



**BRITISH
COLUMBIA**

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**Ministry of Housing and Social Development
Gaming Policy and Enforcement Branch**

**GPEB Five Year Audit Plan
(2009/10 – 2013/14)**

May 31, 2009

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1. Authority and Responsibility

Audit and Compliance Division (ACD) operates within the Gaming Policy and Enforcement Branch (GPEB) and our authority is defined in the Gaming Control Act (GCA) and Regulation. Our audit work is further guided by policy directives and public interest standards issued by GPEB. We conduct our work in accordance with government's overall requirements in terms of confidentiality and conduct, supplemented by policies unique to GPEB and further tailored to suit the sensitivity of our role.

In addition, the Gaming Policy and Enforcement Branch is accountable to the Ministry of Finance and to the Auditor General for the management of gaming revenues that the Branch distributes on behalf of the Province. Certainty of the amount and timing of net gaming income to government and of financial claims made against those programs (such as by gaming service providers) is central to our mandate. Specific areas that require our involvement include managing the distribution of government's gaming proceeds, including grants to: community organizations; local governments (HLG payments); for local economic development (DAC grants); and to support the revitalization of B.C.'s horse racing industry.

Our mission is to protect the integrity of gaming by:

- Delivering a comprehensive risk-based audit strategy to assess regulatory compliance for commercial gaming, including lottery gaming, licensed gaming and community organizations' use of gaming proceeds; and
- Encouraging enhanced compliance through public education programs and advisory services.

ACD is comprised of two operating units, whose regulatory compliance roles are:

- **Commercial Gaming Audit** – All commercial gaming including lotteries, casinos, community gaming centres, bingo halls and racetracks. Much of Commercial Audit's work involves conducting compliance audits and inspections of the conduct, management and operation of commercial gaming activities by the BCLC and its services providers.
- **Charitable Gaming Audit** – All charitable gaming including licensed gaming events (ticket raffles, independent bingos, social occasion casinos, wheels of fortune, limited casinos and licensed poker) and use of gaming proceeds and Community Gaming Grants. Charitable Audit's work involves conducting compliance audits and inspections of licensed gaming events and charities' use of gaming event proceeds and Community Gaming Grants.

2. Strategic Objectives

- Verify compliance with the Gaming Control Act (GCA), including Section 86 reporting, Regulation, GPEB directives and public interest standards;
- Confirm that the integrity, fairness, security and public safety of the commercial and charitable gaming environments, gaming equipment, gaming assets, and gaming supplies is maintained; and
- Confirm that a safe and supportive environment for the delivery of gaming products and services is in place where responsible gambling is encouraged, gambling risks are minimized, and effective and timely information and assistance is provided for those with gambling problems.

These objectives are common to all audits conducted by ACD units and so are not repeated in the detailed audit plans on subsequent pages.

3. Reporting

3.1 Assignment Level

ACD will forward to each auditee, as soon as practicable after audit fieldwork, written reports summarizing audit coverage, findings, and recommendations for improvements.

ACD will forward to BCLC, as soon as practicable, deficiencies identified through lottery retailer inspections.

3.2 Organizational Level

ACD will prepare an annual report summarizing the compliance levels for BCLC and its conduct of all forms of commercial gaming as it relates to Responsible Gambling and Advertising and Marketing Public Interest Standards, each fiscal period, based on findings identified in our audits of BCLC and its service providers.

4. Additional Audit Work

In addition to the work detailed in the following audit plans, ACD will be performing an ongoing monitoring function of BCLC and its service providers; will respond to additional audit requests from the Branch; and, will investigate complaints from the public regarding procedural compliance concerns.

5. Audit Plan: Commercial Gaming

5.1 Approach

Risk Management

This plan has been developed from a risk assessment that utilized various information sources such as, external reports, previous GPEB audit reports, BCLC's internal information systems (i.e.: ITRAK), lottery retailer inspections, and the Ombudsman's report (dated May 31, 2007). As more information is obtained during our audit fieldwork, risk assessments may change which could result in a revision of priorities and identification of additional audits that may be required. As well, the schedule of audits during this five year period may be revised if it is determined that there has been a significant change to a business process. Follow-up audit work will be carried out, when deemed necessary, to determine if relevant actions have been implemented. Where audits of BCLC are not scheduled on an annual basis, a monitoring program and/or control self-assessment tools will be used by ACD to determine if there are significant changes in controls that warrant a full audit.

