



Grant Thornton

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Douglas S. Scott
Assistant Deputy Minister & General Manager
Liquor Control and Licensing Branch
Ministry of Small Business and Red Tape Reduction
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May 20, 2016

Dear Mr. Scott:

Re: SPECIAL WINE STORE LICENCE AUCTION

In an effort to provide the industry with additional assurance that the Special Wine Store License Auction (SWLA) process is fair and transparent, Grant Thornton LLP (“Grant Thornton”) was engaged to advise the Ministry of Small Business and Red Tape Reduction (“the Ministry”) on the effectiveness of controls in place to address the risks to transparency and fairness implicit within the online auction system and related processes.

As such Grant Thornton assisted the Ministry to:

s.13,s.17

- Conduct procedures designed to confirm that control processes were designed and operated effectively during the auction processes conducted between April 19, 2016 and May 6, 2016 (the “Auction Period”).

While no level of control can completely avoid the possibility of risk occurrence, our assessment identified that the Ministry successfully deployed reasonable control processes to reduce the inherent risks implicit within the online auction process relating to transparency and fairness throughout the Auction Period. In addition, while the risk of lost transparency and fairness was reduced by identified controls, additional actions were undertaken by the Ministry to further address related risks based on our recommendations.

Please refer to our detailed report “REPORT IN CONNECTION WITH SPECIAL WINE STORE LICENCE AUCTION AND APPLICATION PROCESS” for additional information on the risks and controls identified and the procedures conducted to assess the design and operating effectiveness of internal controls deployed.

We would like to thank management and staff for their assistance with this engagement.

Very truly yours,

GRANT THORNTON LLP



Shane Troyer, CPA, CGA, CIA, CFE, CISSP
Partner, Operational Advisory Services

**REPORT IN CONNECTION WITH SPECIAL WINE STORE LICENCE AUCTION AND
APPLICATION PROCESS**

May 25, 2016

To: Ministry of Small Business and Red Tape Reduction

Re: Fairness and Transparency Process Control – Specified Procedures

As specifically agreed and in accordance with the terms of our engagement letter dated April 1, 2016, we have performed the following procedures in connection with the Special Wine Store Licence Auction Process (“the Auctions”) which occurred between April 19, 2016 and May 6, 2016:

Summary Procedures

- 1 Obtained and reviewed documentation relating to processes and procedures to confirm our understanding of the systems and procedures in place;
- 2 Identified and confirmed risks to Auction transparency and fairness as applicable to the Auction Application (system);
- 3 Met with Ministry employees to perform walkthroughs of the processes and procedures they or the Auction Application will perform in relation to the Auction;
- 4 Developed procedures to confirm the design of process controls in place; and,
- 5 Conduct procedures to validate if the process controls are designed and operating effectively throughout the Auction period.

A detailed listing of conducted procedures and any exceptions identified through those procedures is attached as Schedule A.

Exceptions Identified

Our procedures identified the following exceptions:

- 1 **s.13,s.17**

s.13,s.17

2 s.13,s.17

Our procedures were designed to provide the Ministry with information relating to the effective deployment of internal controls that the Ministry has designed to ensure fairness and transparency within the online Auction application. These procedures do not constitute an audit in accordance with the assurance standards of the Chartered Professional Accountants Handbook.

Restrictions

Our report, including the description of tests of controls and results thereof is intended solely for the information and use of BC Government employees, who have a sufficient understanding to consider it, when assessing the risks to reduced transparency and fairness within the Auction process. This report is not intended to be and should not be used by anyone other than the BC Government.

Yours truly,
Grant Thornton LLP



Shane Troyer, CPA, CGA, CISSP, CIA, CFE
Partner, Advisory Services

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Withheld pursuant to/removed as

s.21;s.17