



Provincial Auditor's 2022 Report—Volume 1: SLGA Needs to Increase Its Regulatory Oversight of Craft Alcohol Producers

SLGA must treat craft alcohol producers consistently and fairly while ensuring it receives periodic lab test reports for craft alcohol

REGINA—June 7, 2022: In her *2022 Report – Volume 1*, Chapter 6, Provincial Auditor Tara Clemett audited the Saskatchewan Liquor and Gaming Authority's processes to regulate the production and sale of locally manufactured craft alcohol. She made five recommendations.

Consumers are increasingly purchasing craft alcohol products made in Saskatchewan with craft alcohol sales nearly doubling in 2020–21 compared to 2017–18. Locally-manufactured craft alcohol products comprised 4.3% of the Authority's annual beverage alcohol sales in 2020–21. At November 30, 2021, the Authority had issued permits to 64 different craft alcohol producers in the province.

The Authority's quality assurance policy requires craft alcohol producers to submit certificates of analysis (lab test reports) verifying products are safe for consumption, but does not follow up with producers who are delinquent in submitting required reporting every two years. Authority staff maintain a listing of craft alcohol producers and due dates for updated certificates of analysis. We found over half of the craft alcohol product lines approved for sale on its tracking sheet (43 of 83 product lines) required updated certificates; craft alcohol producers had not submitted these by the deadline, and the Authority had not followed up. Some of these craft alcohol producers had not provided certificates of analysis to the Authority for more than nine months past the deadline.

The audit also found the Authority did not use a risk-based approach to inspect craft alcohol producers and high-risk manufacturing areas. The Authority completed 10 inspections and 24 pre-permit inspections in 12 months (compared to 64 craft alcohol producers in total) and had not inspected one producer in the past three years.

"Effective regulation of craft alcohol production reduces the risk of the public consuming unsafe alcohol or alcohol inconsistent with labelling," said Tara Clemett. "Receiving regular lab test reports and regularly inspecting high-risk areas specific to craft alcohol helps protect the public."

SLGA also needs to:

- Renew craft alcohol permits prior to expiry and treat producers consistently and fairly. Producer permits expire after three years; four craft alcohol producers operated without a valid permit during our audit period.
- Assess the reasonability of production and sales information submitted by craft alcohol producers. This information drives the production levy the Authority charges producers, thus producers may have a bias to underreport sales. In 2020–21, the Authority collected more than \$2 million in production levies from craft alcohol producers, a substantial increase from around \$360,000 in 2016–17.

"By having ineffective processes to assess producer-prepared production and sales information, the Authority is at risk of receiving inaccurate production levies," said Tara Clemett. "As a growing industry, it's important for producers to comply with policies and submit accurate reports."

The full Provincial Auditor's *2022 Report – Volume 1* available online at auditor.sk.ca.

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