

Cliff: 554767

Date Prepared: October 5, 2018

Date Decision Required: November 2, 2018

**MINISTRY OF ATTORNEY GENERAL
GAMING POLICY & ENFORCEMENT BRANCH
BRIEFING NOTE**

PURPOSE: For DECISION of David Eby, QC
Attorney General

ISSUE:

Short term funding mechanism for the remaining two years of the Joint Illegal Gambling Investigation Team (JIGIT)'s initial five-year mandate.

DECISION REQUIRED/ RECOMMENDATION:

Direct British Columbia Lottery Corporation (BCLC) to continue funding JIGIT for 2019/20 and 2020/21. Proceed with a Treasury Board Submission in 2021/22 to move to a direct funding model when JIGIT is established as permanent and German recommendations are substantially implemented.

SUMMARY:

- By way of a letter sent in 2017 to the Board Chair of BCLC, the then-Minister of Finance directed BCLC to provide funding for JIGIT:
 - 2016/17 - \$1.8 million
 - 2017/18 - \$3.0 million
 - 2018/19 - \$3.0 million
- The current funding structure was created pursuant to specific direction of the then-Minister responsible for GPEB and BCLC, also the Chair of Treasury Board of the day.
- The letter contemplates funding for a further two years at approximately similar levels but does not direct BCLC as to these two years.
- Memoranda of Understanding exist between the Police Services Division, the Royal Canadian Mounted Police (RCMP) and the Gaming Policy and Enforcement Branch (GPEB) that establish JIGIT and provide reporting and financial direction. BCLC is not party to any of these memoranda.
- The letter further directs that GPEB will be required to carry a Treasury Board Submission for any exceptional costs that the team may incur.

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- Recommendation 14 (R14) in the German report recommends “that JIGIT be provided continuing support with respect to its investigative mandates”.
- A decision to direct BCLC to continue funding JIGIT for the 19/20 and 20/21 fiscal years would partially respond to R14 while allowing for further policy work to continue on a long-term response to this and other related recommendations.

BACKGROUND:

- JIGIT was established for an initial five-year term, within the structure of the Combined Forces Special Enforcement Unit (CFSEU), and a funding agreement entered into between the province and Canada (RCMP).
- Baseline operating costs of approximately \$3 million annually were directed by the Minister of the day to be paid by the BCLC.
- As BCLC is not party to the agreements establishing JIGIT, BCLC does not have any involvement with governance or oversight of the team. Although, establishing the liability creates an accounting and governance difficulty for the corporation, this model has proved workable, and withstood scrutiny from BCLC’s external auditor.
- Although all transactions are properly recorded as a matter of accountancy, the current arrangement does not particularly favour transparency.
- The funding provided by BCLC is a direct reduction from money that would otherwise transfer to the Consolidated Revenue Fund (CRF).
- Funding for JIGIT could be established in GPEB’s vote, or the Contingency vote, by way of Treasury Board Submission. Government would then fund JIGIT directly. This is the long-term funding model for JIGIT that is proposed.
- JIGIT experienced costs in excess of base funding in 2017/18, which were managed by the Ministry of Attorney General (MAG). JIGIT expects ongoing excess costs in 2018/19, however the province has not yet been advised by CFSEU as to the quantum of any potential overage.

DISCUSSION:

- The German Report makes several recommendations related to JIGIT, including stabilizing funding and the establishment of a dedicated policing unit (DPU). GPEB is working with the Anti-Money Laundering (AML) Deputy Minister’s Committee to consider and implement Dr. German’s recommendations, as appropriate.

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- Policy work is underway to consider the role of JIGIT and the DPU, among other work related to German Report implementation.
- The existing JIGIT funding letter provides for funding through 2018/19 and contemplates funding for an additional two years at approximately similar levels but does not direct BCLC as to these two years.
- To respond to R14 (“that JIGIT be provided continuing support with respect to its investigative mandates”) in the short term, the Attorney General has the ability to give direction to BCLC to extend the funding through 2020/21.
- The long term expectation is that JIGIT be funded out of CRF, by the province directly. This will require a Treasury Board Submission and a base lift to the Ministry. Given the relatively early stage of implementation of the German report, the clearly expressed preference of Treasury Board Staff is to see a comprehensive submission for permanent funding of German report implementation, when all costs are definitively identifiable.
- The current funding arrangement expires at the end of this fiscal year, it is unlikely that the Ministry will be able to identify definitively the full spectrum of German implementation costs prior to the funding arrangement expiring. Consequently, Treasury Board Submission at this time would be regarded as interim, and have minimal prospects of the resulting in a durable funding arrangement for JIGIT.
- Alternatively, direct funding to JIGIT would require a Treasury Board Submission, as the request is not suitable for a Budget 2019 base lift request, given the early state of German Report implementation.
- The most viable option to fund JIGIT directly is to seek access to the Contingency vote for the next two years, as a permanent base lift to the MAG for JIGIT funding would be premature given the early state of German Report implementation.
- Bringing a Treasury Board Submission at this juncture has minimal prospects of success, as both the preferences of Treasury Board Staff and good policy practice suggest that a permanent funding decision for JIGIT should be made in the context of other finalized decisions related to the AML strategy and German Report implementation.

