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Main points

Under the 2002 Framework Agreement and the 2002 Casino Operating Agreement, Saskatchewan Indian Gaming Authority Inc. (SIGA) manages the slot machines in its four casinos for Saskatchewan Liquor and Gaming Authority (Liquor and Gaming). Liquor and Gaming decides the policies for operating the casinos. It expects SIGA to propose policies for Liquor and Gaming's approval.

At March 31, 2003, SIGA has not yet fully implemented all of our past recommendations. As a result, SIGA continues to make payments without due care. However, it has worked actively to propose policies to deal with our past recommendations. Near the end of the year or shortly after, SIGA's Board approved most of SIGA's new proposed policies. The next step for SIGA is to propose to Liquor and Gaming the rest of the policies and then get Liquor and Gaming's approval for all of the policies. SIGA can then ensure its staff understand and follow those policies.

Both, the Framework Agreement and the Casino Operating Agreement require SIGA to establish and comply with Liquor and Gaming approved policies for the operation of the casinos by August 15, 2005. SIGA faces a challenge to complete and implement all of the Liquor and Gaming's policies by August 15, 2005. If SIGA does not meet this condition, Liquor and Gaming may not allow SIGA to continue to operate Liquor and Gaming's slot machines.

SIGA needs to move quickly and get Liquor and Gaming's approval for spending and casino operating policies. It can then begin implementing those policies during 2004. We will assess the new policies and SIGA's compliance with those policies in 2004.

Introduction

The Saskatchewan Indian Gaming Authority Inc. (SIGA) is a non-profit corporation established under *The Non-Profit Corporations Act, 1995*. The members of SIGA are the Federation of Saskatchewan Indian Nations (FSIN), the Tribal Councils of Saskatchewan, and independent First Nations. SIGA operates four casinos in Saskatchewan. Those casinos provide table games, slot machines and other hospitality services (ancillary operations) to the public.

Saskatchewan Liquor and Gaming Authority (Liquor and Gaming) licensed SIGA to conduct and manage table games. SIGA is required to use the net profits from the operations of licensed table games for First Nations' charitable or religious purposes.

As required by section 207 of *The Criminal Code of Canada*, Liquor and Gaming owns the slot machines located in SIGA's casinos. The revenue from the slot machines belongs to Liquor and Gaming and is, therefore, public money. SIGA is allowed to deduct reasonable costs of operating casinos, as determined by Liquor and Gaming, from the slot machine revenues. SIGA is required to remit the remainder to Liquor and Gaming.

For the last five years, SIGA's casinos had the following net profits (losses). The casino operations include slot machines, table games, and ancillary (i.e., gift shops, restaurants and lounges).

Table 1 – Net profits (losses) of SIGA's casinos

Segment	2003	2002	2001	2000	1999
(in thousands)					
Slot operations	\$ 32,146	\$ 26,855	\$ 21,290	\$ 15,705	\$ 19,216
Ancillary operations	(1,742)	(1,400)	(2,009)	(1,830)	(1,270)
Table operations	(1,036)	(620)	(638)	(491)	(927)
Total	<u>\$ 29,368</u>	<u>\$ 24,835</u>	<u>\$ 18,643</u>	<u>\$ 13,384</u>	<u>\$ 17,019</u>

Table 1 shows that the net profits from the slot machines at SIGA's casinos increased from about \$27 million in 2002 to about \$32 million in

2003. Net profit from the slot machines increased for the following main reasons.

In 2003, Liquor and Gaming increased the number of slot machines in SIGA's casinos. During 2003, SIGA received 375 more slot machines for its casinos. While the average gross revenue per slot machine did not change significantly in 2003, the total slot machine revenue increased from \$68 million in 2002 to \$79 million in 2003 because of the additional slot machines.

For the same period, SIGA increased its total slot machine expenses by about \$6 million. In 2003, SIGA reduced the marketing and promotion expenses by about \$0.5 million, but increased the salaries and benefits by about \$2 million and other expenses by \$4.5 million.

Background

In February 1995, the Government of Saskatchewan and the FSIN made an agreement called the 1995 Framework Agreement that permitted the development and operation of casinos in Saskatchewan within the parameters of *The Criminal Code of Canada*. The 1995 Framework Agreement expired; and on June 11, 2002, the Government of Saskatchewan and the FSIN signed a new Framework Agreement (2002 Framework Agreement) effective from June 11, 2002 to June 11, 2027.

To implement the 1995 Framework Agreement, Liquor and Gaming and SIGA signed a Casino Operating Agreement in November 1995. The Casino Operating Agreement expired with the 1995 Framework Agreement. On June 11, 2002, Liquor and Gaming and SIGA signed a new Casino Operating Agreement (2002 Casino Operating Agreement) effective from June 11, 2002 to June 11, 2027.

