556,848	4,717,207
	Hastings Racecourse (slots commended 11/07)	131,842	-
Vernon	Lake City Casino Vernon	1,862,517	1,763,005
View Royal	Great Canadian View Royal	5,037,149	4,901,585
Wells	Jack o' Clubs Gaming Hall (closed 05/06)	-	150
Williams Lake	Chances Signal Point*	611,792	466,688
Total HLG Revenue		\$83,022,805	\$76,112,473

*denotes community gaming centre

[†] denotes destination casino

Table 21: Gaming Revenue Distributed to Horse Racing Industry

Revenue to Horse Racing Industry (all figures in \$ thousands)	2007/08	2006/07
Thoroughbred Industry (via Hastings Racecourse and Casino)	\$1,407	\$281.6
Standardbred Industry (via Fraser Downs Racetrack and Casino)	4,266	36.7
Total Revenue	\$5,673	\$5,182

APPENDIX D: BRANCH OPERATING BUDGET AND EXPENDITURES

Appendix D

Table 22: Branch Budget and Expenditures

Branch Budget	2007/08	2006/07
Core Operations	\$11,766,000	\$10,454,000
Problem Gambling Program	6,997,000	4,003,000
Total Branch Budget	\$18,763,000	\$14,457,000
Branch Expenditures	2007/08	2006/07
Core Operations		
Salaries and benefits costs	\$9,671,374	\$7,969,113
Operating and business expenses	3,545,678	1,931,248
Legal and professional services	501,413	480,116
Subtotal	13,718,465	10,380,477
Problem Gambling Program		
Salaries and benefits costs	233,488	211,155
Operating and business expenses	674,113	260,179
Legal and professional services	427,094	203,064
Contracts	4,032,565	3,600,058
Subtotal	5,367,260	4,274,456
Total Branch Expenditures	\$19,085,725	\$14,654,933
Surplus/(Deficit)	\$(322,725)	\$(197,933)

Annual Report

*April 1, 2007 to
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Contact information

For more information on the Gaming Policy and Enforcement Branch, or to view this document and others from the Ministry of Housing and Social Development, please go to our website at:

<http://www.hsd.gov.bc.ca/gaming/>

For more information on B.C.'s Responsible Gambling Strategy please go to:

<http://www.bcresponsiblegambling.ca>

The Head Office of the Gaming Policy and Enforcement Branch is located in Victoria, with regional offices located in Burnaby, Kelowna and Prince George.

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