

A new framework  
**emerges**

Manitoba Gaming Control Commission  
ANNUAL REPORT

13/14

September 30, 2014

Honourable Dave Chomiak  
Minister responsible for Liquor and Gaming Control  
Room 317 Legislative Building  
450 Broadway  
Winnipeg, MB R3C 0V8

Dear Minister Chomiak:

I am honoured to present you with the final annual report of the Manitoba Gaming Control Commission, for the fiscal year ended March 31, 2014.

Respectfully,

A handwritten signature in black ink, appearing to be 'DD', written in a cursive style.

**Darlene Dziewit**  
CHAIR

# Table of Contents

Message from the Chair .....	2
Remarks from the Executive Director .....	4
About the Manitoba Gaming Control Commission .....	6
A New Regulatory Era: Introducing the Liquor and Gaming Authority of Manitoba .....	8
Corporate Performance Results .....	10
Operational Overview .....	14
Financial Statements .....	24



## Message from the Chair

On behalf of the board, I am pleased to present the annual report of the Manitoba Gaming Control Commission (MGCC) for the 2013/14 fiscal year.

This report outlines our operational, financial and public interest activities for the past year.

Since 1997, the MGCC has been dedicated to achieving our mandate to regulate and control gaming activity in Manitoba by providing innovative, effective and fair regulatory services. It is with pride in our accomplishments and excitement for the future that I write this message for what is the MGCC's final annual report. In 2012, the Province of Manitoba announced its intent to bring regulatory services for liquor and gaming under one roof, and legislation passed this year will be proclaimed on April 1, 2014 to create the new Liquor and Gaming Authority of Manitoba (LGA).

The LGA will amalgamate the services formerly provided by the MGCC and the Manitoba Liquor Control Commission's (MLCC) Regulatory Services Division into a single regulatory agency. We are united in this ambitious and significant initiative to streamline services and reduce red tape, while at the same time enhancing public safety, social responsibility and opportunities for community input.

Innovation and integration have been key themes for us this year as we have worked towards developing the regulatory framework that will define the LGA's responsibilities and accountabilities going forward. We continued to consult with our industry stakeholders, citizen groups, municipalities and other organizations, along with the professional and knowledgeable staff members of both organizations, to ensure that our new regulatory environment will strike the right balance.

Throughout this time, the MGCC also continued to deliver our high standard of gaming regulatory services in Manitoba. Our management and staff have worked diligently in collaboration with the MLCC and Manitoba Lotteries Corporation to plan for the future, while remaining dedicated each day to providing the prompt, responsive service the public and industry have come to expect from the MGCC. You will see the evidence of this service excellence throughout the pages of this report.

I have been greatly inspired by what I've experienced during my time as board chair, and especially through this time of change. The MGCC has a strong, service-oriented culture that has garnered the esteem of its stakeholders in Manitoba, as well as regulatory agencies and industry across Canada and beyond. This culture will serve the organization well as we turn the page to our next chapter.

I am privileged to serve with my board colleagues, including new members who have joined us this year to bring their expertise in the oversight of liquor regulation. On behalf of these colleagues, I thank the talented management and staff from both the MGCC and the MLCC's Regulatory Services Division for their dedication in building the trusted and respected regulatory services we offer today, and for their commitment to creating a new regulatory agency for the future.



Darlene Dziewit  
CHAIR

## Remarks from the Executive Director

On behalf of the staff of the Manitoba Gaming Control Commission (MGCC), I am honoured to report on our continued success as the regulator of gaming activities in Manitoba. Over the past year, we have continued to deliver on the mission and goals set by our board in our strategic plan. At the same time, we have had the unique opportunity to reflect on our role and responsibilities as we prepare to evolve into a new organization.

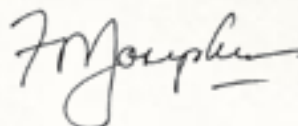


This will be the final annual report of the MGCC. By the time this report is published, integrated legislation to combine regulatory services for liquor and gaming will have been established, replacing the prior acts and regulations that long directed the MGCC's activities. This critical milestone will create the new Liquor and Gaming Authority of Manitoba (LGA) as the single regulator for liquor and gaming in the province, joining the MGCC's services with those of the Manitoba Liquor Control Commission's (MLCC) Regulatory Services Division. Over the past year, we focused our efforts on planning for this bold new era of integrated services, while we continued to deliver the tradition of service excellence expected of us from charities, businesses, First Nations, municipalities and the citizens of Manitoba.

The work we have undertaken to achieve the right regulatory outcomes will support greater flexibility and less red tape for the liquor and gaming industries, while balancing public safety and social responsibility for Manitobans. Our new role as the LGA will be guided by thoughtful policy, careful consideration of risk and compliance, a focus on integrating services, and engagement of stakeholders and staff.

We will also move forward with the same commitment the MGCC has always had for pushing the boundaries of traditional regulation through innovative social responsibility and research initiatives, and the quest for continuous improvement of our regulatory operations. It is my intent to lead the LGA to earn the same reputation for integrity, fairness and service excellence that has long been achieved by the MGCC.

I would like to thank the members of our board for their leadership as we have prepared for our new responsibilities. I would also like to thank the management and staff of the MGCC and the MLCC's Regulatory Services Division for their enthusiasm and tireless efforts both now and for the future. It is their steadfast focus on leadership, effectiveness and communication that has created the strong base that will support our new regulatory framework.



F.J.O. (Rick) Josephson  
EXECUTIVE DIRECTOR

# About the Manitoba Gaming Control Commission

The Manitoba Gaming Control Commission (MGCC) derives its authority and responsibilities from *The Gaming Control Act* and accompanying regulation, as permitted by the *Criminal Code (Canada)*. Under this federal legislation, each province establishes its own regulatory and operating structure within the prohibitions and permissions defined in Sections 206 and 207. As the primary gambling regulatory body in Manitoba, the MGCC ensures the honesty and integrity of gaming events, employees, suppliers, operators and equipment. The MGCC is also a leader in less traditional regulatory endeavours, including research, public education and oversight of operators' responsible gambling policies.

## Our Vision

To regulate and control gaming activity in Manitoba by protecting the public interest, being proactive and responsive to Manitoba's evolving gaming environment and working in consultation with our clients, stakeholders and partners to establish fair, balanced and responsible gaming practices.

## Our Mission

To ensure that gaming activity is conducted honestly, with integrity and in the public interest. We achieve this by strengthening our knowledge base, implementing best practices, building strong communication channels, and using a balanced approach to deliver services and policy advice to effectively and responsively regulate and control gaming activities in our province for the benefit of all Manitobans.

## Our Core Values

The MGCC is committed to delivering our services and programs based on the following core values and standards of conduct:

- INTEGRITY and RESPECT are the fundamental cornerstones of our vision and mission, and will form the basis for all our actions and decisions.
- By seeking a BALANCED PERSPECTIVE, we reflect the complexity of Manitoba's gaming environment.
- By ensuring ACCOUNTABILITY, we protect the public interest.
- We are ADAPTIVE by anticipating and responding to current and emerging issues in the gaming environment that impact the honesty and integrity of gaming activity in Manitoba.
- We are INDEPENDENT of gaming operations and work to ensure PUBLIC CONFIDENCE in the integrity of all gaming activities within the province of Manitoba.



# Vision. Values. MISSION.

## Structure and Responsibilities

The MGCC is guided by a board of commissioners that reports to the Minister charged with the administration of *The Gaming Control Act*. Operational activities are carried out by 59 full-time employees and one part-time employee, led by an executive director. Staffing levels increased throughout the year, particularly in the corporate services and support areas, in preparation for the pending amalgamation of the MGCC and the Manitoba Liquor Control Commission's (MLCC) Regulatory Services Division.

To ensure that gaming activity is conducted honestly, with integrity and in the public interest, the MGCC:

- Licenses charitable gaming events, including bingo, breakopen tickets, raffles, sports draft lotteries and Texas hold'em poker tournaments;
- Registers First Nations casino operators, Manitoba Lotteries Corporation and First Nations casino employees, gaming suppliers, gaming equipment, video lottery terminal (VLT) siteholders and lottery ticket retailers;
- Investigates and makes orders related to gaming patron disputes;
- Inspects and audits gaming activities;
- Ensures all gaming has technical integrity;
- Monitors and enforces compliance with gaming-related legislation;
- Performs responsible gambling education and oversees operator programs;
- Conducts independent and joint research projects; and
- Provides policy advice to the Minister charged with the administration of *The Gaming Control Act*.

The MGCC cooperates with municipal, provincial, federal and international agencies and jurisdictions to meet its legislative mandate. Working closely with partners and stakeholders allows the MGCC to benefit from others' experiences, share its own expertise and undertake collaborative initiatives related to gaming regulation.