To ensure the reasonability of costs for operating the slot machines for Liquor and Gaming, the 2002 Casino Operating Agreement requires Liquor and Gaming to approve SIGA's operating budgets and policies. The previous Casino Operating Agreement had similar requirements.

Liquor and Gaming expects SIGA to propose spending and casino operating policies for Liquor and Gaming's approval.

The net profits from the slot machine operations in SIGA's casinos go to the Government's General Revenue Fund (GRF) through Liquor and Gaming. The Government distributes a portion of those profits to the First Nations Fund and Community Development Corporations as required by *The Saskatchewan Gaming Corporation Act* and the 2002 Framework Agreement.

We audit SIGA for the Legislative Assembly because SIGA handles public money for Liquor and Gaming. Also, Liquor and Gaming directed SIGA's members to appoint the Provincial Auditor as their auditor. SIGA's members did so.

Our audit conclusions

In our opinion, for the year ended March 31, 2003:

- ◆ **SIGA's consolidated financial statements are reliable;**
- ◆ **SIGA did not have adequate rules and procedures to safeguard public resources because of the matters reported in this chapter; and**
- ◆ **SIGA complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters reported in this chapter.**

Our audit findings

In our 2000 Fall Report – Volume 2, we made several recommendations to strengthen SIGA's rules and procedures to safeguard public money. SIGA accepted our recommendations and began to implement those recommendations.

In November 2000, to ensure effective implementation of our past recommendations, Liquor and Gaming set and communicated priorities (Directives) to SIGA. One of those Directives requires SIGA to accept and implement new policies and procedures mandated by Liquor and Gaming. Both the 2002 Framework Agreement and the 2002 Casino Operating Agreement require SIGA to achieve, by August 15, 2005, compliance with

those Directives. The Agreements also require SIGA to sustain that compliance for at least two consecutive years. If SIGA does not meet this condition, Liquor and Gaming may not allow SIGA to continue to operate Liquor and Gaming's slot machines.

At March 31, 2003, SIGA has not yet fully implemented all of our past recommendations. As a result SIGA, continues to make payments without due care. However, it has worked actively to propose policies to deal with our past recommendations. Near the end of the year or shortly after, SIGA's Board approved most of SIGA's new proposed policies. Under the Casino Operating Agreement, these policies now need to be approved by Liquor and Gaming. SIGA can then begin training staff to implement those new policies.

SIGA needs to move quickly to obtain Liquor and Gaming's approval so that SIGA can begin training its staff to implement those policies. SIGA faces a challenge to complete and fully implement the new policies to address our past recommendations and to meet Liquor and Gaming's Directives.

Exhibit I on page 165 summarizes our past recommendations and the status of the implementation of those recommendations as of March 31, 2003. We did not assess the activities after the year-end. We describe those activities in the Exhibit for information purposes only.

Assessment of internal auditor's work needed

In our past reports, we said that SIGA's Board needs independent assurance whether management safeguarded public resources and complied with authorities including the Board's delegation of authorities. We said that an independent internal audit function could provide this assurance. We recommended that SIGA should establish such a function. In May 2001, the Board made an agreement with a professional firm to provide internal audit services.

We need to assess the effectiveness of the internal auditor's work to comply with Canadian generally accepted auditing standards. To make this assessment, we must review the internal auditor's files and records (working papers). The agreement with the internal auditor did not provide

for our access to the internal auditor's working papers. Accordingly, we are unable to assess the effectiveness of the internal auditor's work.

When the Board signed its agreement with the internal auditor, it should have ensured that the agreement would allow us access to the internal auditor's working papers.

1. We recommend that SIGA amend its agreement with the internal auditor to allow us full access to the internal auditor's files and records.

Management told us that SIGA would renegotiate the agreement with its internal auditor.

Bank accounts need proper controls

During the year, SIGA did not adequately control its bank accounts. As a result, SIGA may have paid for goods and services it did not receive.

To adequately control its bank accounts, SIGA needs to:

- ◆ establish written guidance to accounting staff about the nature of support and authorization required before making payments;
- ◆ ensure staff follow the guidelines;
- ◆ adequately segregate duties of its employees; and
- ◆ independently agree recorded bank balances with the bank's records.

During the year, SIGA did not have written guidance for accounting staff about the nature of support and authorization required before making payments and for making changes to the financial records. More than 30% of the transactions we examined had insufficient evidence to know that SIGA only paid for authorized goods and services, and that the goods and services were received. Accordingly, SIGA may have paid for goods and services that were not authorized or may not have been received.