Reliance

Reliance may be placed on audits or compliance programs performed by BCLC and/or external third parties. As per accepted audit practice, we will review the extent and depth of any audit work performed by third parties to determine whether reliance can be placed on the work performed in order to reduce duplication of efforts.

Business Knowledge

Additional fieldwork will be undertaken by GPEB auditors throughout the fiscal year in order to gain knowledge of other areas of the BCLC's activities. These efforts will ensure that ACD has the appropriate context to perform its audit work. This gathering of knowledge will not be considered audit fieldwork and, therefore, a formal audit report will not be issued for this type of work. Examples of this will include the collection of information and documents, and ensuring ACD has an understanding, concerning BCLC's:

- Organizational structure (including their assigned roles and responsibilities);
- Public reporting, Freedom of Information and privacy protection processes;
- Performance metrics; and
- Staff code of conduct.

5.2 Objectives: BCLC’s Overall Conduct and Management of All Forms of Gaming

Strategic Objectives

The strategic objectives presented in part 2 of this document are common to all gaming audits conducted by ACD and so are not repeated in this detailed audit plan.

Specific Objectives

- Verify that BCLC’s operations, processes and internal control systems, as they impact BCLC’s conduct, management and operation of any form of gaming, comply with the GCA and Regulation, GPEB public interest standards, and all policies and procedures and directives from GPEB and/or government; and
- Verify the accurate and complete management and reporting of net gaming revenues to government.

Priority	Area	Description	Risk Rating	2009/10	2010/11	2011/12	2012/13	2013/14
1.	GPEB Registration	This audit will include verifying that GPEB registration requirements regarding people, equipment and companies are met.	Required	✓	✓	✓	✓	✓
2.	Responsible Gambling and Advertising	This audit will include verifying compliance by BCLC with Responsible Gambling Standards and Advertising and Marketing Standards for the B.C. gambling Industry for all forms of gaming. The ACD Advertising and Marketing Responsible Gambling Compliance Program provides ongoing monitoring to ensure that all advertising and marketing materials used by BCLC and its service providers are in compliance with GPEB public interest standards.	Required	✓	✓	✓	✓	✓
3.	Complaint Process	This audit will include a review of the processes and controls that are in place to document, route and follow up on all complaints, including the completeness and timeliness of concluding the file and forwarding Section 86 complaints to GPEB.	Required	✓	✓	✓	✓	✓
4.	Compliance Regime	Audits will include reviewing the function of BCLC Internal Audit, Operational Gaming Audit, Lottery Mystery Shopper Program and Ethical Reporting Program (Whistleblower). (A)	Required	✓	✓	✓	✓	✓

GPEB Five Year Audit Plan (2009/10 – 2013/14)

Priority	Area	Description	Risk Rating	2009/10	2010/11	2011/12	2012/13	2013/14
5.	Accounting for Gaming Revenues and Expenditures Reported to GPEB	These audits will include reviews of internal controls and reporting of gaming revenues to GPEB as these activities relate to GPEB's own accountabilities. For example, DACs, HFAAs, and independent bingo Ka-Chingo net revenue. (A)	Required	✓	✓	✓	✓	✓
6.	IT	These audits will include reviews of the functionality, security and controls of BCLC IT systems (i.e.: corporate, lottery or commercial gaming systems). (A)	High	✓	✓	✓	✓	✓
7.	Communications and Reporting to GPEB and BCLC's Service Providers	Audits will include reviewing BCLC's retailer and service provider communications and verifying that information related to the integrity of gaming has been reported to GPEB in a timely and accurate manner. (A)	Low			✓		

Note:

- A. This audit area will be broken down into several components that may be performed over a period of years.

5.3 Objectives: BCLC’s Conduct and Management of Lottery Gaming

Strategic Objectives

The strategic objectives presented in part 2 of this document are common to all gaming audits conducted by ACD and so are not repeated in this detailed audit plan.

Specific Objectives

- Verify BCLC’s compliance with: GPEB’s recommendations resulting from GPEB’s review of BCLC’s lottery prize payout procedures (report dated December 2006); the B.C. Ombudsman’s recommendations to BCLC (report dated May 31, 2007)); and the independent auditor Deloitte and Touche’s recommendations to BCLC as they impact or relate to GPEB’s accountabilities (report dated October 31, 2007).