## Finances and Resources

The MGCC funds its own activities from service-based licence and registration fees, as authorized by *The Gaming Control Act* and established via regulation; the MGCC does not receive revenue from the Provincial Consolidated Revenue Fund. *The Gaming Control Act* also permits the MGCC to establish its own bank account and operating line of credit. Operational objectives and budget estimates are detailed in the annual business plan, which is approved by the board of commissioners, reviewed by the Minister charged with the administration of *The Gaming Control Act*, and approved by the Minister of Finance and Treasury Board. Complete financial statements for the year ended March 31, 2014 are presented in this report beginning on page 24. The MGCC's annual reports are tabled in the Manitoba Legislative Assembly and are published in print and online.

## Appeals and Disputes

*The Gaming Control Act* directs the board of commissioners to conduct hearings and make rulings on appeals of the executive director's decisions and orders on matters including licences, registrations, technical integrity approvals and patron disputes. In this quasi-judicial role, a quorum of commissioners considers all evidence presented by both parties before making a ruling. These hearings are open to the public, although a hearing, or portions of a hearing, may be closed in instances where financial, private or proprietary information is being presented. Decisions are publicly available. Appeals of the board of commissioners' decisions may be made to the Court of Queen's Bench under Section 45(2) of *The Gaming Control Act*. The MGCC did not conduct any hearings in 2013/14.

# A New Regulatory Era:

## Introducing the Liquor and Gaming Authority of Manitoba

The MGCC will cease to exist on April 1, 2014. In its place, effective that date, the MGCC and the MLCC's Regulatory Services Division will combine to become a new single regulatory agency – the Liquor and Gaming Authority of Manitoba (LGA). The LGA will license liquor sales, service and manufacturing, and license gaming employees, products and operations.

The Province of Manitoba announced this amalgamation as part of the April 2012 provincial budget. At the same time, the Province announced that the MLCC's operational responsibilities would be transferred

to the Manitoba Lotteries Corporation to form a new operator, the Manitoba Liquor and Lotteries Corporation.

This announcement triggered a lengthy series of preparatory initiatives to shape the new regulatory framework and agency. As detailed in our 2012/13 annual report, this included stakeholder consultations to develop an amalgamation roadmap and province-wide public consultations in which all Manitobans were invited to provide their views about liquor and gaming regulation. All of these initiatives were driven by the goal of modernizing Manitoba's liquor and gaming

regulatory framework by focusing on improvements to public safety, consumer choice, red tape reduction and social responsibility, all while ensuring continued service delivery.

Preparations continued this year as new legislation was introduced to create the LGA. *The Liquor and Gaming Control Act* was passed in December 2013 and will be proclaimed April 1, 2014. Accompanying board and Lieutenant Governor in Council regulations were also passed during the fiscal year, both key milestones in shaping the services and standards of the new regulatory framework.

## 2014-2018: THE LGA'S FIVE-YEAR PLAN

The development of a strategic plan to guide the LGA through its first five years was another key milestone in 2013/14. This plan was developed by the board and senior management to describe the LGA's direction as regulatory responsibilities and services are increasingly integrated.

As defined in the plan, the LGA's mission will be to regulate the liquor and gaming industries in the public interest, for the benefit of all Manitobans, by providing a high standard of service through a balanced and independent approach. This mission drives four strategic goals, detailed in the box to the right, with the entire plan framed by six values: integrity, fairness, accountability and transparency, service excellence, respect for our people and stakeholders, and innovation. Like the MGCC, the LGA will strive to be neutral in its regulatory role by offering services that are neither pro- nor anti- liquor or gaming.

Throughout the year, the MGCC and the MLCC's Regulatory Services Division have begun to integrate licensing and compliance services with minimal disruption for clients and stakeholders. We look forward to continuing to serve Manitobans as we become the LGA.

### LGA STRATEGIC GOALS

- 1. Workplace quality:** Maximize performance and productivity by encouraging and supporting a positive, safe, integrated and professional workforce and environment.
- 2. Integrated regulation:** Regulate the liquor and gaming industries to promote public safety and in the public interest.
- 3. Financial stewardship:** Confirm and demonstrate fiscal responsibility, financial accountability and sustainability through the appropriate management of financial and capital assets and resources.
- 4. Service excellence:** Provide excellent service to our clients through fair, balanced and socially responsible policies and programs.

## A Brief History of Manitoba's Current Liquor and Gaming Legislation

Most of the changes in the new regulatory framework will update Manitoba's current liquor laws. For example, key changes will:

- Streamline the categories of liquor licences from twelve to three;
- Increase flexibility to liquor licence terms and conditions;
- Eliminate the Liquor Licensing Board to speed licensing and hearing processes;
- Improve public safety and policing powers; and
- Improve the public notice and citizen input process for liquor applications and community concerns.

Manitobans may ask why modernization has focused primarily on liquor regulation. Public acceptance of alcohol has evolved from prohibition and restriction to acceptance and tolerance since *The Liquor Control Act* was proclaimed in 1956. Many Manitobans can recall this time, when buying liquor meant lining up at a counter so a clerk could retrieve the bottles from the back room, when women were not allowed to drink in the same bar room as men, and when liquor could not be advertised.

Over more than 50 years, *The Liquor Control Act* had been amended on several occasions to revamp services and integrate social responsibility. In particular, significant updates were made in 2011 as part of Manitoba's Hospitality Strategy, which consisted of 40 initiatives focused on hospitality opportunities, red tape reduction, enhancing public safety and wellbeing, and countermeasures to underage drinking. Nevertheless, the legislation remained grounded within a historical context of morality and prohibition, rather than modern expectations for consumer choice and social responsibility.

In contrast, *The Gaming Control Act* was proclaimed in 1997, over 40 years after *The Liquor Control Act* originally came into force, and had been twice amended to strengthen accountability, enshrine dispute resolution and social responsibility, and expand oversight for operations. Arguably, the original development of this legislation benefitted from legislative and regulatory lessons learned since the 1950s. Therefore, it is not surprising that this legislation and accompanying regulation took a more modern and practical regulatory approach to ensuring integrity and compliance.

The amalgamation of the MGCC and the MLCC's complementary regulatory responsibilities presented a unique opportunity to review and modernize Manitoba's liquor and gaming regulatory legislation to reflect Manitobans' diverse and evolving social norms, consumer expectations and business practices.

**LGA** Liquor and Gaming  
Authority of Manitoba



# Corporate Performance Results

For the past five years, the MGCC's corporate priorities have been linked to the 2008-2013 Strategic Plan's overarching objectives of leadership, effectiveness and communication. The board of commissioners extended this plan for a sixth year in 2013/14, acknowledging how well it has guided the organization's activities and accomplishments, and in recognition of the development of a strategic plan for the pending new regulatory agency.

As in previous years, priorities were operationalized through annual unit and departmental work plans and corporate performance results are detailed below through the lens of four strategic goals: legislative mandate, service excellence, human resources advancement and financial accountability. Unit and departmental results are summarized in the operational overview beginning on page 14.

## GOAL #1

### Legislative Mandate

Regulate and control gaming activity in Manitoba with the aims of ensuring that it is conducted honestly, with integrity and in the public interest.

#### Priorities

- Develop and deliver programs and initiatives to ensure gaming providers meet our compliance and enforcement mandate.
- Develop and deliver innovative and proactive gaming integrity and compliance initiatives to effectively regulate and control gaming activity.
- Advance our public interest mandate beyond our traditional regulatory activities of licensing, registration and enforcement, with a focus on social policy implications, research and responsible gambling initiatives.
- Develop and implement a governance model that supports the MGCC's mandate and provides clarity to our roles and accountability.

#### Results

- The Office of the Auditor General of Manitoba confirmed the MGCC's compliance with legislative provisions and related authorities pertaining to financial reporting, budgeting and planning, safeguarding of assets, spending, borrowing, investing, revenue-raising, board remuneration and expenses.
- Governance practices were guided by a governance calendar to direct planning, oversight and accountability functions throughout the year. This included a review of operational accomplishments linked to the achievement of strategic goals, quarterly financial reviews, and governance training and development to further support implementation of legislative amendments.
- Assessed, confirmed, monitored and enforced the honesty and integrity of gaming events, employees, suppliers, operators and equipment in accordance with legislative and regulatory authority, licensing and registration terms and conditions, and operational and unit standards.
- Supported the Province of Manitoba in developing *The Liquor and Gaming Control Act* and accompanying regulations to formally amalgamate Manitoba's liquor and gaming regulatory functions. *The Liquor and Gaming Control Act* was passed in December 2013, with the accompanying board and Lieutenant Governor in Council regulations passed in February and March 2014, respectively.
- Developed a strategic plan to guide the pending LGA through its formation and first five years of operations. Consulted internal and external stakeholders to inform this strategic plan.
- Received and responded to three *Freedom of Information and Protection of Privacy Act* (FIPPA) requests in accordance with FIPPA legislation.
- There were no reports or investigations under *The Public Interest Disclosure (Whistleblower Protection) Act*.