OPTIONS:

1. Direct BCLC to continue funding JIGIT for at least 2019/20 and 2020/21 at the current level of \$3.0 million per year. Continue to risk manage any over-expenditure through GPEB’s vote. **(Recommended)**

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Advantages:

- Maintains funding for JIGIT without disrupting other work underway;
- No requirement to increase GPEB's voted appropriation;
- Allows government to consider the most appropriate funding model for JIGIT in view of final decisions about German Report recommendations.

Disadvantages:

- Sustains a difficult matter of accountancy for BCLC;
- Funding JIGIT out of BCLC revenue may be publicly perceived as a conflict of interest with BCLC's revenue generation mandate;
- Does not immediately address Dr. German's recommendation that stable funding be established for JIGIT.

2. Seek Treasury Board approval to fund JIGIT directly while offsetting the cost through increased transfer from BCLC to CRF.

Advantages:

- Improves financial transparency;
- Eliminates the perception of a conflict between BCLC's revenue generation mandate and JIGIT's public safety and integrity of gambling mandate.

Disadvantages:

- Requires a net-neutral submission to increase GPEB's voted appropriation, most likely through the Contingency vote;
- Requires an additional Treasury Board Submission when a permanent funding decision about JIGIT can be made in the context of final German Report implementation decisions;
- Minimal prospect of securing permanent funding for JIGIT until full implementation costs can be brought forward.

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OTHER MINISTRIES IMPACTED/CONSULTED:

- N/A

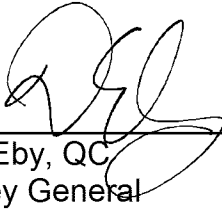


Richard J. M. Fyfe, QC
Deputy Attorney General

DATE:

November 5, 2018

RECOMMENDED OPTION # 2 APPROVED



David Eby, QC
Attorney General

DATE:

November 7, 2018

Prepared by:
Dave Boychuk CPA, CMA
Director, Operations
Gaming Policy & Enforcement Branch
[Redacted]

Approved by:
Sam MacLeod
Assistant Deputy Minister and
General Manager
Gaming Policy & Enforcement Branch
[Redacted]

Attachment: 355016 2017 Letter to BCLC Board Chair



JAN 30 2017

355016

Bud Smith, Chair
 Board of Directors
 British Columbia Lottery Corporation
 74 West Seymour Street
 Kamloops BC V2C 1E2

Dear Mr. Smith:

I want to acknowledge the British Columbia Lottery Corporation's (BCLC) active involvement in delivering on the Province's anti-money laundering (AML) strategy and the work that has been done with police to combat illegal activities in gaming facilities in our province. The purpose of this letter is to provide you with direction on funding the Joint Illegal Gaming Investigation Team (JIGIT) over its five-year mandate.

Funding for JIGIT will be provided by BCLC via the Ministry of Finance for the first three years of the Team's current mandate. The agreed-upon funding level for JIGIT for the first three years of the Team's mandate are as follows:

- 2016/17 - \$1.8 million
- 2017/18 - \$3.0 million
- 2018/19 - \$3.0 million

The Comprehensive Cost Ratio target for BCLC was adjusted to reflect this funding.

The funding levels for the remaining two years of the Team's mandate will be determined at a later date, but are expected to be materially similar to the 2018/19 level.

All funds provided for JIGIT will be fully committed to the unit and will only be used to fund JIGIT operations and no other police purpose. This direction is codified in an agreement between the Ministry of Finance and the Ministry of Public Safety and Solicitor General (PSSG).

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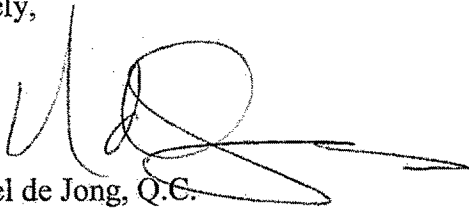
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From time to time because of the team's mandate, extraordinary costs may arise. These will be communicated by the RCMP in advance to PSSG and the Assistant Deputy Minister, Gaming Policy and Enforcement Branch (GPEB). It is expected that GPEB will bring forward a Treasury Board Submission to address these costs with funding options including BCLC funding some or all of these extraordinary costs. GPEB will communicate any special investigative costs, regardless of the prospective funding mechanism, to you as soon as the Branch becomes aware of them, and will engage with you as appropriate throughout the process of securing funding.

Financial reporting will be provided to BCLC on a quarterly basis, in a mutually agreeable form, noting that the province cannot disclose information that would be detrimental to JIGIT operations or compromise police investigations.

Thank you for your continued effort and commitment to protect the integrity of gaming on behalf of the people of British Columbia.

Sincerely,

A handwritten signature in black ink, appearing to read 'Michael de Jong', with a long horizontal flourish extending to the right.

Michael de Jong, Q.C.
Minister

cc: Jim Lightbody, CEO and President, BCLC
John Mazure, ADM and General Manager, GPEB