SIGA needs to provide written guidance to accounting staff about the nature of support required before making payments. The Chief Financial Officer (CFO) needs to tell the staff that they need evidence that the

goods and services purchased were authorized, the goods and services have been received, and invoices were received for the goods and services before making payments. The CFO also needs to ensure that staff are following the written guidance.

For the year ended March 31, 2003, SIGA had ancillary revenue of \$5.0 million and incurred expenses of \$6.7 million. SIGA's ancillary operations consist of restaurants, gift shops, and lounges located at its casinos. SIGA has not yet fully established rules and procedures for its ancillary operations. We had expected that by now SIGA would have policies and procedures for controlling cash, inventory (including purchases), pricing, and monitoring operations.

In addition, SIGA did not adequately segregate the duties of its employees. Segregation of duties is not adequate when an employee or a group of employees can conceal the improper use of money without ready detection. Many employees who had authority to order goods and services could also receive the goods and services ordered and authorize payments for those goods and services. As a result, SIGA may have paid for goods and services that it may not have received.

SIGA did not independently agree the recorded bank balances with the bank's records for several months during the year. We also noted that staff did not promptly investigate and record the differences between the accounting records and the bank's records. This deficiency could allow the improper use of money to go undetected. Also, there is a risk that the financial information provided to the Board may be incorrect. Incorrect financial information may result in incorrect or inappropriate decisions by the Board.

SIGA needs to establish and communicate to the staff procedures for agreeing the recorded bank balances to the bank's records and for making changes to financial records. SIGA then needs to properly supervise staff to ensure that procedures are carried out.

Written rules and procedures, and proper supervision help ensure that staff know what they are supposed to do and where to get help when needed.

We also reported these matters in our 2002 Fall Report – Volume 2 and our previous reports. On May 29, 2003, the Standing Committee on Public Accounts (PAC) considered these matters and concurred with our recommendations.

We continue to recommend that SIGA establish accounting policies and procedures to ensure:

- ◆ its books and records reflect its business operations;
- ◆ it has adequate support for all transactions; and
- ◆ it has adequately segregated the duties of its employees.

Management told us that as of March 31, 2003, SIGA's Board has approved policies for purchasing goods and services setting out the nature of support and authorization required before making payments and some policies for controlling inventory and cash for the ancillary operations. Those policies need Liquor and Gaming's approval. We will assess those policies once they are approved by Liquor and Gaming.

Complete human resource policies needed

SIGA needs to complete its human resource policies. Salaries and benefits is SIGA's biggest expense. We had expected by now it would have completed those policies.

Like all organizations, SIGA needs employees to help it carry out its plans and achieve its goals. SIGA employed approximately 1,100 people in 2002-03. About 70% of SIGA's employees were members of First Nations. SIGA's goal is to increase the proportion of its employees who are members of First Nations from 70% to 80%¹.

As an employer in the hospitality industry, SIGA needs a capable workforce to meet client service expectations, maintain security, and avoid costly mistakes. Good human resource systems will help SIGA to build a capable workforce and achieve its goals and objectives.

SIGA has not yet established a wage grid for senior management and has not established development (training) guidelines for all of its

¹ *Saskatchewan Indian Gaming Authority Annual Report 2001-2002*, p.15

employees. Further, SIGA has not yet established performance evaluation guidelines for most of its employees. In addition, SIGA has not yet established policies and procedures for providing staff benefits (use of vehicles, computers, cell phones, etc.).

In our 2002 Fall Report – Volume 2 and in our prior reports, we recommended that SIGA establish complete written policies for management and staff pay, benefits, development, and performance evaluation. On May 29, 2003, PAC considered this matter and concurred with our recommendation.

We continue to recommend that SIGA establish complete written policies for management and staff pay, benefits, development, and performance evaluation.

Management told us that in May 2003, the Board approved a cellular phone policy setting out who is entitled to a cellular phone and requiring employees to provide details of personal usage. Liquor and Gaming needs to approve this policy. We will assess the new policy once it is approved by Liquor and Gaming.

Building human resource capacity

In our 2002 Fall Report – Volume 2, we said we planned to examine SIGA's processes to build human resource capacity. We wanted to determine whether SIGA has adequate human resource systems to build its human resource capacity. We have now completed our assessment.

We used the criteria listed in Table 2 below to make our assessment. Criteria are reasonable and attainable standards of performance and control against which auditors can assess the adequacy of processes. SIGA agreed that the criteria are reasonable and attainable.

Table 2 – Audit criteria

To be adequate, SIGA's systems to build its human resource capacity should:

1. Align its human resource plan with the strategic plan and business and financial plan
2. Obtain a competent workforce (e.g., through recruitment, secondment, promotion, transfer)
3. Provide relevant learning opportunities
4. Retain a competent workforce

We concluded that SIGA's human resource systems are not adequate to build human resource capacity.