## GOAL #2

### Service Excellence

Provide excellent service to our clients by championing fair, balanced and responsible gambling policy and inspiring public confidence in the integrity of gaming.

#### Priorities

- Develop and deliver innovative, streamlined and consistent gaming integrity and compliance programs and products to assure the integrity, fairness and accountability of gaming activity in Manitoba.
- Develop and deliver corporate and administrative services, including finance, information technology (IT), human resources, research, communications and planning services.
- Develop and implement strategies to build strong relations with internal and external clients and stakeholders through clear and consistent communication.
- Document and formalize unit and department policies and procedures to ensure consistency, fairness and accountability, and to support knowledge transfer within the context of succession planning.

#### Results

- Provided client-focused regulatory services, including formal application, assessment and approval processes; comprehensive audit and inspection programs; proactive and responsive investigations, client training and support; and interagency collaboration. This led to the following:
  - 1,313 charitable organizations in Manitoba held 2,317 licensed gaming events, which generated gross revenue of \$83.7 million, a 3% increase over last year;
  - 4,516 current registrations in multiple registrant classes, including gaming employees, suppliers and operators;
  - 476 technical integrity approvals and amendments;
  - 2,858 on-site gaming inspections to assess and confirm compliance with legislative, regulatory and administrative requirements. This represented an increase of 23% in inspections over last year;
  - 278 client training and development programs to support audit reporting and compliance;
  - 2,455 audit reviews of charitable gaming financial reports; and
  - 100% compliance with reporting requirements for First Nations gaming commissions, First Nations VLT siteholders and municipal licensing authorities.
- Assessed, refined and augmented corporate and unit policies, procedures and standards to improve and guide client service, strengthen relationships with partners and stakeholders, and prepare for the pending amalgamation.
- Enhanced [www.mgcc.mb.ca](http://www.mgcc.mb.ca) and introduced [www.LGManitoba.ca](http://www.LGManitoba.ca) to provide information about the pending amalgamation for clients, stakeholders and the public.
- Provided IT, finance and administration, research, communications and human resources services to support and enable operational units and departments to deliver client services throughout Manitoba.

## GOAL #3

### Human Resources Advancement

Maximize performance and productivity by encouraging and supporting a positive and professional work environment.

#### Priorities

- Create and manage comprehensive human resources services to support the MGCC's strategic and operational goals.
- Establish processes and initiatives that support and encourage staff innovation, accountability and empowerment.
- Develop and implement a formal succession/transition plan that identifies and develops talent through professional development and knowledge transfer initiatives.

#### Results

- Delivered comprehensive human resources services, including performance management and coaching; corporate and individual training and development; recruitment and retention; workplace health and safety; and labour/management relations.
- Increased recruitment activities, particularly in the corporate services and support areas, to prepare for the pending amalgamation and the needs of a larger regulatory agency. Twenty-five positions were staffed in 2013/14, including competitions and acting status opportunities.
- Advanced organizational sustainability and stability to encourage employee development in preparation for long-service employee retirements. This was facilitated through strategic human resources-focused initiatives, including specialized training and development and employee-directed learning plans.
- Employees participated in over 2,000 hours of professional development training and education on a diverse range of topics, including cross-training and job shadowing initiatives; gaming licensing, compliance and technology seminars; Microsoft Excel; financial accounting; and first aid. The MGCC also supported employees to achieve and maintain professional and academic designations.
- Continued preparations for the pending amalgamation by finalizing a transitional organizational structure, developing a job evaluation method for the new regulatory agency, and reaching a transition agreement with the Manitoba Government and General Employees' Union.

Maximize performance and productivity by encouraging and supporting a positive and professional work environment.



## GOAL #4

### Financial Accountability

Confirm and demonstrate fiscal responsibility, financial accountability and operational sustainability through the appropriate management and stewardship of financial and capital assets and resources.

#### Priorities

- Ensure financial accountability and transparency through corporate and operational planning, monitoring and reporting activities.
- Maintain internal control standards in keeping with established financial policies and procedures.
- Oversee financial, corporate and human resources to maximize operations and enhance client services.
- Develop a new financial model to address corporate financial sustainability, including reallocation of current resources in accordance with environmental trends and identification of options for new financial resources.

#### Results

- The Office of the Auditor General of Manitoba issued an unqualified audit opinion for the MGCC's 2013/14 financial audit.
- The Audit Committee conducted quarterly financial reviews and approvals in accordance with the governance calendar.
- The 2012/13 annual report, including audited financial statements, was tabled in the Legislative Assembly in December 2013 and was published on the MGCC's website.
- Presented the 2014/15 LGA business plan and budget to the board of commissioners and Treasury Board for approval. Board of commissioners' approval was granted in February 2014 and Treasury Board approval was pending at March 31, 2014.
- Maximized revenue and financial sustainability through daily review and management of investment funds. Corporate and departmental statements of financial position and statements of operations were prepared and analyzed monthly.

# Operational Overview

## GAMING INTEGRITY UNIT

### Licensing and Registration • Technical Integrity

The Gaming Integrity Unit establishes the standards for licensing, registering and approving charitable gaming events, gaming employees, gaming operators, VLT siteholders, lottery ticket retailers, gaming suppliers, and gaming devices and equipment. The unit's departments set terms and conditions in keeping with *The Gaming Control Act* and apply a risk-based approach to review applications and approve those that meet these standards. This efficient approach helped staff maintain excellent client service levels in 2013/14 by focusing their time and resources on higher risk and complex applications, while also balancing the workload required to prepare for the pending amalgamation of liquor and gaming licensing.

Historically, the MGCC's Licensing Department and Registration Department functioned separately and worked with distinct groups of clients. The Registration Department was incorporated within the Licensing Department in anticipation of the new regulatory framework, under which all gaming activities, employees, operators and suppliers who were previously licensed and registered will be licensed by a single department.

## Licensing and Registration Department

### Gaming Licensing

In 2013/14, department staff worked with charitable and religious organizations that conducted over 4,300 fundraising events in communities throughout Manitoba. With charitable aims as diverse as youth sports teams, seniors' transport and community construction projects, over 1,300 charitable and religious organizations raised funds through licensed bingo, breakopen ticket, raffle, Texas hold'em poker tournament, Calcutta auction, sports draft and Monte Carlo events. Over 200 of these licence holders were first-time applicants.

Staff assess the honesty and integrity of each fundraising event through a comprehensive and consistent application and approval process, based on *Criminal Code (Canada)* eligibility. This process includes confirming each applicant's eligibility, scrutinizing proposed operations and financial plans, verifying prizes, and certifying the intended use of proceeds. If these measures are satisfied, a licence is issued with terms and conditions to guide the event's preparation, conduct and accountability reporting. The department's decentralized decision-making authority increases efficiency and minimizes processing times by allowing straightforward or low-risk applications to be approved by staff, with more complex or unprecedented events escalated for managerial review.

## LICENSING KEY RESULTS

AS OF MARCH 31, 2014

Active charitable gaming licences	2,317
Charitable licence holders	1,313
Licence applications reviewed and approved	2,026
• 320 ongoing events: 131 bingo, 83 breakopen ticket, 76 raffle, 24 Texas hold'em poker tournament and six media bingo	
• 1,706 limited series or single events: 48 bingo, 21 breakopen ticket, 1,598 raffle, 22 Texas hold'em poker tournament, and 17 Calcutta auction, sports draft and Monte Carlo	
Licence amendments	725
First-time applicants	202

## Gaming Registration

Whether for gaming employees, suppliers of gaming services and products, gaming operators, VLT siteholders or lottery ticket retailers, the registration process is guided by comprehensive standards and procedures established for each registrant class. Department staff apply a risk-based approach to processing and issuing all gaming registrations. Staff also conduct background investigations on gaming employees, suppliers of gaming services and products, VLT siteholders and lottery ticket retailers to inform the registration process; 111 investigations were conducted in 2013/14.

The standards set during the initial registration process also become the ongoing requirements to maintain good standing with the MGCC. A set of terms and conditions is attached to each registration, and registrants' compliance is then monitored to ensure that these standards are met and maintained.

In 2013/14, staff assessed and monitored the honesty and integrity of approximately 3,100 gaming employees. The three-year employee registrations that were introduced in 2012 continued to increase efficiency in the renewal process and generate positive feedback from the gaming industry. Staff also issued six new supplier registrations and conducted 39 supplier annual updates or renewals; issued 70 VLT siteholder registrations; and granted 105 lottery ticket retailer registrations.