Priority	Area	Description	Risk Rating	2009/10	2010/11	2011/12	2012/13	2013/14
1.	Implementation of Recommendations-Ongoing Monitoring	Verify recommendations in GPEB, Ombudsman and Deloitte & Touche reports (as they impact or relate to GPEB’s accountabilities) have been addressed and that ongoing monitoring of these issues is maintained.	Required	✓	✓	✓	✓	✓
2.	Retailer Sales	Follows the flow of information and documentation from the retailer order entered into the billing system through to revenue recorded in the BCLC system. There will be an emphasis on customer ticket purchases, processes and controls safeguarding those transactions.	Medium	✓	✓	✓	✓	✓
3.	Prize Payout Process	Verify that appropriate policies, controls and procedures are in place to support the prize payout process and that they are being followed; and, tracking and reporting of ‘insider’ wins. (A)	Medium	✓	✓	✓	✓	✓
4.	E-gaming	This audit includes a review of the e-gaming system and controls in place to ensure gaming integrity.	Medium	✓	✓	✓	✓	✓
5.	Retailer Contract Framework	Review framework to LOA and evaluate enforcement of contract terms and conditions, including progressive discipline for breaches.	Medium	✓		✓		✓
6.	Validation Process	Verify that retailers are utilizing appropriate systems and following policies and procedures to safeguard the integrity of the validation process for the customer. Ongoing monitoring through retailer inspections provides some additional risk mitigation.	Medium	✓		✓		✓

GPEB Five Year Audit Plan (2009/10 – 2013/14)

Priority	Area	Description	Risk Rating	2009/10	2010/11	2011/12	2012/13	2013/14
7.	Subscription Ticket Process	Review of subscription ticket buying process from retailer to logging and matching of customer subscription information by BCLC Kamloops and that payouts are made in accordance with policies and procedures. This audit will merge with the Prize Payout Audit in 2009/10.	Medium	✓				
8.	Retailer Support & Maintenance	Audits will include a review of the retailer hotline, retailer maintenance process, retailer equipment maintenance and retailer training. (A)	Medium	✓	✓	✓	✓	✓
9.	Lottery Draw Process	Review processes covering the generation of winning numbers and matching to winning tickets. This audit will merge with the Validation Process Audit in 2009/10.	Low	✓				
10.	Manufacturing Process	Review the policies and procedures in place to control the integrity of the manufacturing process from S&W ticket data transmitted to manufacturer through to the shipment to the retailer.	Low		✓			✓
11.	Inventory	A review of security measures and controls in place over lottery product inventory. This audit will merge with the Retailer Sales Audit in 2009/10.	Low	✓				
12.	Mailed in Ticket Process	Review processes to verify that tickets received in the mail room are appropriately logged and included for prize claims. This audit will merge with the Prize Payout Audit in 2009/10.	Low	✓				
13.	Lottery Finance	Audits will include a review of the retailer banking process, delinquent account handling, lottery liability maintenance and expired ticket accounting. (A)	Low	✓	✓	✓	✓	✓

Retailer inspections will continue to be carried out in each fiscal period as a method of gathering information for many of the audits listed above.

Note:

- A. This audit area will be broken down into several components that may be performed over a period of years.

**5.4 Objectives: BCLC’s Conduct and Management of Commercial Gaming
(Casino, Community Gaming Centres and Bingo Halls)**

Strategic Objectives

The strategic objectives presented in part 2 of this document are common to all gaming audits conducted by ACD and so are not repeated in this detailed audit plan. The comprehensive audit program of gaming facilities continues with additional emphasis on several new operational components as determined by our risk assessment.

Specific Objectives

- Verify compliance with Security and Surveillance Standards, Responsible Gambling Standards and Advertising and Marketing Standards for the BC Gambling Industry.

Priority	Area	Description	Risk Rating	Base 2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
1.	Casinos	<p>Audits will include a review of all operational functions within each gaming site. The specific objectives of this audit are to verify:</p> <ul style="list-style-type: none"> • That the system of internal controls provides an adequate audit trail, accurate documentation and safeguards over gaming assets; and • Compliance with the BCLC Casino Standards, Policies and Procedures. <p>(These audits include casino operations located at racetrack facilities.)</p>	Required	17	✓ (17)	✓	✓	✓	✓
2.	Community Gaming Centres	<p>Audits will include a review of all operational functions within each gaming site.</p> <p>The specific objectives of this audit are to verify:</p> <ul style="list-style-type: none"> • That the system of internal controls provides an adequate audit trail, accurate documentation and safeguards over gaming assets; and • Compliance with BCLC Community Gaming Centre Standards, Policies and Procedures. 	Required	12	✓ (14)	✓	✓	✓	✓