During the year, SIGA developed a strategic plan. As part of its strategic planning, SIGA considered its human resource challenges. Its strategic and business unit plans, finalized at the end of the audit period, will help SIGA manage its human resource challenges. SIGA plans to develop a comprehensive human resource plan.

The comprehensive human resource plan is not yet complete. During strategic planning, however, management addressed and documented draft processes to deal with the challenges that SIGA faces to build its human resource capacity. SIGA needs to continue to work on those processes to ensure that casinos follow all established human resource policies, management provides more information to the Board on how it manages the staff retention risks, and the effectiveness of SIGA's training activities.

The following recommendations are designed to help SIGA improve its processes.

2. We recommend that SIGA:

- ◆ **complete and implement its human resource plan;**
- ◆ **ensure its casinos consistently follow established human resource policies;**

- ◆ **prepare and provide to the Board more information about how SIGA is managing its staff retention risks; and**
- ◆ **prepare and provide to the Board more information about the effectiveness of SIGA’s training activities.**

Management told us that SIGA has begun to address these recommendations.

On pages 160 to 164, we provide detailed findings about SIGA’s systems to build human resource capacity.

Policies and procedures for marketing and promotion activities needed

For the year ended March 31, 2003, SIGA did not have policies and procedures for ensuring marketing and promotion spending is effective.

Marketing and promotion (marketing) is SIGA’s second largest expense. SIGA spent approximately \$5.9 million (2002-\$6.0 million), excluding sponsorships, for marketing of its casinos.

In our 2002 Fall Report – Volume 2 and in our previous reports, we recommended that SIGA establish policies and procedures for its marketing and promotion activities. On May 29, 2003, PAC considered this matter and concurred with our recommendation.

We continue to recommend that SIGA establish and communicate to its employees policies and procedures for marketing and promotion activities including a clear definition of marketing activities. Those policies and procedures should include a process for approving such activities. This process should require employees to prepare a business case for all significant marketing proposals. SIGA could then monitor whether its marketing activities contributed to its revenue generating activities and learn lessons for future marketing projects.

On March 28, 2003, SIGA’s Board approved a marketing policy. The policy specifically defines marketing activities, requires marketing plans

and cost-benefit analyses, and sets out a process for approval. This policy needs Liquor and Gaming's approval.

At the time of our audit, Liquor and Gaming had not approved the marketing policy. We will assess the new policy once the policy is approved.

Strategic, and business and financial plans needed

SIGA's Board did not approve a strategic plan setting out SIGA's goals, objectives, and priorities until the end of the year. Because SIGA's Board did not have a timely approved strategic plan, management could not prepare an adequate business and financial plan for 2002-03.

In our 2002 Fall Report – Volume 2 and prior reports, we recommended that SIGA's Board document and communicate to its senior management the goals and objectives of SIGA. We also recommended that SIGA prepare a complete business and financial plan for its operations.

On May 29, 2003, PAC considered this matter and concurred with our recommendations.

On March 28, 2003, SIGA's Board approved a strategic plan setting out SIGA's goals, objectives, and priorities. Management also prepared a business and financial plan for 2003-04 setting out action plans to accomplish the goals and objectives set by the Board. These plans need Liquor and Gaming's approval.

At the time of our audit, Liquor and Gaming had not yet approved SIGA's strategic plan or SIGA's business and financial plan for 2003-04. We will assess SIGA's strategic plan and its business and financial plan when those plans are approved by Liquor and Gaming.

Board needs to set its operational performance reporting requirements

The Board has not yet set out the operational performance information it needs and when it needs that information to oversee SIGA's operations. Operational performance information should show what the Board wanted

SIGA to achieve and how SIGA is progressing towards achieving those expectations.

In our 2002 Fall Report – Volume 2 and our previous reports, we recommended that SIGA's Board define its operational and financial information needs and communicate those needs to management for regular reporting. On May 29, 2003, PAC considered this matter and concurred with our recommendation.

On March 7, 2003, the Board specified its financial reporting needs. Next year, we will assess how well management complies with the Board's new reporting requirements.

Because the Board had not approved the strategic plan for SIGA until March 28, 2003, it had not specified what operational performance information it needs to oversee SIGA's operations. We continue to recommend that SIGA's Board should set out its operational performance reporting needs to oversee SIGA's operations.

Staff need to comply with the approved sponsorship policy

SIGA needs to ensure that staff follow the established rules and procedures when doing their assigned duties. We noted that the staff did not always comply with the approved sponsorship policy. In 2003, SIGA spent approximately \$1.8 million (2002-\$2.0 million) on sponsorship.

