



Gaming Policy and Enforcement Branch

**Audit and Compliance Division
Five Year Audit Plan
(2011/12 – 2015/16)**

August 25, 2011

Table of Contents

1. Authority and Responsibility	1
2. Strategic Objectives	2
3. Reporting	2
4. Additional Audit Work	2
5. Audit Plan: Commercial Gaming.....	3
5.1 Approach.....	3
5.2 Objectives: BCLC’s Overall Conduct and Management of All Forms of Gaming.....	4
5.3 Objectives: BCLC’s Conduct and Management of Lottery Gaming.....	6
5.4 Objectives: BCLC’s Conduct and Management of Commercial Gaming (Casino, Community Gaming Centres and Bingo Halls).....	8
5.5 Objectives: Racing	10
6. Audit Plan: Licensed Gaming and Community Gaming Grants.....	11
6.1 Approach.....	11
6.2 Objectives: Licensed Gaming and Community Gaming Grants	12
7. Contact Information.....	13

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 Gaming 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 Gaming 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 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

ACD will forward to each auditee, as soon as practicable after audit fieldwork, written reports summarizing audit findings.

Where appropriate, ACD will forward to other GPEB divisions and BCLC, as soon as practicable, deficiencies identified through audits and inspections, including lottery retailer inspections for further action and/or correction.

4. Additional Audit Work

In addition to the work detailed in the following audit plans, ACD will perform ongoing monitoring 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 through a risk assessment process 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 and through our ongoing monitoring program, risk assessments may change which could result in a revision of priorities and identification of additional audits that may be required. Follow-up audit work will be carried out, when deemed necessary, to determine if action plans have been implemented.

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. This is 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 of BCLC's:

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

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.

Priority	Area	Audit Objective	Risk Rating	2011/12	2012/13	2013/14	2014/15	2015/16
1.	Ongoing Monitoring	Monitoring will include regular reviews of key BCLC operations, such as Section 86 reporting, the review of new initiatives, and/or significant changes to operations or processes not covered in a scheduled audit.	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 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).	Required	✓	✓	✓	✓	✓
5.	Accounting for Gaming Revenues and Expenditures Reported to GPEB	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, HLGs and HFAAs. (A)	Required	✓	✓	✓	✓	✓

Priority	Area	Audit Objective	Risk Rating	2011/12	2012/13	2013/14	2014/15	2015/16
6.	IT	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.	E-gaming	Audits will include a review of BCLC systems and processes in place that provide gaming activities electronically to the public. As such, audits may include the PlayNow.com system and game platforms to verify that an adequate system of internal controls is operating and effective. (A)	High	✓	✓	✓	✓	✓

Note:

A. This audit area may 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.

Priority	Area	Audit Objective	Risk Rating	2011/12	2012/13	2013/14	2014/15	2015/16
1.	GPEB Registration	This audit will include verifying that GPEB registration requirements regarding companies, equipment and people are met within the BCLC and its lottery retailer network.	Required	✓	✓	✓	✓	✓
2.	Retailer Contract Framework	This audit will review that the appropriate procedures are in place for the LOA contract process and evaluate enforcement of contract terms and conditions, including progressive discipline for breaches.	Medium	✓	✓	✓		✓
3.	Retailer Support & Maintenance	Audits will include a review of the retailer hotline, retailer maintenance process, retailer equipment maintenance and retailer training. (A)	Medium	✓	✓	✓	✓	✓
4.	Lottery Product Distribution and Sales	This audit will include a review of the controls in place for the sales cycle from the retailer orders entered into the billing system through to the sales of products to customers. There will be an emphasis on customer ticket purchases, processes and controls safeguarding those transactions.	Medium	✓	✓	✓	✓	✓
5.	Watch Dog	This audit will review the controls in place for watch dog systems related to the validation and high sales volumes. This includes data analysis for suspicious activity and the reporting of it to GPEB.	Medium	✓	✓	✓		✓
6.	Lottery Draw and Validation Process	This audit will review processes and controls in place for the generation of winning numbers and matching of winning tickets. It will also verify that retailers are utilizing appropriate systems and following policies and procedures to safeguard the integrity of the validation process for the customer.	Medium			✓		✓
7.	Prize Payout Process	Audits will include a review of the policies, controls and procedures in place to support the prize payout process including the subscription and mail in processes as well as the tracking and reporting of 'insider'	Medium	✓	✓	✓	✓	✓

Priority	Area	Audit Objective	Risk Rating	2011/12	2012/13	2013/14	2014/15	2015/16
		wins. (A)						
8.	Inventory	This audit will review that security measures and controls are in place over lottery product inventory.	Medium	✓		✓	✓	✓
9.	Lottery Finance	Audits will include a review of the retailer banking process, delinquent account handling, lottery liability maintenance and expired ticket accounting. (A)	Low		✓		✓	
10.	Manufacturing Process	This audit will 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 BCLC.	Low		✓		✓	

Retailer inspections will continue to be carried out in each fiscal period in order to monitor the compliance levels of lottery retailers and as a method of gathering information for many of the audits listed in this audit plan.