### REGISTRATION KEY RESULTS

AS OF MARCH 31, 2014

Manitoba Lotteries Corporation new applicant employee registrations	327
Manitoba Lotteries Corporation active employees	2,070
Aseneskak Casino new applicant employee registrations	76
Aseneskak Casino active employees	140
South Beach Casino new applicant employee registrations	183
South Beach Casino active employees	269
Sand Hills Casino new applicant employee registrations <sup>1</sup>	9
Current gaming suppliers	50
Current VLT siteholder registrations	491
Current lottery ticket retailer registrations	901

<sup>1</sup> Sand Hills Casino is scheduled to open in June 2014, and as such has had minimal human resources-related activity to date.



## Technical Integrity Department

“Technical integrity” means that a gaming scheme or equipment performs in a manner that is fair, safe, secure, honest and capable of being audited. As a regulator, the MGCC is responsible to confirm technical integrity before any gaming scheme or equipment can be offered to the Manitoba public.

Department staff establish and apply standards and tests to determine technical integrity. As gaming technology evolves on an ongoing basis, this department continued in 2013/14 to keep pace with new and emerging technologies by further developing and revising its standards, terms and conditions, and quality assurance tests associated with various gaming schemes. Staff also performed regular inspections to confirm ongoing compliance with technical integrity standards. In 2013/14, 32 inspections were conducted on a variety of lottery schemes, including slot machines, table games, bingo and central systems.

### TECHNICAL INTEGRITY KEY RESULTS

AS OF MARCH 31, 2014

Approvals issued:

• Central systems	3
• Online central system and games	89
• Electronic gaming machine models	4
• Electronic gaming machine software and hardware	248
• Progressive slot machine configurations and hardware	71
• Slot machine tournament	1
• Table games, associated equipment and rules of play	40
• Casino bingo programs and rules of play	3
• Bingo paper	6
• Breakopen tickets	4
• Showdowns and ballot draws	7

This department continued to focus this year on special projects that modernize Manitoba’s gaming environment. Work continued to approve the technical integrity for Manitoba Lotteries Corporation’s full-scale replacement of all VLTs in the province. Department staff also worked with testing laboratories and gaming manufacturers to ensure that new progressive schemes on the VLTs meet applicable technical standards.

Two other projects also continued work begun last year. Standards were developed to issue technical integrity approval for Manitoba Lotteries Corporation to sell electronic lottery tickets and launch mobile sports wagering

on its PlayNow.com website. Staff also approved the technical integrity of 29 new casino games, 53 new personality games and seven platform upgrades on PlayNow.com. On another project, the department continued to collaborate with gaming manufacturers, charitable licence holders and Gaming Laboratories International to ensure technical compliance during raffles using new electronic 50/50 systems. These new systems use sophisticated wireless handheld devices and kiosks for printing tickets and processing payments. Staff conducted four inspections and audits on electronic 50/50 raffles, with no resulting issues.

As every gaming scheme and machine in the province requires MGCC technical integrity approval, preparations for the opening of the Sand Hills Casino became a final major departmental project in 2013/14. Department staff began to issue technical integrity approvals for seven table games and 350 slot machines at the casino, which is expected to open in June 2014.

integ

## GAMING COMPLIANCE UNIT

### Audit • Compliance

The Gaming Compliance Unit assesses and enforces compliance with the terms and conditions set for charitable licence holders, registrants and other licensing authorities. While the unit has a broad array of review, inspection, investigation and enforcement powers to detect and correct non-compliance, staff focus on providing education, training and support to help clients achieve and maintain compliance. Department staff offered nearly 300 training sessions in 2013/14 on topics ranging from bingo terms and conditions to electronic financial reporting and to First Nations gaming operations. Training programs are flexible to accommodate client needs. For example, over the year, staff:

- Offered training sessions in-person and using cost-effective web-based communications software;
- Organized a financial reporting workshop that brought together 16 First Nations VLT siteholders for shared networking and training; and
- Provided monthly training and support sessions for three First Nations.

### Audit Department

In 2013/14, the Audit Department reviewed nearly 2,500 financial reports and supporting documentation from charitable gaming events, with over 95% of reviews completed within 60 days of the event. The department also reviewed over 300 reports from First Nations and municipal licensing authorities. All reviews provide assurance that reporting and record-keeping practices comply with legislation, regulation and audit standards.

#### AUDIT KEY RESULTS

AS OF MARCH 31, 2014

Charitable event financial reports	2,455
Municipal licensing authority reports <sup>1</sup>	166
First Nations gaming commission annual reports <sup>1</sup>	33
First Nations VLT siteholder reports <sup>1</sup>	112

<sup>1</sup> All municipal, First Nations gaming commission and First Nations VLT siteholder financial reports were submitted as required within the fiscal year, as they have been every year since reporting was made mandatory.

The department applies different levels of review depending on the type of organization and its compliance history. At all levels of review, department staff examine every report received to ensure that they are complete, accurate, and recorded and reported according to terms and conditions and audit standards. Reviewing all reports improves the probability of detecting non-compliance, while basing the depth of analysis on risk allows the department to allocate time and resources optimally. Reviewing all reports also helps identify training opportunities that would support organizations with achieving and maintaining compliance.

As in previous years, cases involving incomplete or incorrect data were addressed and remedied as quickly as possible, with most irregularities resolved through communication and training with clients. In 2013/14, staff referred 18 issues for inspection and four for investigation to the Compliance Department. Referrals have decreased over the past six years, which highlights the department's success at using education, training and support to promote effective and consistent record keeping and reporting.

The Audit Department continued to focus on using technology to accept electronic fee payments and to simplify financial reporting. Use of an electronic reporting tool that allows charitable licence holders to submit their financial reports via a Microsoft Excel spreadsheet has increased every year since the tool was introduced; 42.5% of charitable organizations now use it for their reporting. Nearly 75% of First Nations VLT siteholders are now using an electronic reporting tool that was introduced for them in 2012, which is more than double last year's uptake.

## CHARITABLE GAMING KEY RESULTS

FOR THE PERIOD APRIL 1, 2013 TO MARCH 31, 2014 (\$MILLIONS)

EVENT TYPE	LICENSED EVENTS		GROSS REVENUE		PRIZES PAID		TOTAL EXPENSES		NET PROFIT	
	13/14	12/13	13/14	12/13	13/14	12/13	13/14	12/13	13/14	12/13
Bingo	221	219	35.2	36.6	27.9	28.7	3.8	3.9	3.5	4.0
Breakopen ticket	161	167	3.5	3.8	2.5	2.8	0.3	0.3	0.7	0.7
Raffle	425	381	39.6	36.4	18.6	15.9	8.4	7.0	12.6	13.5
Texas hold'em poker tournament	40	43	0.9	1.0	0.6	0.7	0.1	0.2	0.1	0.1
Media bingo	15	15	4.4	3.4	2.8	1.3	0.9	0.7	0.7	1.4
Other	7	10	0.1	0.1	0.0	0.1	0.0	0.0	0.0	0.0
<b>Totals:</b>	<b>869</b>	<b>835</b>	<b>83.7</b>	<b>81.3</b>	<b>52.5</b>	<b>49.5</b>	<b>13.4</b>	<b>12.1</b>	<b>17.7</b>	<b>19.7</b>

In addition, 1,351 licences were issued to organizations that, due to reporting thresholds, were not required to submit financial reports or licence fees (46 bingo, nine breakopen ticket, 1,282 raffle, six Texas hold'em poker tournament, one media bingo and seven other) and are therefore not reflected in the chart above.



## Compliance Department

The Compliance Department monitors all gaming schemes in Manitoba to confirm adherence with regulatory requirements and licensing and registration terms and conditions. Department staff regularly inspect charitable organizations, VLT siteholders, lottery ticket retailers, First Nations gaming commissions, municipal licensing authorities, and First Nations and Manitoba Lotteries Corporation casinos.

In 2013/14, the Compliance Department completed over 2,800 inspections, a 23% increase over the previous year. This led to 297 verbal warnings and 14 written warnings. The department works in conjunction with local law enforcement agencies to investigate unlicensed gaming; seven inspections led to police action in 2013/14. The following chart provides details about the types of inspections conducted this year:

### COMPLIANCE INSPECTIONS OVERVIEW

AS OF MARCH 31, 2014

Inspections	2,858
Charitable gaming events	763
• Bingo/breakopen ticket	355
• Raffle	344
• Texas hold'em poker tournament	43
• Other	21
Casinos	95
VLT siteholders	711
Lottery ticket retailers	1,024
First Nations gaming commissions	60
Municipal licensing authorities	205

Department staff also investigated over 300 stakeholder disputes, complaints and irregularities arising from inspections. Most disputes, complaints and irregularities are dealt with by department staff in keeping with the MGCC's dispute resolution practices and escalating corrective measures. In 2013/14, these investigations led to 35 verbal warnings, three written warnings and one order being issued. Eighteen complaints required mediation by the MGCC and 14 were referred to police.