SIGA has established a sponsorship policy that Liquor and Gaming has approved. The policy sets out processes for responding to requests for sponsorship from SIGA. To implement the approved policy, the Board established a Sponsorship Advisory Committee to approve and monitor sponsorship spending. The Board also set out guidelines for the Committee. Those guidelines describe who may be eligible for financial support, SIGA's priorities, and processes to ensure that the recipients of financial support spend the money for the approved purposes.

The Board established appropriate policies for sponsorship spending that provided direction for ensuring the recipients of financial support spend the money for the approved purposes. However, management did not ensure that staff followed the approved sponsorship policy.

In our 2002 Fall Report – Volume 2, we recommended that SIGA ensure that the staff comply with the sponsorship policy. On May 29, 2003, PAC considered this matter and concurred with our recommendation.

The following are some examples of sponsorship spending that did not comply with the approved policy.

Inappropriate payments to teams and individuals

The approved policy allows SIGA to sponsor those teams and individuals that have earned the right to represent their province and/or country at national or international events. During the year, SIGA paid approximately \$55,000 to sponsor certain individuals and teams that did not qualify for sponsorship under the approved policy.

SIGA did not provide evidence that these teams and individuals had earned the right to represent Saskatchewan or Canada in national or international events. Also, SIGA seldom checked to ensure that the teams and individuals spent the money for approved purposes.

Incomplete applications

The sponsorship policy requires that SIGA must receive all applications and requests for sponsorship in writing and in a form prescribed by the Board.

We noted 28 instances where the applicants did not apply in writing or submitted incomplete applications. Nor did we always find evidence that SIGA had ensured that the money paid was used for the purposes intended. Accordingly, SIGA's staff did not comply with the approved policies.

We continue to recommend that SIGA ensure that the staff comply with the sponsorship policy.

Table games need better monitoring

SIGA needs to strengthen its rules and procedures to ensure that table games are played in accordance with the rules approved by Liquor and Gaming, and to ensure all table games' revenues are received.

Under law, Liquor and Gaming approves the rules of table games including betting limits, house advantage, and use of technology in the game. House advantage is the theoretical percentage of players' bets that SIGA should retain over time. The house advantage varies depending on the rules of a particular game and the technology used (e.g. automatic card shufflers).

Table games and surveillance staff regularly monitor how the games are played to ensure they are played in accordance with the rules. However, SIGA does not regularly monitor the actual house advantage. Monitoring house advantage for table games is cumbersome. For this reason, many table game operators establish a range for the expected "hold" for approved table games. Expected "hold" represents the revenue from table games that operators can expect to obtain. Gaming operators then monitor the actual hold on table games to the expected hold to ensure table games are generating revenue as expected.

SIGA did not randomly monitor the actual house advantage for some table games. Nor did SIGA establish and communicate to its gaming staff the ranges for the expected "hold" for each type of table game. As a result, SIGA does not know if it is receiving all the revenue from table games.

In our 2002 Fall Report – Volume 2, we recommended that SIGA:

- ◆ periodically monitor the actual house advantage for table games to ensure games are being played in accordance with approved rules; and
- ◆ establish appropriate rules and procedures to monitor expected and actual revenue of table games and communicate these to casino staff.

On May 29, 2003, PAC considered this matter and concurred with our recommendations.

Management told us that effective April 2003, SIGA calculated expected "hold" for each table game and established a database to track table game revenues. Liquor and Gaming needs to approve the calculated expected "hold" for the table games. We will assess next year how well SIGA has improved its monitoring of table games.

Better public reporting needed

Liquor and Gaming provided SIGA guidelines for an annual report policy. In March 2001, the Board approved an annual report policy for SIGA. The approved policy requires SIGA to complete and submit to Liquor and Gaming an annual report beginning with the fiscal year ending March 31, 2001. SIGA must complete its annual report no later than September 30.

The policy requires that the annual report should include:

- ◆ a statement of Mission, Vision, Values and Objectives;
- ◆ a listing of all Board members and senior management;
- ◆ a description of governance practices;
- ◆ a description of operations including an organization chart;
- ◆ a description of key performance indicators;
- ◆ a description of accomplishments including a comparison of planned to actual results;
- ◆ an identification of key risks and a description of systems and practices to manage these risks; and
- ◆ a complete set of audited financial statements.

The policy also requires SIGA to provide to Liquor and Gaming a list of persons (e.g., employees, suppliers) who received money from SIGA and the amount each person received.

SIGA provided its annual report for the year ended March 31, 2002 to Liquor and Gaming on October 25, 2002.

SIGA's 2002 annual report did not contain SIGA's specific objectives, a listing of senior management, a description of key performance indicators, a comparison of planned and actual results, a description of key risks, and systems and practices in place to manage these risks. Accordingly, SIGA did not comply with its annual report policy.