Priority	Area	Description	Risk Rating	Base 2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
3.	Bingo Halls	<p>Audits will include a review of all operational functions within each gaming site. The specific objectives of this <u>bi-annual</u> audit are to verify:</p> <ul style="list-style-type: none"> • That the system of internal controls provides an adequate audit trail, accurate documentation and safeguards gaming assets; and • Compliance with BCLC Bingo Standards, Policies and Procedures. 	Required	10	✓ (4)	✓	✓	✓	✓
4.	FINTRAC Audit	<p>This <u>annual</u> audit reviews BCLC's compliance with FINTRAC reporting requirements under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA).</p> <p>A semi-annual audit will also be conducted to monitor compliance in specific areas as determined by our risk assessment. The findings from this audit will roll up into the annual audit report.</p>	Required	1	✓	✓	✓	✓	✓
5.	Poker/Mahjong Tournaments	<p>The specific objectives of this audit are to verify:</p> <ul style="list-style-type: none"> • That the system of internal controls provides an adequate audit trail, accurate documentation and safeguards gaming assets; and • Compliance with BCLC Casino Standards, Policies and Procedures. 	Medium	2	✓ (4)	✓			
6.	Asset Maintenance	<p>The general objectives of these audits are to verify that gaming assets are being maintained as they relate to game integrity and public safety. For example, reviews of security and surveillance component plans and the BC Gold program. (A)</p>	Medium	0	✓ (1)	✓	✓		

Priority	Area	Description	Risk Rating	Base 2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
7.	Service Provider Card Warehouses	The specific objectives of this audit are to verify: <ul style="list-style-type: none"> • That controls are in place to properly safeguard assets; • That controls provide adequate segregation and supervision over service provider warehouse functions; and • Compliance with BCLC Casino Standards, Policies and Procedures. 	Low	0	✓ (1)	✓ (1)		✓	✓
8.	Foreign Chip Handling	The specific objectives of this audit are to verify: <ul style="list-style-type: none"> • That controls are in place to safeguard assets; • That controls provide adequate segregation and supervision over chip handling functions; and • Compliance with BCLC Casino Standards, Policies and Procedures. 	Low	0		✓ (1)			✓
9.	Prize Payout (Slots and Tables)	The specific objectives of these audits are to verify that: <ul style="list-style-type: none"> • Prizes are awarded to the rightful owner; • Amounts paid to winners are accurate; and • The prizes are paid in a timely manner. 	Low	Slots	Tables			✓	
10.	Customer Service at Service Provider Level	The specific objective of this audit is to review the customer service processes across gaming facilities and providers. A major focus of the audit will be on the customer complaint/concern procedures in place.	Low	0		✓			

Note:

1. This audit area will be broken down into several components that may be performed over a period of years.

5.5 Objectives: Horse Racing

Strategic Objectives

The strategic objectives presented in part 2 of this document are common to all gaming audits conducted by ACD and so are not repeated in this detailed audit plan.

Specific Objectives

- Verify compliance with Security and Surveillance Standards, Responsible Gambling Standards and Advertising and Marketing Standards for the BC Gambling Industry.

Priority	Area	Description	Risk Rating	Base 2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
1.	Racetracks	Audits will include a review of all normal non-race pari-mutuel operations, including event (betting) conduct, surveillance, security, cash handling and regulatory activities (registration and GCA Section 86 reporting).	Required	2	✓	✓	✓	✓	✓
2.	Purse Account Reconciliation and Reporting	This audit will include reviews of internal controls and purse account reconciliation and reporting to GPEB.	Required	1	✓	✓	✓	✓	✓
3.	Responsible Gambling and Advertising – Ongoing Monitoring	The ACD Advertising and Marketing Responsible Gambling Compliance Program provides for ongoing monitoring to ensure that all advertising and marketing materials used by service providers are in compliance with GPEB public interest standards.	Required	1	✓	✓	✓	✓	✓

6. Audit Plan: Licensed Gaming and Community Gaming Grants

6.1 Approach

Charitable Gaming

The selection of charitable organizations that will be audited and the licensed gaming events that will be inspected each year has been developed using a risk-based approach and is based on the grants distributed and the licenses approved during the previous calendar year.