Preparing for the pending amalgamation with liquor inspections was a significant focus for this department in 2013/14. Integration projects included implementing a formal cross-training program for gaming inspectors with liquor inspectors and coordinating a safe driving course for inspections staff in both organizations.

## RESEARCH AND COMMUNICATIONS UNIT

### Research and Communications • Human Resources

This unit provides an array of research, communications and human resources functions to support corporate and operational activities. The bulk of the unit's work in 2013/14 focused on building capacity for the pending amalgamation, including integrating accountabilities for liquor into its longstanding public education, communications, research and policy responsibilities, and developing the human resources systems and processes to support a larger workforce and new organizational structure.

### Research and Communications Department

This department conducts independent and collaborative research, and supports the Province of Manitoba, board of commissioners and MGCC management and staff by providing communications services and policy advice on a diverse range of operational matters and emerging issues. Responsible gambling education and policy oversight is another key focus for this department.

In 2013/14, the department's communications and policy work focused on facilitating preparations for the pending amalgamation. Specific projects included supporting the development of new legislation and regulations and coordinating the development of a strategic plan to guide the new regulatory agency through its formation and first five years of operations. Staff also focused on developing a corporate brand identity for the new regulatory agency and weaving this through multiple communications projects, from a new website and advertisements to launch the LGA to all corporate and operational printed materials.

The department's research similarly focused on creating a base of information to support the expanding mandate of the new regulatory agency. Department staff conducted jurisdictional and information scans on liquor policy and regulatory issues, and collected province-wide survey data for the Liquor and Gambling in Manitoba research project. This project extended the MGCC's former Manitobans and Gambling research series, conducted every three years since 2004, which has been key for the development and evaluation of responsible gambling initiatives, including the MGCC's public education campaigns. The Liquor and Gambling in Manitoba results will be released following the pending amalgamation, and used to inform the new regulatory agency's liquor and gambling policy and social responsibility initiatives.

In 2013/14, the department's  
communications and policy work  
focused on facilitating preparations  
for the pending amalgamation.

In 2013/14, the department continued to support research through its graduate studentship program and collaborative initiatives. Two MGCC studentships were granted to:

- Pranay Das (PhD student, University of Manitoba Economics Department):  
Money and value: Income insecurity, financial decision-making and problem gambling
- Yi Chu (Jack) Shen (MA student, University of Manitoba Sociology Department):  
A logistic regression analysis of youth gambling in Manitoba

Collaborative initiatives included continued research leadership as the chair of the Canadian Consortium for Gambling Research (CCGR), including hosting the 2013 CCGR Internet Gambling Workshop and laying the groundwork for a new CCGR project to develop low-risk gambling guidelines. The MGCC also continued to coordinate external requests for access to data from the Manitoba Longitudinal Study of Young Adults (MLSYA) on behalf of Manitoba Lotteries Corporation and the Addictions Foundation of Manitoba, which jointly funded the study with the MGCC. The chart below details the five projects that were approved for data access in 2013/14.

## MLSYA DATA ACCESS PROJECTS

AS OF MARCH 31, 2014

PROJECT	INVESTIGATORS
Longitudinal relationship of gambling with mental and physical health conditions among adolescents	Tracie Afifi (University of Manitoba), Silvia Martins, Jitender Sareen and Ryan Nicholson
Longitudinal analyses of the prevalence, course and comorbidity of problem gambling in young adults	Jason Edgerton (University of Manitoba) and Lance Roberts
Do gambling beliefs and attitudes affect gambling behaviours over time?	Michael Ellery (University of Manitoba), Ryan Nicholson, Chad Graves and Sandra Salem
Risk and protective factors of gambling among young adults: Analysis of the MLSYA data	Sherry Stewart (Dalhousie University) and Sean MacKinnon
A logistic regression analysis of youth gambling in Manitoba using Cycle 2 of the MLSYA <sup>1</sup>	Yi Chu (Jack) Shen (University of Manitoba) and Jason Edgerton

<sup>1</sup> Graduate student project



## Human Resources Department

The Human Resources Department lays the foundation for a strong and sustainable workforce by providing human resources services to the board of commissioners, management and staff in the areas of recruitment, pay and benefits, labour relations, and policy development and advice. Along with ongoing work in all of these areas, preparations for the pending amalgamation continued in 2013/14 as department staff put in place human resources systems and processes to ensure a smooth transition for employees.

This department's amalgamation projects included finalizing the transitional organizational structure for the new regulatory agency and a variety of collaborative projects with MLCC's Regulatory Services Division and human resources department, Manitoba Government and General Employees' Union, Manitoba Lotteries Corporation, the Province of Manitoba and People First HR Services, among others.

Key projects included:

- Recruiting for positions required to meet the needs of a pending larger organization. Several competitions resulted in promotion of internal employees, a demonstration of the MGCC's commitment to succession planning and the development of internal talent.
- Working in partnership with the Manitoba Government and General Employees' Union to finalize a transition agreement. This allows both parties to prepare for collective bargaining and the exchange of bargaining proposals in 2014/15, following the establishment of the new regulatory agency.
- Developing a **job evaluation\*** method and position description questionnaire for the LGA. This lays the groundwork for the development of a classification committee to evaluate all jobs of the new regulatory agency, beginning in 2014/15.
- As part of the change management process, supporting the executive director to meet with all staff from each department of the MGCC and MLCC's Regulatory Services Division to encourage employee engagement and provide an open forum to respond to questions about the pending amalgamation.



**A job evaluation** is a methodology used to assess the relative worth of various jobs and focuses on fairness in determining these values. It is an unbiased method of comparing jobs that may not look exactly the same, with the objective of determining pay scales for each job.

## EMPLOYMENT EQUITY REPRESENTATION

2010 TO 2014

	Aboriginal	Visible minority	Person with a disability
<b>MGCC as of March 31, 2014</b>	<b>10.2%</b>	<b>8.5%</b>	<b>6.8%</b>
MGCC as of March 31, 2013	13.0%	5.6%	9.3%
MGCC as of March 31, 2012	14.3%	3.6%	10.7%
MGCC as of March 31, 2011	12.3%	3.5%	8.8%
MGCC as of March 31, 2010	10.8%	6.0%	10.0%
<b>Civil Service Commission Targets</b>	<b>14.0%</b>	<b>8.0%</b>	<b>7.0%</b>

## CORPORATE SERVICES UNIT

### Finance • Information Technology

This unit enables corporate and operational activities by providing core administrative and management functions and technological resources. While the Finance Department plans, records and reports financial transactions, the IT Department provides reliable and secure computer and communication devices and infrastructure. In 2013/14, unit staff focused mainly on preparing for the pending amalgamation by finalizing a new financial model for the LGA and developing the IT infrastructure required to support its operations.

### Finance Department

The Finance Department is responsible for all aspects of the MGCC's financial and property management. Department staff work within the MGCC's annual business planning, implementation and reporting cycle to conduct financial reporting and analysis, budgeting and planning, safeguarding of assets, investing and cash flow management. The department also oversees landlord liaison, maintenance and improvements for the MGCC's main office in Winnipeg and satellite offices in Brandon, Portage la Prairie and The Pas.

The department ensures financial accountability and transparency by regularly submitting financial analyses to management and the board of commissioners. In 2013/14, staff prepared financial statements for management review on a monthly basis, and financial statements and variance analysis for board of commissioners' review and approval on a quarterly basis. Staff also continued to prepare for the LGA's financial and property management needs. This work included redeveloping the internal financial reporting system to ensure alignment with the new organizational structure, developing a new revenue system in anticipation of collecting liquor licence and permit fees, introducing a point of sale system to allow the LGA to accept debit and credit cards as payment options, developing a fleet vehicle program and preparing the inaugural LGA budget.

Following its annual financial audit in early 2014/15, the Office of the Auditor General of Manitoba issued a clear audit opinion for the year ended March 31, 2014. In addition, the Office of the Auditor General of Manitoba issued a clear opinion concerning the MGCC's compliance with legislative and related authorities under Part 10 of *The Gaming Control Act*. The MGCC's annual financial statements are published in this report, beginning on page 24.

### Information Technology Department

The IT Department provides and maintains telecommunications and workstations, network and server hardware and software to enable on-site, remote and mobile access to users' files, applications and email. Ever mindful of the importance of protecting network and data security, department staff manage IT resources with high standards to ensure stable and reliable network operations. The department achieved 99% uptime for computer systems in 2013/14.