SIGA provided Liquor and Gaming a list of persons who received money from SIGA and the amount each person received in the year ended March 31, 2002. On August 28, 2002, Liquor and Gaming gave the Legislative Assembly SIGA's audited financial statements for the year ended March 31, 2002 and the list of persons who received money from SIGA during the year.

We also reported this matter in our 2002 Fall Report – Volume 2 and recommended that SIGA comply with its annual report policy. On May 29, 2003, PAC considered this matter and concurred with our recommendation.

We continue to recommend that SIGA comply with its annual report policy.

Building human resource capacity

Key findings

We set out below our expectations (in italics) for each of the criteria, together with our key findings.

Align human resource plan with strategic plan and business and financial plan

We expected SIGA to:

- ◆ *link the strategies and actions of the human resource plan to the organization's strategic plan as well as to its business and financial plan;*
- ◆ *assess the availability of human resources and select strategies and actions to address its staffing needs; and*
- ◆ *prepare and provide to the Board regular reports on human resource needs and supply issues, strategies and actions, and the status of achievement of key human resource targets.*

An organization's human resource plan should assist the organization to achieve its overall goals. The human resource plan should do this within the limits of the organization's resources. The link between the human resource plan and an organization's strategic plan and business and financial plan is essential to help the organization achieve its goals in a cost-effective and timely way.

Developing a human resource plan gives management an understanding of both current and future needs. These needs include identifying what competencies (knowledge, skills and abilities) the organization needs to achieve its strategic goals and objectives. These needs also include

forecasts of the number and type of employees the organization will need, and the time frame when they are required.

During the year, SIGA did not have a complete, comprehensive human resource plan. However, we found elements of human resource planning in several different documents. Most of these were being developed during the year, although some elements became final by the end of the year. SIGA aligned the draft human resource planning elements with its strategic plan that became final (pending Liquor and Gaming approval) at the end of the year.

SIGA's strategic plan and business unit plan include elements of human resource planning. The draft succession plan and draft staff retention guidelines also included elements of human resource planning. Management told us SIGA is currently preparing a separate comprehensive human resource plan.

The elements of human resource planning we examined identify competencies staff need to achieve SIGA's goals and objectives. We did not find any evidence of written forecasts for the continued availability of needed staff. Management told us that SIGA is aware of the staff turnover rate.

The strategic plan and business unit plan that were finalized at the end of the year described general strategies to address human resource needs. The plans identify who is responsible and include completion dates. The draft staff retention guidelines also included how to address SIGA's staffing needs.

Management receives regular updates on staffing information from the casinos. This includes numbers of new staff, vacancies, and interviews for positions. It also includes numbers for full-time and part-time or casual staff as well as numbers for First Nations and non-First Nations staff. SIGA is also developing a human resource management information system to assist in managing employee information. Management provides regular briefs on human resource issues to the Board. The Board has also considered some draft human resource policies.

Because SIGA has not yet fully completed its human resource plan, it could not evaluate the effectiveness of its plan. Management told us that

SIGA plans to measure the effectiveness of human resource initiatives when all planning is complete and implemented.

SIGA needs to fully complete its human resource plan and evaluate the effectiveness of its plan.

Obtain a competent workforce

We expected SIGA to:

- ◆ *evaluate requests for new staff using its human resource plan;*
- ◆ *consider alternate methods to advertise and fill positions in order to attract candidates with required competencies;*
- ◆ *develop criteria and use the criteria to evaluate candidates for required competencies and document how the successful candidate meets the appropriate competencies and experience;*
and
- ◆ *prepare and submit to the Board regular reports on staffing activities to help it evaluate the effectiveness of the staffing process and make timely modifications.*

To accomplish its strategic goals and objectives, SIGA needs to obtain a competent workforce. The process of obtaining a competent workforce includes attracting candidates with the required competencies, and selecting and employing the appropriate candidate. SIGA can achieve this objective through new hires, promotion of existing employees, and secondment from other organizations.

SIGA's human resource plans were under development during the year. Thus, the plans could not be used as a guide to assess requests to create new positions or to fill existing positions. However, we noted the Board approved and SIGA implemented a system to review staffing requests. SIGA provided guidance to staff on how requests should be evaluated and suggested alternate methods of attracting candidates with the required competencies.

SIGA evaluated candidates for positions using these established processes. However, for positions at casino sites, staff did not routinely check candidates' personal references. SIGA needs to ensure that all its casinos consistently follow established human resource policies.

Management receives reports on staffing activities from the casinos. This includes numbers of new staff, vacancies, and interviews for positions. It also includes numbers for full-time and part-time or casual staff as well as numbers of First Nations and non-First Nations staff. The Board is regularly briefed on human resource issues.

