

**Main points** ..... 372

**Introduction** ..... 373

**Our audit conclusions and findings** ..... 373

    Compliance with policies and procedures needs improvement ..... 374

        Coupons ..... 374

        Employees’ performance evaluations ..... 374

        Code of conduct ..... 375

        Marketing promotions (promotions) ..... 375

    Better human resource plan needed ..... 376

## Main points

In this chapter, we report the results of our audit of the Saskatchewan Gaming Corporation (SGC) for the year ended March 31, 2007.

SGC has established adequate policies but it needs to improve its compliance with approved policies relating to marketing and promotion, employees' performance evaluations, and completion of the code of conduct questionnaire. Also, SGC needs to further improve its human resource 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. *The Saskatchewan Gaming Corporation Act, 1994* established SGC.

Casino Regina is a full-service casino and entertainment centre. Casino Regina has slot machines, table games, a full-service restaurant, and a show lounge. Casino Moose Jaw is also a full-service casino that has slot machines and table games. SGC has a total of 995 slot machines and 41 table games in its casinos.

SGC also owns SGC Holdings Inc. (SGC Holdings). SGC Holdings is a corporation registered 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, 2007 report net revenues of \$102 million, expenses of \$67.1 million, net income of \$34.9 million, and assets of \$72.3 million. *Saskatchewan Gaming Corporation-Annual Report, 2006-2007* includes SGC's consolidated financial statements.

## Our audit conclusions and findings

**In our opinion, for the year ended March 31, 2007:**

- ◆ **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 needs improvement**

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 as described below.

We also reported this matter in our 2006 Report – Volume 3 and our past reports. We recommended that SGC should comply with approved policies relating to employees' performance evaluations, code of conduct, and marketing promotions. The Standing Committee on Public Accounts (PAC) considered this matter in June 2007 and agreed with our recommendation.

We describe below the areas where employees did not comply with the established policies and procedures.

### ***Coupons***

SGC provides coupons to its patrons for marketing and promotion purposes. SGC requires its employees to maintain adequate records (log books) of authorized coupons printed, issued, and returned. In 2007, SGC issued approximately \$5.4 million of coupons to patrons.

Employees did not properly maintain the log books. As a result, the log books did not always agree to the actual number of coupons on hand. Inadequate controls over coupons could result in unauthorized or inappropriate use of coupons without ready detection.

### ***Employees' performance evaluations***

SGC's performance evaluation policy requires supervisors to evaluate employees' performance annually. Performance evaluations help ensure employees perform their duties as expected. Senior management also

needs this information to develop adequate training plans to help ensure employees have the necessary competencies to do their assigned work.

Employees did not always follow the performance evaluation policy. While the completion rate of performance evaluations has improved over the prior year, approximately 30% of the employees' files did not include completed performance evaluations.

Management told us that SGC continues to work towards completing performance evaluations for its entire staff. Management also told us that at June 30, 2007, SGC had completed annual performance evaluations for 76% of its employees.

### ***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 annually thereafter, employees complete a questionnaire. The employees confirm that they have read and understood the code of conduct and that they agree to abide by the code. SGC expects its employees to confirm their understanding of the code during their annual performance evaluation.

Because SGC did not complete annual performance evaluations for all of its employees, many employees did not complete the form and reconfirm their understanding of the code of conduct. 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 their employer's expectations, there is a risk that they may make inappropriate decisions or take inappropriate actions.

Management told us that SGC continues to work towards completing performance evaluations for its entire staff including seeking confirmation of employees' understanding of the code of conduct.

### ***Marketing promotions (promotions)***

SGC's promotions policy requires that all promotions be properly supported, approved, and adequately monitored. The approved policy

specifically requires a timely and documented evaluation of each completed promotion event.

Employees did not complete timely post-event evaluations for all promotions. Employees did not complete post-event evaluations for at least three months after some promotion events. As a result, SGC could not determine on a timely basis if it achieved its objectives for those promotional activities.

We continue to recommend that the Saskatchewan Gaming Corporation comply with approved policies relating to coupons, employees' performance evaluations, code of conduct, and marketing promotions.

### **Better human resource plan needed**

SGC needs to improve its human resource plan. Rigorous human resource plans help ensure agencies have the right number of employees, with the right competencies, at the right time.

We also reported this matter in our 2006 Report – Volume 3. We recommended that SGC improve its human resource plan by prioritizing its key human resource risks, analyzing human resource gaps, and setting out plans to address human resource gaps. PAC considered this matter in June 2007 and agreed with our recommendation.

SGC has prepared a human resource plan. The plan includes some discussion about SGC's key human resource risks, but it does not analyze or prioritize the identified risks (i.e., likelihood, nature, and consequences or risks). The plan identifies a risk of resource shortages because of gaming expansion and increased competition, but does not set out how SGC would address that risk. Also, the plan does not identify SGC's future human resource needs to meet its goals and objectives and it does not identify and analyze anticipated shortfalls or surpluses (gaps).

We continue to recommend that the Saskatchewan Gaming Corporation improve its human resource plan by prioritizing its key human resource risks, analyzing human resource gaps, and setting out plans to address human resource gaps.

Management told us that SGC has recently developed a more comprehensive human resource plan.