Preparing for the pending amalgamation continued to be the department's main focus in 2013/14. Significant development time was devoted to programming, incorporating and testing liquor regulatory modules within the redeveloped Regulatory Management System, formerly called the Gaming Management System. Department staff also began the major network transition project to convert and prepare all servers and systems for the amalgamation, as well as projects to upgrade the email system, convert the telephone system to accommodate more staff, and upgrade smartphones. Finally, staff began to convert the employee Intranet, created a new website for technical integrity clients, and provided technical expertise to support the development of a website for the new regulatory agency.

# Financial Statements

For the year ended March 31, 2014

Management Report ..... 25

Independent Auditor’s Report..... 26

Management’s Certification of Compliance ..... 27

Schedule of Legislative and Related Authorities ..... 28

Auditors’ Report on Compliance..... 29

Statement of Financial Position..... 30

Statement of Operations and Accumulated Surplus (Deficit)..... 31

Statement of Change in Net Financial Assets ..... 32

Statement of Cash Flows ..... 33

Notes to Financial Statements ..... 34



# Management Report

The management of the Manitoba Gaming Control Commission (MGCC) is responsible for the integrity, objectivity and reliability of the financial statements, accompanying notes and other financial information that it has prepared for this report.

Management maintains internal control systems to ensure that transactions are accurately recorded in accordance with established policies and procedures. In addition, certain best estimates and judgments are made based on a careful assessment of the available data.

The financial statements and accompanying notes are examined by the Office of the Auditor General of Manitoba (OAG), whose opinion is included herein. The OAG has access to the board of commissioners, with or without management present, to discuss the results of their audit and the quality of financial reporting at the MGCC.



F. J. O. (Rick) Josephson  
EXECUTIVE DIRECTOR



Dale Fuga  
CHIEF OPERATING OFFICER

June 27, 2014



## INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba, and  
To the Board of Commissioners of the Manitoba Gaming Control Commission:

We have audited the accompanying financial statements of the Manitoba Gaming Control Commission, which comprise the statement of financial position as at March 31, 2014 and the statements of operations and surplus (deficit), change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Manitoba Gaming Control Commission as at March 31, 2014, and the results of its operations, the change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Office of the Auditor General  
Winnipeg, Manitoba  
June 27, 2014

# Management's Certification of Compliance

To: Board of commissioners of the Manitoba Gaming Control Commission

We hereby confirm that for the year ended March 31, 2014, the Manitoba Gaming Control Commission has complied with the criteria established by the provisions of *The Gaming Control Act*, regulations, Orders in Council and other applicable legislation as outlined in the attached schedule.



F.J.O. (Rick) Josephson  
EXECUTIVE DIRECTOR



Dale Fuga  
CHIEF OPERATING OFFICER

June 27, 2014



# Schedule of Legislative and Related Authorities

## ORDERS IN COUNCIL

10/2003	Appointment of OAG as auditor of MGCC
389/2013	Appointments to Board
334/2012	Appointment of Executive Director
341/1997	Working capital advances

## THE GAMING CONTROL ACT (C.C.S.M. c. G5)

### Subsections

s.3(1)	The Gaming Control Commission	s.55(8)	Investments held in trust
s.5(1)	Annual reports	s.55(9)	Fiscal year
s.6(1)	Executive Director	s.55(10)	Records and accounts
s.12(3)	License Fees	s.55(11)	Annual budget
s.14(5)	Costs - Registration	s.55(12)	Auditor
s.17(1)	Registration Fees	s.55(13)	Disposition of surplus money
s.17(2)	Content of fee regulation	s.56(2)	Powers of Commission respecting property
s.28(4)	Costs – Technical Integrity	s.59(e)	Regulations by Lieutenant Governor in Council – Commission members remuneration
s.55(1)	Banking	s.59(e.1)	Regulations by Lieutenant Governor in Council – Fiscal Year
s.55(2)	General fund	s.60(1)(d)	Regulations by Commission - prescribing of fees
s.55(3)	Deposit of monies	s.60(1)(d.1)	Regulations by Commission - remittance of fees
s.55(4)	Operating expenses		
s.55(5)	Advances for working capital		
s.55(6)	Payment of advances		
s.55(7)	Investments		

## THE GAMING CONTROL REGULATION (41/2005)

Section 12	Payment of annual fee
Section 20(1) to 20(4)	License fees and when payable
Section 21(1) to 21(3)	Registration fees including Schedule (section 21)
Section 22	Payment of fees
Section 23	Reduction on application

## THE GAMING CONTROL REGULATION (41/2005) AMENDMENTS

#112/2008	Registration fee change to Schedule (section 21)
#15/2010	Registration fee change to Schedule (section 21)

## THE PUBLIC SECTOR COMPENSATION DISCLOSURE ACT (C.C.S.M. c. P265)

s.2(1)	Disclosure required
s.2(2)	Consistent reporting required
s.3(1)	Manner of disclosure
s.3(2)	Names and positions or classifications to be disclosed



## AUDITORS' REPORT ON COMPLIANCE

To the Board of Commissioners of the Manitoba Gaming Control Commission:

We have audited the Manitoba Gaming Control Commission's compliance for the year ended March 31, 2014, with the provisions of the legislative and related authorities outlined in Management's Certification of Compliance pertaining to its financial reporting, budgeting and planning, safeguarding of assets, spending, revenue raising, borrowing, investing, board remuneration and expenses, and trust activities.

Compliance with the legislative and related authorities is the responsibility of the management of the Manitoba Gaming Control Commission. Our responsibility is to express an opinion on compliance based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstance.

In our opinion, the Manitoba Gaming Control Commission has complied, in all significant respects, with the specified legislative and related authorities for the year ended March 31, 2014.

*Office of the Auditor General*

Office of the Auditor General  
Winnipeg, Manitoba  
June 27, 2014

# Statement of Financial Position

AS AT MARCH 31	ACTUAL 2014	ACTUAL 2013
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	\$ 3,196,958	\$ 3,118,244
Accounts receivable (Note 4)	54,466	39,739
Long-term investment (Note 5)	146,079	146,079
	<b>3,397,503</b>	<b>3,304,062</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 6)	751,906	593,905
Employee future benefits – severance (Note 7)	830,626	781,037
Employee future benefits – sick leave (Note 7)	75,653	62,811
Employee future benefits – pension (Note 7)	94,909	53,060
Total employee future benefits	1,001,188	896,908
	<b>1,753,094</b>	<b>1,490,813</b>
Net financial assets	1,644,409	1,813,249
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 8)	279,963	300,145
Prepaid expenses	36,825	35,809
	<b>316,788</b>	<b>335,954</b>
Accumulated surplus	\$ 1,961,197	\$ 2,149,203

On behalf of the Board:



COMMISSIONER



COMMISSIONER

The accompanying notes are an integral part of these financial statements.

# Statement of Operations and Accumulated Surplus (Deficit)

FOR THE YEAR ENDED MARCH 31	BUDGET 2014	ACTUAL 2014	ACTUAL 2013
<b>Revenue</b>			
Registration fees	\$ 4,676,500	\$ 4,561,705	\$ 4,537,263
Licence fees	1,324,700	1,200,612	1,163,073
Interest earned	44,400	45,416	42,087
Other revenue	34,200	32,540	37,939
	6,079,800	5,840,273	5,780,362
<b>Expenses</b>			
Salaries and benefits	4,630,800	4,321,320	3,936,951
Rent	383,600	377,994	375,862
Legal and professional fees	197,700	234,921	157,917
Amalgamation expenses (Note 9)	100,000	183,370	222,628
Supplies and services	164,400	174,373	104,899
Transportation	183,500	145,554	145,075
Communications	109,200	123,922	108,938
Commission Board	104,200	121,759	41,050
Education, training, conferences	148,700	109,082	108,208
Amortization	76,200	68,154	66,556
First Nations legal and professional	0	64,196	9,170
Accommodations	62,100	49,312	44,175
HR/Systems support	44,900	30,715	30,998
Other expenses	35,600	21,896	17,447
Loss on disposal of tangible capital assets	0	1,711	8,078
Public education	100,000	0	8,109
	6,340,900	6,028,279	5,386,061
<b>Annual surplus (deficit)</b>	(261,100)	(188,006)	394,301
<b>Accumulated surplus, beginning of year</b>	2,208,300	2,149,203	1,754,902
<b>Accumulated surplus, end of year</b>	\$ 1,947,200	\$ 1,961,197	\$ 2,149,203

The accompanying notes are an integral part of these financial statements.