SIGA has plans to further evaluate the staffing process and develop criteria for evaluating recruitment and hiring.

Provide relevant learning opportunities

We expected SIGA to:

- ◆ *develop and implement learning plans (responsive to individual career development) based on the competencies it needs to achieve its organizational goals;*
- ◆ *prepare and provide to the Board regular reports on learning activities; and*
- ◆ *evaluate the effectiveness of its learning opportunities (training) and modify learning plans when necessary.*

Providing relevant learning opportunities begins with the development of learning plans. Learning plans help an organization determine its learning priorities and set specific objectives. Learning plans are a means by which an organization analyses the costs and benefits of alternate approaches to meet training needs.

During the year, SIGA was developing its learning strategy. Parts of that strategy were approved at the end of the year. These plans were at the group and organization level.

The plans included some general learning objectives but did not specify methods. The plans did not analyze the costs and benefits of alternate approaches to meeting staff training needs. The plans, however, did identify broad spending targets for training and development.

Management prepared and submitted to the Board some information about SIGA's learning activities. This information showed training courses some casino staff took during the period. However, the information should also include the staff training costs, level of employee participation, and

ongoing staff training needs. Also, we did not see any evidence that the Board received information about the effectiveness of learning activities.

Management told us SIGA is currently developing a new learning plan.

Retain a competent workforce

We expected SIGA to:

- ◆ *identify risks to retention and set out plans to manage those risks;*
- ◆ *identify key employees who possess valuable competencies for SIGA and to develop and select plans to safeguard against the loss of those employees; and*
- ◆ *prepare and submit to the Board regular reports on risks to staff retention, how it manages those risks, and the status of achievement of retention targets.*

Retaining a competent workforce is essential to SIGA's successful operation. While a healthy level of turnover introduces new ideas and energy into an organization, excessive turnover can be detrimental. Excessive turnover creates increased financial costs, loss of knowledge, skills and abilities, and decreases productivity during the search for replacements.

SIGA was developing retention and succession plans during the year. SIGA has draft plans that describe the risks involved in retaining a competent workforce. These plans set out risks related to retention and succession and outline methods of managing the risks. SIGA's Employee and Family Assistance Plan, which helps staff who are facing difficulties, is one notable method of managing risks to retention.

SIGA does not have a formal system to identify the key people that it wants to retain for the future. Management told us SIGA plans to do so.

We did not find evidence that management prepares and submits to the Board regular information about how SIGA planned to manage the staff retention risk or how well it was managing this risk. SIGA should do so. Regular assessments would help the Board to evaluate the effectiveness of its staff retention processes and to modify processes when necessary.

Exhibit 1

Status of the implementation of our past recommendations as at March 31, 2003.
Activities after the year-end have been included for information purposes only.

Recommendations	Year First Reported	Date policy/info sent to Liquor and Gaming	Date policy/info approved by Liquor and Gaming	Date Revised policy submitted	Implemented	Partially Implemented	Not Implemented
1. SIGA should establish a proper code of conduct and that code of conduct should be appropriate for managing public money.	2000 Fall Report – Volume 2	N/A	November 2000 Directive	N/A	✓		
2. SIGA should document and communicate to its senior management the goals and objectives of SIGA	2000 Fall Report – Volume 2	Draft Strategic Plan – April 2003	Not Approved Required changes provided – June 2003			✓	
3. SIGA's Board should establish an appropriate conflict-of-interest policy for Board members and management.	2000 Fall Report – Volume 2	N/A	November 2000 Directive	N/A	✓		
4. SIGA's Board should ensure all Board members and senior management comply with the established conflict-of-interest policy.	2000 Fall Report – Volume 2	N/A	November 2000 Directive	N/A	✓		

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Recommendations	Year First Reported	Date policy/info sent to Liquor and Gaming	Date policy/info approved by Liquor and Gaming	Date Revised policy submitted	Implemented	Partially Implemented	Not Implemented
5. SIGA should prepare a complete business and financial plan for its operations.	2000 Fall Report – Volume 2	Draft business plan – April 2003	Not Approved Required changes provided – June 2003				✓
6. SIGA's Board should define its management reporting needs and communicate those needs to management for regular reporting. - Financial reporting - Performance reporting	2000 Fall Report – Volume 2	April 2003 Not yet done	N/A	N/A		✓	
7. SIGA should establish an independent internal audit function that should report directly to the Board.	2000 Fall Report – Volume 2	N/A	November 2000 Directive	N/A		✓	
8. SIGA should report publicly through FSIN, and Liquor and Gaming setting out SIGA's planned results and actual results.	2000 Fall Report – Volume 2	N/A	November 2000 Directive	N/A			✓