Criteria used for the selection of use of proceeds audits include:

- Organizations that receive gaming income (grants and/or net gaming revenue) over \$250,000 – annual audit;
- Organizations that receive gaming income (grants and/or net gaming revenue) between \$50,000 and \$250,000 – audited approximately every four years; and
- Random selection of organizations that receive less than \$50,000 in gaming grants.

Various criteria may be used to determine which licenses are selected for event inspections each year, including: anticipated gross sales revenue; complaints from the public; findings from previous inspections; or, information obtained from other GPEB divisions.

Risk assessments may change during the year which may result in a revision of priorities and identification of additional audits that may be required. As well, follow-up audit work will be carried out, when deemed necessary, to determine if relevant actions have been implemented.

Grant or Sector Specific Projects

Each year, based on knowledge gathered during our scheduled audits, we will identify specific sectors or types of grants where additional audits will be conducted. Along with verifying compliance, this approach will allow us to develop educational tools specific to a particular sector or grant type which should enhance compliance in these areas.

6.2 Objectives: Licensed Gaming and Community Gaming Grants

Strategic Objectives

The strategic objectives presented in part 2 of this document are common to all gaming audits conducted by ACD and so are not repeated in this detailed audit plan.

Specific Objectives

- Verify compliance with grant and licence terms and conditions; and
- Verify compliance with Responsible Gambling Standards and Advertising and Marketing Standards for the BC Gambling Industry.

Priority	Area	Description	Risk Rating	Base 2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
1.	Licensed Gaming	<p>The specific objectives of these audits are to verify that:</p> <ul style="list-style-type: none"> • Charitable organizations are managing and conducting gaming events in compliance with the terms and conditions of the license; • The system of internal controls provides an adequate audit trail, accurate documentation and safeguards gaming assets; and • Charitable organizations have deducted appropriate expenses from the gross revenue of the event and spent net revenue generated from the event on eligible disbursements. 	Required	148 files	✓ 166 files	✓ TBD	✓ TBD	✓ TBD	✓ TBD
2.	PNE – Limited Casino and Wheels of Fortune	<p>The specific objectives of these audits are to verify that:</p> <ul style="list-style-type: none"> • The management and conduct of the gaming event is in compliance with the terms and conditions of the license; and • The system of internal controls provides an adequate audit trail, accurate documentation and safeguards gaming assets. 	Medium	2	✓	✓	✓	✓	✓

Priority	Area	Description	Risk Rating	Base 2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
3.	PNE – Registered Ticket Raffle	<p>The specific objectives of these audits are to verify that:</p> <ul style="list-style-type: none"> The management and conduct of the gaming event is in compliance with the terms and conditions of the license; The system of internal controls provides an adequate audit trail, accurate documentation and safeguards gaming assets; and The appropriate expenses have been deducted from the gross revenue of the event and the net revenue generated from the event has been spent on eligible disbursements. 	Medium	1	✓	✓	✓	✓	✓
4.	Community Gaming Grants	<p>The specific objectives of these audits are to verify that:</p> <ul style="list-style-type: none"> Charitable organizations have demonstrated organizational and program eligibility; The system of internal controls provides an adequate audit trail, accurate documentation and safeguards gaming assets; and Charitable organizations have used gaming funds for eligible programs. 	Required	282	✓ (234)	✓ TBD	✓ TBD	✓ TBD	✓ TBD
5.	Grant or Sector Specific Projects	<p>The specific objectives of these audits are to verify that:</p> <ul style="list-style-type: none"> The system of internal controls provides an adequate audit trail, accurate documentation and safeguards gaming assets; and Charitable organizations have used gaming funds for eligible programs or projects, as submitted in their application. 	TBD	30	✓ 60	✓ TBD	✓ TBD	✓ TBD	✓ TBD

GPEB Five Year Audit Plan (2009/10 – 2013/14)

Priority	Area	Description	Risk Rating	Base 2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
6.	Responsible Gambling and Advertising – Ongoing Monitoring	The ACD Advertising and Marketing Responsible Gambling Compliance Program provides for ongoing monitoring to ensure that all advertising and marketing materials used by service providers are in compliance with GPEB public interest standards.	Required	1	✓	✓	✓	✓	✓
7.	Licensed Poker Tournaments	The specific objectives of these audits are to verify that: <ul style="list-style-type: none"> • The management and conduct of the gaming event is in compliance with the terms and conditions of the license; and • The system of internal controls provides an adequate audit trail, accurate documentation and safeguards gaming assets. 	Low	0	✓	✓	✓	✓	✓