# Statement of Change in Net Financial Assets

FOR THE YEAR ENDED MARCH 31	BUDGET 2014	ACTUAL 2014	ACTUAL 2013
Annual surplus (deficit)	\$ (261,100)	\$ (188,006)	\$ 394,301
Acquisition of tangible capital assets	(69,000)	(49,683)	(75,716)
Amortization of tangible capital assets	76,200	68,154	66,556
Loss on disposal of tangible capital assets	0	1,711	8,078
	7,200	20,182	(1,082)
Increase in prepaid expenses	0	(1,016)	(276)
<b>Increase (decrease) in net financial assets</b>	(253,900)	(168,840)	392,943
<b>Net financial assets, beginning of year</b>	1,895,200	1,813,249	1,420,306
<b>Net financial assets, end of year</b>	\$ 1,641,300	\$ 1,644,409	\$ 1,813,249

The accompanying notes are an integral part of these financial statements.

# Statement of Cash Flows

FOR THE YEAR ENDED MARCH 31	2014	2013
<b>Operating transactions</b>		
Annual surplus (deficit)	\$ (188,006)	\$ 394,301
Loss on disposal of tangible capital assets	1,711	8,078
Changes in non-cash items		
Accounts receivable	(14,727)	(3,382)
Prepaid expenses	(1,016)	(276)
Accounts payable and accrued liabilities	158,001	21,572
Provision for employee severance benefits	49,589	51,532
Provision for employee sick leave benefits	12,842	(7,157)
Provision for employee pension benefits	41,849	13,935
Amortization	68,154	66,556
Cash provided by operating transactions	128,397	545,159
<b>Capital transactions</b>		
Cash used to acquire tangible capital assets	(49,683)	(75,716)
<b>Investing transactions</b>		
	0	0
<b>Financing transactions</b>		
	0	0
Increase (decrease) in cash and cash equivalents	78,714	469,443
<b>Cash and cash equivalents, beginning of year</b>	<b>3,118,244</b>	<b>2,648,801</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,196,958</b>	<b>\$ 3,118,244</b>
Supplemental cash flow information		
Interest received	45,369	41,812

The accompanying notes are an integral part of these financial statements.

# Notes to Financial Statements

FOR THE YEAR ENDED MARCH 31, 2014

## 1. Nature of Operations

The MGCC was established by *The Gaming Control Act*. The organization's objectives are to regulate and control gaming activity in the province with the aims of ensuring that gaming activity is conducted honestly, with integrity and in the public interest. The organization began its operations on October 20, 1997.

## 2. Summary of Significant Accounting Policies

### A. BASIS OF ACCOUNTING

These financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards, established by the Public Sector Accounting Board.

### B. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, demand deposits, and short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These short-term investments generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

### C. EMPLOYEE FUTURE BENEFITS

(i) The cost of severance obligations is determined using the annual actuarial report as at March 31, 2014. Severance pay, at the employee's date of retirement, will be determined using the eligible employee's years of service and based on the calculation as set by the Province of Manitoba. The maximum payout is currently 19 weeks at the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the MGCC.

(ii) The employees of the MGCC belong to the Province of Manitoba's Superannuation Fund, which is a multi-employer joint trustee plan. The Superannuation Fund is a defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years.

The joint trustee board of the Superannuation Fund determines the required contribution rates.

The contribution of MGCC to the Superannuation Fund is recorded as an expense for the year.

(iii) The cost of non-vested sick leave benefits are determined by an estimation of the number of days earned during the year that will be used in future periods in excess of the annual entitlement.

### D. TANGIBLE CAPITAL ASSETS

Capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

Equipment	20% declining balance basis
Furniture and fixtures	10% declining balance basis
Computer equipment	30% declining balance basis
Leasehold improvements	Straight-line method over remaining term of lease (33 months)

### E. PREPAID EXPENSES

Prepaid expenses include rent, insurance and supplies and are charged to expense over the periods expected to benefit from it.

### F. REVENUES

Revenues are recorded on an accrual basis except for licence and supplier registration fees, which are recognized on a cash receipt basis.

### G. EXPENSES

Expenses are recorded on an accrual basis.

### H. MEASUREMENT UNCERTAINTY

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

### 3. Financial Instruments and Financial Risk Management

#### MEASUREMENT

Financial instruments are classified into one of the two measurement categories: (a) fair value; or (b) cost or amortized cost.

The MGCC records its financial assets at cost. Financial assets include cash and cash equivalents, temporary investments and accounts receivable. The MGCC also records its financial liabilities at cost. Financial liabilities are accounts payable.

Gains and losses on financial instruments measured at fair value are recorded in accumulated surplus as re-measurement gains and losses until realized. Upon disposition of the financial instruments, the cumulative re-measurement gains and losses are reclassified to the statement of operations. Gains and losses on financial instruments measured at cost or amortized cost are recognized in the statement of operations in the period the gain or loss occurs.

The MGCC did not incur any re-measurement gains and losses during the year ended March 31, 2014 (2013 - \$nil).

The MGCC has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, market risk, interest risk and foreign currency risk.

#### CREDIT RISK

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the MGCC to credit risk consist principally of cash and cash equivalents and accounts receivable.

The maximum exposure of the MGCC to credit risk at March 31, 2014 is:

	2014	2013
Cash and cash equivalents	\$ 3,196,958	\$ 3,118,244
Accounts receivable	54,466	39,739
	\$ 3,251,424	\$ 3,157,983

Cash and cash equivalents: The MGCC is not exposed to significant credit risk as the deposits are primarily held by the Minister of Finance.

Accounts receivable: The MGCC is not exposed to significant credit risk as the receivable is composed of fees due from clients and payment in full is typically collected when it is due. The MGCC does not use an allowance for doubtful accounts. The policy is to write off any accounts deemed uncollectible during the year.

The aging of accounts receivable as at March 31, 2014 was:

Current	\$ 34,931
30 to 60 days past billing date	10,152
61 to 90 days past the billing date	0
More than 90 days past the billing date	9,383
	\$ 54,466



#### LIQUIDITY RISK

Liquidity risk is the risk that the MGCC will not be able to meet its financial obligations as they come due.

The MGCC manages liquidity risk by maintaining adequate cash balances. The MGCC prepares and monitors forecasts of cash flows from operations and anticipated investing and financing activities. The MGCC continuously monitors and reviews both actual and forecasted cash flows through periodic financial reporting.

#### MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the MGCC's income or the fair values of its financial instruments. The significant market risk the MGCC is exposed to is interest rate risk.

#### INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash and cash equivalents.

The interest rate risk on cash and cash equivalents is considered to be low because of their short-term nature.

#### FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The MGCC is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

#### 4. Accounts Receivable

	<b>2014</b>	<b>2013</b>
Charitable licence holders	\$ 1,832	\$ 5,256
Manitoba Lotteries Corporation	25,969	9,250
First Nations casinos	7,200	7,100
Supplier investigations	2,452	1,489
Employee advances	8,993	8,993
Interest on short-term investments	4,787	4,741
Other trades	3,233	2,910
	<b>\$ 54,466</b>	<b>\$ 39,739</b>

#### 5. Long-Term Investment

The Province of Manitoba had accepted responsibility for the severance pay benefits of \$146,079 accumulated to March 31, 1998 for certain employees. Effective March 31, 2013 the Province of Manitoba placed the amount of \$146,079 into an interest-bearing trust account to be held on the MGCC's behalf until the cash is required to discharge the related liabilities.

## 6. Accounts Payable and Accrued Liabilities

	2014	2013
Accounts payable and accrued liabilities	\$ 166,187	\$ 65,115
Salaries and benefits payable	98,720	74,118
Accrued vacation pay	474,802	425,998
Other	12,197	28,674
	<b>\$ 751,906</b>	<b>\$ 593,905</b>

## 7. Employee Future Benefits

### A. SEVERANCE BENEFITS

Effective April 1, 1998, the MGCC commenced recording the estimated liability for accumulated severance pay benefits for its employees. The amount of this estimated liability is determined using the annual actuarial report of severance obligations as at March 31, 2014.

Severance pay, at the employee's date of retirement, will be determined using the eligible employee's years of service and based on the calculation as set by the Province of Manitoba. The maximum payout is currently 19 weeks at the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the MGCC.

An actuarial report was completed for the severance pay liability as at March 31, 2014. The MGCC's actuarially-determined net liability for accounting purposes as at March 31, 2014 was \$747,452 (2013 - \$698,854). An actuarial gain of \$11,119 will be amortized over the expected average remaining service life of the employee group. This gain will begin to be amortized at the beginning of the next fiscal year.