Recommendations	Year First Reported	Date policy/info sent to Liquor and Gaming	Date policy/info approved by Liquor and Gaming	Date Revised policy submitted	Implemented	Partially Implemented	Not Implemented
9. SIGA should make public through FSIN, and Liquor and Gaming a list of persons (e.g., employees, suppliers) who have received money from SIGA and the amount each person received.	2000 Fall Report – Volume 2	N/A	November 2000 Directive	N/A	✓		
10. SIGA's Board should establish appropriate delegation of authority rules for management.	2000 Fall Report – Volume 2	N/A	November 2000 Directive	N/A		✓	
11. SIGA should establish written policies for management and staff pay, benefits, professional development, and performance evaluation.	2000 Fall Report – Volume 2	Senior Mgt. Wage Grid – May 2003 Cell phones and Vehicles – July 2003	Not Approved More information required – August 2003.			✓	
12. SIGA should establish an appropriate travel policy for Board members and executive management expenses including spousal travel, business expenses, and travel advances.	2000 Fall Report – Volume 2	N/A	November 2000 Directive	N/A	✓		

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Recommendations	Year First Reported	Date policy/info sent to Liquor and Gaming	Date policy/info approved by Liquor and Gaming	Date Revised policy submitted	Implemented	Partially Implemented	Not Implemented
<p>13. SIGA should establish adequate policies and procedures to ensure its books and records reflect its business operations and there is support for all transactions.</p>	2000 Fall Report – Volume 2	April 2003	<p>Not Approved Required changes provided – May 2003</p>				✓
<p>14. SIGA should establish appropriate written policies and procedures for tendering and awarding contracts.</p>	2000 Fall Report – Volume 2	N/A	November 2000 Directive	N/A	✓		
<p>15. SIGA should establish appropriate policies and procedures for its marketing, promotion, and sponsorship activities. Those policies and procedures should include a clear definition of marketing and promotion activities and an approval process for sponsoring community events.</p>	2000 Fall Report – Volume 2	<p>April 2003 Marketing policy Resubmitted July 2003</p> <p>Sponsorship and promotion policy N/A</p>	<p>Not Approved Required changes provided – August 2003</p> <p>November 2000 Directive for sponsorship and promotion</p>				✓

Recommendations	Year First Reported	Date policy/info sent to Liquor and Gaming	Date policy/info approved by Liquor and Gaming	Date Revised policy submitted	Implemented	Partially Implemented	Not Implemented
16. SIGA should establish rules and procedures to ensure that only authorized persons can access its financial systems.	2001 Fall Report – Volume 2	N/A	N/A	N/A	✓		
17. SIGA should properly segregate the duties of its employees.	2001 Fall Report – Volume 2	April 2003	Not Approved Required changes provided – May 2003				✓
18. SIGA should establish rules and procedures to ensure compliance with the Casino Operating Agreement.	2001 Fall Report – Volume 2	N/A	N/A	N/A		✓	
19. SIGA should incur only costs necessary to operate its casinos under the Casino Operating Agreement.	2002 Fall Report – Volume 2	N/A	N/A	N/A		✓	
20. SIGA should ensure the staff comply with the sponsorship policy.	2002 Fall Report – Volume 2	N/A	November 2000 Directive				✓
21. SIGA should establish rules and procedures to ensure that staff comply with its delegation of authority policy.	2002 Fall Report – Volume 2	N/A	November 2000 Directive			✓	

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Recommendations	Year First Reported	Date policy/info sent to Liquor and Gaming	Date policy/info approved by Liquor and Gaming	Date Revised policy submitted	Implemented	Partially Implemented	Not Implemented
<p>22. SIGA should:</p> <ul style="list-style-type: none"> -periodically monitor the actual house advantage for table games to ensure games are being played in accordance with approved rules; and -establish appropriate rules and procedures to monitor expected and actual revenue of table games and communicate these to casino staff. 	2002 Fall Report – Volume 2						✓
<p>23. SIGA should comply with the terms and conditions of its gaming licence.</p>	2002 Fall Report – Volume 2	N/A	November 2000 Directive	N/A	✓		
<p>24. SIGA should comply with its annual report policy.</p>	2002 Fall Report – Volume 2	N/A	November 2000 Directive	N/A			✓

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- Auditor General of Canada (1997). “Chapter 30 – Office of the Superintendent of Financial Institutions-Insurance and Pensions”. In The Report of the Auditor General. Ottawa: Author.
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- Graham, Andrew and Patricia Booth. (September 2001). “Organization matters...Creating the organization that meets people challenges in government.” Members Briefing 329-01. Ottawa: Conference Board of Canada.
- Tracey, W.R. (1994) “Auditing the HR Function.” In Human Resources Management & Development Handbook (2ed). New York: American Management Association.

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