Note:

A. This audit area may 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 through our risk assessment process. The risk assessment is made up of inherent risk and control risk factors. Professional judgement is used to determine the extent, frequency and nature of the audits selected.

Priority	Area	Audit Objective	Risk Rating	2011/12	2012/13	2013/14	2014/15	2015/16
1.	Casinos	Audits will include a review of operational functions within each gaming site. The specific objectives of this audit are to verify that the system of internal controls provides an adequate audit trail, accurate documentation and safeguards over gaming assets. (These audits include casino operations located at racetrack facilities.)	Site specific	✓	✓	✓	✓	✓
2.	Community Gaming Centres	Audits will include a review of operational functions within each gaming site. The specific objectives of this audit are to verify that the system of internal controls provides an adequate audit trail, accurate documentation and safeguards over gaming assets.	Site specific	✓	✓	✓	✓	✓
3.	Bingo Halls	Audits will include a review of operational functions within each gaming site. The specific objectives of this audit are to verify that the system of internal controls provides an adequate audit trail, accurate documentation and safeguards gaming assets.	Site specific	✓	✓	✓	✓	✓
4.	Anti-Money Laundering	Audits and reviews of BCLC’s compliance with FINTRAC reporting requirements under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA). Other audits may be conducted to assess registered organizations’ compliance with anti-money laundering legislation and best practices. (A)	Required	✓	✓	✓	✓	✓

Priority	Area	Audit Objective	Risk Rating	2011/12	2012/13	2013/14	2014/15	2015/16
5.	Asset Maintenance	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 the administration of security and surveillance component plans.	High	✓	✓	✓	✓	✓
6.	Service Provider Card Warehouses	The specific objectives of this audit are to verify that controls are in place to properly safeguard assets; and, that controls provide adequate segregation and supervision over service provider warehouse functions.	Low	✓		✓		✓
7.	Foreign Chip Handling	The specific objectives of this audit are to verify that controls are in place to safeguard assets; and, that controls provide adequate segregation and supervision over chip handling functions.	Low	✓		✓		
8.	Prize Payout (Slots, Tables, and eCasino)	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	✓	✓	✓	✓	✓
9.	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	✓			✓	

Note:

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

5.5 Objectives: 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.

Priority	Area	Audit Objective	Risk Rating	2011/12	2012/13	2013/14	2014/15	2015/16
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.	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	✓	✓	✓	✓	✓
3.	Horse Racing Industry Initiative	Audits will include a review of the administration of the industry account, use of funds, revenue streams, governance, and expense disbursements. (A)	Required	✓	✓	✓	✓	✓

Note:

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

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 is developed using a risk assessment process and is based on the grants distributed and the licenses approved during the previous calendar year. As more information is obtained during our audit fieldwork and our ongoing risk assessments, priorities may be revised and additional audits may be identified.

As well, follow-up audit work will be carried out, when deemed necessary, to determine if relevant actions have been implemented as required.

Various criteria are used to determine which licenses are selected for event inspections and which organizations are selected for use of proceeds audits, including: anticipated gross sales revenue; amount of grant received; complaints from the public; findings from previous inspections; control self-assessment questionnaires completed by organizations; and/or, information obtained from other GPEB divisions.

Grant, Licensee or Sector Specific Projects

Each year, based on knowledge gathered during our scheduled audits, we will identify specific sectors or types of grants or licenses 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 will help to 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.

Priority	Area	Audit Objective	Risk Rating	2011/12	2012/13	2013/14	2014/15	2015/16
1.	Licensed Gaming	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; • 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. 	Required	✓	✓	✓	✓	✓
2.	PNE – Limited Casino and Wheels of Fortune	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. 	Medium	✓	✓	✓	✓	✓
3.	PNE – Registered Ticket Raffle	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; • 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	✓	✓	✓	✓	✓

Priority	Area	Audit Objective	Risk Rating	2011/12	2012/13	2013/14	2014/15	2015/16
4.	Community Gaming Grants	The specific objectives of these audits are to verify that: <ul style="list-style-type: none"> Charitable organizations have demonstrated organizational 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. 	Risk assessed on an individual file basis	✓	✓	✓	✓	✓
5.	Grant , License or Sector Specific Projects	The specific objectives of these audits are to verify that: <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. 	Risk assessed on an individual file basis	✓	✓	✓	✓	✓
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	✓	✓	✓	✓	✓

7. Contact Information

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