Significant long-term actuarial assumptions used in the March 31, 2014 valuation and in the determination of the March 31, 2014 present value of the accrued severance benefit obligation were:

Annual rate of return		Annual salary escalation rates	
(i) inflation component	2.00%	(i) general increases	
(ii) real rate of return	4.00%	a) salary increase	2.00%
	6.00%	b) real rate	0.75%
			2.75%
		(ii) service, merit and promotional increases. The rates used vary by age groupings from a high of 3.0% to a low of 0%.	

The severance benefit liability at March 31, 2014 includes the following components:

	2014	2013
Accrued benefit liability	\$ 747,452	\$ 698,854
Unamortized actuarial gains (losses)	83,174	82,183
Severance benefit liability	<b>\$ 830,626</b>	<b>\$ 781,037</b>

The total expenses related to severance benefits at March 31, 2014 include the following components:

	<b>2014</b>	<b>2013</b>
Interest on obligation	\$ 45,426	\$ 44,421
Current period benefit cost	<b>14,291</b>	(16,884)
	<b>59,717</b>	27,537
Effect of change in assumptions	<b>0</b>	29,503
Amortization of actuarial gain over expected average remaining service lifetime (EARSL)	<b>(10,128)</b>	(5,508)
Total expense related to severance benefit	<b>\$ 49,589</b>	<b>\$ 51,532</b>

#### B. RETIREMENT BENEFITS

Effective April 1, 2005, all employees are members of the Province of Manitoba's defined benefit Superannuation Fund.

In accordance with the provisions of the *Civil Service Superannuation Act*, employees of the MGCC are eligible for pension benefits. Plan members are required to contribute to the Superannuation Fund at prescribed rates for defined benefits and will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five years prior to retirement, termination or death that provides the highest earnings. The MGCC is required to match contributions contributed to the Superannuation Fund by the employees at prescribed rates, which is recorded as an operating expense. Under this Act, the MGCC has no further pension liability.

The MGCC's portion of contributions to the Superannuation Fund is recognized as an operating expense in the period of contribution. Total contributions for the year are \$231,567. Contributions for the 2013 year were \$193,016.

For employees whose annual earnings exceed the limit under the Superannuation Fund or are a disability retirement, a pension liability is established. Based on the annual actuarial report of pension obligations as at March 31, 2014, a reserve of \$94,909 (2013 - \$53,060) has been established as a pension liability. Due to the nature of the liability, actuarial gains or losses are recognized in operations in the year. Pension costs realized in the year were \$41,849 (2013 - \$13,935). Significant long-term actuarial assumptions used in the March 31, 2014 valuation and in the determination of the March 31, 2014 present value of the accrued basic pension benefit obligations were:

<b>Annual rate of return</b>		<b>Annual salary escalation rates</b>	
(i) inflation component	2.00%	(i) general increases	
(ii) real rate of return	4.00%	a) salary increase	2.00%
	<b>6.00%</b>	b) productivity component	0.75%
			<b>2.75%</b>
		(ii) service, merit and promotional increases. The rates used vary by age groupings from a high of 3.0% to a low of 0%.	

### C. NON-VESTED SICK LEAVE BENEFITS

All employees are credited with sick day credits for use as paid absences in the year, due to illness or injury. Employees are allowed to accumulate unused sick day credits each year, up to the allowable maximum provided in the most recent collective agreement. Accumulated credits may be used in future years to the extent that the employee's illness or injury exceeds the current year's allocation of credits. The use of accumulated sick days for sick leave compensation ceases on termination of employment. The benefit costs and liabilities related to the plan are included in the financial statements. The accrued benefit obligation related to sick leave entitlement earned by employees is determined using a valuation model developed by an actuary. The valuation is based on employee demographics, sick leave usage and actuarial assumptions. The cost of non-vested sick leave benefits is determined by an estimation of the number of days earned during the year that will be used in future periods in excess of the annual entitlement. These assumptions include a 5.00% annual return and a 3.00% annual salary increase.

## 8. Tangible Capital Assets

MARCH 31, 2014					
	Equipment	Furniture and Fixtures	Computer Equipment	Leasehold Improvements	Total
<b>Cost</b>					
Opening balance	\$ 54,442	\$ 430,830	\$ 1,040,795	\$ 57,318	\$ 1,583,385
Additions		1,798	47,885		49,683
Disposals			(12,746)		(12,746)
Closing balance	\$ 54,442	\$ 432,628	\$ 1,075,934	\$ 57,318	\$ 1,620,322
<b>Accumulated amortization</b>					
Opening balance	\$ 44,361	\$ 291,892	\$ 917,109	\$ 29,878	\$ 1,283,240
Amortization	2,016	13,949	44,872	7,317	68,154
Disposals			(11,035)		(11,035)
Closing balance	\$ 46,377	\$ 305,841	\$ 950,946	\$ 37,195	\$ 1,340,359
<b>Net Book Value</b>					<b>\$ 279,963</b>



MARCH 31, 2013

	Equipment	Furniture and Fixtures	Computer Equipment	Leasehold Improvements	Total
<b>Cost</b>					
Opening balance	\$ 65,796	\$ 425,112	\$ 1,020,854	\$ 57,318	\$ 1,571,980
Additions	2,985	7,024	65,707		75,716
Disposals	(17,339)	(1,306)	(45,666)		(64,311)
Closing balance	\$ 54,442	\$ 430,830	\$ 1,040,795	\$ 57,318	\$ 1,583,385
<b>Accumulated amortization</b>					
Opening balance	\$ 58,019	\$ 277,780	\$ 914,557	\$ 22,561	\$ 1,272,917
Amortization	2,265	15,144	41,830	7,317	66,556
Disposals	(15,923)	(1,032)	(39,278)		(56,233)
Closing balance	\$ 44,361	\$ 291,892	\$ 917,109	\$ 29,878	\$ 1,283,240
<b>Net Book Value</b>					<b>\$ 300,145</b>

#### 9. Amalgamation Expenses

In the April 17, 2012 provincial budget, the Province of Manitoba announced the amalgamation of the Manitoba Liquor Control Commission's regulatory responsibilities with those of the MGCC. As a result, the MGCC will be taking over the responsibilities of the Manitoba Liquor Control Commission's Regulatory Services Division. The MGCC has incurred significant amalgamation-related expenses in preparation for this pending event.

#### 10. Commitments

The MGCC has an operating lease for its premises expiring in 2016.

The minimum annual lease payment for the next three years is:

2015	\$ 296,581
2016	\$ 311,834
2017	\$ 233,876

#### 11. Budgeted Figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the board of commissioners.

#### 12. Working Capital Advance

The Minister of Finance, with Lieutenant Governor in Council approval by Orders in Council (341/1997) has arranged for working capital advances to be available to the MGCC. The aggregate of the outstanding advances is not to exceed \$2,000,000 (2013 - \$2,000,000). As at March 31, 2014, \$2,000,000 (2013 - \$2,000,000) of these advances were unused and available.

#### 13. Related Party Transactions

The MGCC is related in terms of common ownership to all Province of Manitoba created departments, agencies, and Crown corporations. The MGCC enters into transactions with these entities in the normal course of business.

#### 14. Subsequent Event

The LGA began its operations on April 1, 2014. The LGA was established by *The Liquor and Gaming Control Act* and accompanying Lieutenant Governor in Council and LGA board regulations. The LGA regulates liquor sales, service and manufacturing, and regulates gaming employees, products and operations.

# Board of Commissioners 2013/14

## **Darlene Dziewit**

CHAIR  
Lorette

## **Donna Roed**

VICE-CHAIR  
Gimli

## **Barbara Bruce**

COMMISSIONER  
Winnipeg

## **Lorraine Sigurdson**

COMMISSIONER  
Riverton

## **Lucille Cenerini**

COMMISSIONER  
Winnipeg

## **Vic Wonnacott**

COMMISSIONER  
Winnipeg

---

## **Brenda Johnston**

COMMISSIONER  
Peguis First Nation  
(resigned March 2014)

## **Dennis Meeches**

COMMISSIONER  
Long Plain First Nation  
(resigned October 2013)

## **Joseph Stadnyk**

COMMISSIONER  
Brandon  
(resigned October 2013)



# Manitoba Gaming Control Commission

Additional copies of this report may be obtained from:

Liquor and Gaming Authority of Manitoba  
800-215 Garry Street  
Winnipeg, MB R3C 3P3

Telephone: 204-954-9400  
Toll-free: 1-800-782-0363  
information@LGAmanitoba.ca  
www.LGAmanitoba.ca



This report is available on the Liquor and Gaming Authority of Manitoba's website at [www.LGAmanitoba.ca](http://www.LGAmanitoba.ca).

La version française de ce rapport annuel est disponible au site Web de la Régie des alcools et des jeux du Manitoba au [www.LGAmanitoba.ca](http://www.LGAmanitoba.ca).

**Available in alternate formats, upon request.**

