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Main points

Saskatchewan Gaming Corporation (SGC) needs to comply with its approved policies and procedures related to delegation of authority, purchasing, code of conduct, and employees' performance evaluations.

Also, SGC needs to document and monitor explanations for differences between actual and expected revenues from table games and document and approve an information technology strategic plan.

Introduction

Saskatchewan Gaming Corporation (SGC) manages and operates Casino Regina and Casino Moose Jaw under the regulatory authority of the Liquor and Gaming Authority. SGC was established under *The Saskatchewan Gaming Corporation Act, 1994*.

Casino Regina is a full-service casino and entertainment centre. The casino has 780 slot machines, 33 table games, a full-service restaurant, and a show lounge. Casino Moose Jaw is also a full-service casino that has 215 slot machines and 7 table games.

SGC also owns SGC Holdings Inc. (SGC Holdings). SGC Holdings is incorporated under *The Business Corporations Act (Saskatchewan)*. SGC Holdings purchases capital assets and leases them to SGC for the operation of the above casinos. SGC's financial statements include the financial results of SGC Holdings.

SGC's consolidated financial statements for the year ended March 31, 2005 report net revenues of \$97.7 million, expenses of \$58.2 million, net income of \$39.5 million, and assets of \$81.9 million. *Saskatchewan Gaming Corporation-Annual Report, 2004-2005* includes SGC's consolidated financial statements.

Our audit conclusions and findings

In our opinion, for the year ended March 31, 2005:

- ◆ **SGC had adequate rules and procedures to safeguard its public resources and those of SGC Holdings except for the matters described in this chapter**
- ◆ **SGC complied with authorities governing its activities and the activities of SGC Holdings relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**
- ◆ **the consolidated financial statements for SGC and the financial statements for SGC Holdings are reliable**

Compliance with policies and procedures needed

SGC's Board of Directors needs to ensure management and employees comply with established policies and procedures.

To help ensure they have effective controls to safeguard public resources, public agencies provide guidance to their employees. SGC's Board of Directors has established appropriate guidance for its employees to follow. However, employees did not always follow those policies.

Delegation of authority

The Board's delegation of authority policy sets out the extent of approval authority for individuals holding specific positions within SGC. However, SGC did not always follow the approved policy.

The policy states that the President must approve all payments over \$25,000 and contracts over \$50,000. The President did not always approve payments and contracts over the established limits.

Failure to follow the delegation of authority policy could result in SGC paying for unauthorized goods and services. Also, employees receive the wrong message when management does not follow the established policies. They receive the message that non-compliance with policies is acceptable.

Purchasing policy

SGC's purchasing policy states that when purchasing goods or services exceeding \$5,000, employees must send out requests for proposals. The policy helps ensure that SGC receives the right goods/services at the right time for the right price. The policy also ensures SGC's purchasing processes are fair, open, and competitive. SGC, however, did not always follow the established policy.

In 2004-05, SGC purchased a shuttle bus for approximately \$180,000 to transport customers. Also, SGC arranged financing for approximately \$8.1 million to replace its slot machine computer system. Management could not provide us the written requests for proposals.

SGC's management told us that while they did not send written requests for proposals to suppliers for these items, they informally requested quotes from suppliers. Management also told us that SGC acquired these goods and services for a fair price because its employees had reviewed the quotes received and recommended the preferred supplier to senior management and the Board.

Because SGC did not always follow its established policy, SGC cannot show if it paid a fair price for some of the goods and services it acquired.

Code of conduct

SGC's code of conduct policy sets out its shared ethical values and expectations concerning employee behaviour. The policy requires that, upon hiring and on an annual basis, employees complete a questionnaire (form). The employees confirm that they have read and understood the code of conduct and that they agree to abide by the code.

However, SGC did not ensure all staff completed the form and reconfirmed their understanding annually. Many personnel files that we examined did not have a completed and signed form. Failure to complete the code of conduct form may indicate that employees are not aware of SGC's expectations concerning their behaviour. When employees do not know an agency's expectations, there is a risk that they may make inappropriate decisions or take inappropriate actions.

Employees' performance evaluations

SGC's performance evaluation policy requires supervisors to evaluate employees' performance on an annual basis. Performance evaluations help ensure employees perform their duties as expected. Senior management also needs this information to develop adequate training plans to help ensure the employees have the necessary competencies to do their assigned work.

Employees did not always follow the performance evaluation policy. Sixty-one per cent of the employees' files that we examined did not include completed performance evaluations.

- 1. We recommend that the Saskatchewan Gaming Corporation ensure that employees comply with approved policies relating to delegation of authority, purchasing, code of conduct, and employees' performance evaluations.**

Better monitoring of table games needed

SGC needs to strengthen its rules and procedures to ensure it receives all table game revenues.

Under law, Liquor & Gaming approves the rules of table games including betting limits, house advantage, and use of technology in the games. House advantage is the theoretical percentage of players' bets that SGC 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).

Monitoring the house advantage for table games is cumbersome. For this reason, gaming operators establish an expected "hold" for each table game. The expected hold represents the revenue from the table game that the operators can expect. Gaming operators then normally monitor the actual hold on table games. They compare the actual hold to the expected hold to ensure that table games are generating revenues as expected and take appropriate actions where required.

SGC employees regularly monitor the table games to ensure gaming staff and patrons play the games in accordance with the approved rules. However, SGC does not compare the actual hold to the expected hold and explain differences. Instead, it compares the actual hold to the prior year's hold without documenting explanations for any differences and how it resolved such differences.

Employees are generally aware of the reasons for differences in table games revenues but prepare no documentation. Documenting reasons for the differences brings rigour and provides a ready reference when explaining the differences to the Board and management. Also, written explanations are useful for training new employees.

- 2. We recommend that the Saskatchewan Gaming Corporation document explanations for differences between actual and planned revenues from table games.**

Information technology plan needed

SGC needs to prepare an information technology (IT) strategic plan.

SGC operates in a highly computerized environment. Most of its gaming activities are controlled and monitored through electronic means.

An IT strategic plan would help ensure that management has addressed all the threats and risks to SGC's IT systems. Also, an IT strategic plan would help employees to understand SGC's IT goals. When employees know the goals that an agency needs to achieve, they can contribute more effectively towards achieving those goals.

Management needs to prepare and document SGC's IT strategic plan and ensure the plan is consistent with SGC's overall strategic plan. Also, SGC's Board of Directors must approve the IT strategic plan. SGC should then communicate the approved IT plan to employees.

- 3. We recommend that the Saskatchewan Gaming Corporation's Board approve an information technology strategic plan.**

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