

**Saskatchewan Indian Gaming
Authority Inc.**

19B

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Main points

This chapter includes the results of our 2011 audit of Saskatchewan Indian Gaming Authority Inc. (SIGA). Over the past several years, SIGA has made significant progress to address the recommendations made in our previous reports.

Saskatchewan Liquor and Gaming Authority's (Liquor & Gaming) internal audit performs annual audits to ensure that the SIGA expenditures are reasonable, comply with relevant policies and have an adequate business purpose. Based on the 2009-10 results of internal audit, Liquor & Gaming concluded that in general, expenses for the period audited were appropriate business expenses and that no recovery was required. As of October 31, 2011, Liquor & Gaming's internal audit has not yet completed the 2010-11 audit of SIGA's expenses.

SIGA needs to better protect its information technology (IT) systems and data including: approving a complete IT strategic plan, preparing a complete disaster recovery plan and assessing the need for a business continuity plan.

SIGA also needs to improve its guidance to employees by completing and implementing its human resources plan to ensure its employees have the appropriate competencies and by ensuring its employees are following its processes for controlling capital assets.

Prior to 2008, Liquor & Gaming prescribed the structure of SIGA's Board of Directors through a directive. In 2008, Liquor & Gaming removed the directive. Since that time, the Board has increased in size and as such, related expenses have increased. Liquor & Gaming, SIGA and the Federation of Saskatchewan Indian Nations are working to resolve current governance issues.

SIGA's financial statements are reliable and it complied with the authorities governing its activities.

This chapter includes a summary of previous recommendations agreed to by the Standing Committee on Public Accounts.

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. The Saskatchewan Liquor and Gaming Authority (Liquor & Gaming) licensed SIGA to operate six casinos. SIGA's casinos provide table games, slot machines, and other hospitality services (ancillary operations) to the public. All casinos are located on First Nations reserves:

Northern Lights Casino (Prince Albert)
Gold Eagle Casino (North Battleford)
Painted Hand Casino (Yorkton)
Bear Claw Casino (White Bear First Nation)
Dakota Dunes Casino (Whitecap First Nation)
Living Sky Casino (Swift Current)

As required by section 207 of the *Criminal Code*, Liquor & Gaming owns the slot machines located in SIGA's casinos. Accordingly, Liquor & Gaming is responsible for the overall conduct and management of the slot machines in those casinos. The revenue from the slot machines belongs to Liquor & Gaming.

Under the Casino Operating Agreement,¹ Liquor & Gaming allows SIGA to deduct from the slot machine revenues reasonable costs for operating casinos, as determined by Liquor & Gaming. SIGA remits the remainder to Liquor & Gaming. Also, the Casino Operating Agreement allows SIGA to recover, in any year, net losses from the operation of licensed table games and ancillary operations from the net income earned from the operation of slot machines.

Table 1 summarizes the results of SIGA's casino operations. The casino operations include slot machines, ancillary operations (i.e., gift shops, restaurants, and lounges), and table games operations. Table 1 shows the net casino profits SIGA made during the last five years.

¹ The Casino Operating Agreement is an agreement between Liquor & Gaming and SIGA setting out terms and conditions for operating SIGA casinos. The Agreement expires on June 11, 2027.

Table 1–Net profits (in \$000) from SIGA operated casinos

Segment	2011	2010	2009	2008	2007
Slot operations profit	\$ 80,122	\$ 75,468	\$ 78,685	\$ 68,355	\$ 52,695
Ancillary operations loss	(11,779)	(11,472)	(9,399)	(6,143)	(3,091)
Table games operations loss	<u>(4,248)</u>	<u>(3,755)</u>	<u>(2,066)</u>	<u>(1,106)</u>	<u>(767)</u>
Distributable net profit	64,094	60,241	67,220	61,106	48,837
Unrealized gain (loss) on interest rate swaps	<u>345</u>	<u>4,867</u>	<u>(7,346)</u>	<u>(3,014)</u>	<u>---</u>
Net profit	<u>\$ 64,439</u>	<u>\$ 65,108</u>	<u>\$ 59,874</u>	<u>\$ 58,092</u>	<u>\$ 48,837</u>

Background

In 2002, the Government of Saskatchewan and the FSIN signed a Framework Agreement (Framework Agreement) effective from June 11, 2002 to June 11, 2027. The Framework Agreement allows the development and operation of casinos in Saskatchewan within the parameters of the *Criminal Code*.

Liquor & Gaming and SIGA also signed a Casino Operating Agreement effective from June 11, 2002 to June 11, 2027. Under the Casino Operating Agreement, Liquor & Gaming allows SIGA to deduct from slot machine revenues reasonable costs incurred in accordance with the operating policies approved by Liquor & Gaming. SIGA deposits the remainder into a trust account for Liquor & Gaming in accordance with the process specified in the Casino Operating Agreement. The management of SIGA, in conjunction with Liquor & Gaming, are responsible for setting policies around what constitutes reasonable costs.

As part of Liquor & Gaming’s monitoring processes over reasonable costs, its internal audit performs annual audits to ensure that the SIGA expenditures are reasonable, comply with relevant policies and have an adequate business purpose. The latest audit was conducted for the period from October 1, 2009 to September 30, 2010 and the report was finalized in August 2011. As of October 31, 2011, Liquor & Gaming’s internal audit has not yet completed the 2010-11 audit of SIGA’s expenses.

If SIGA incurs inappropriate expenses above \$10,000 annually, Liquor & Gaming can then recover 25% of the amount of such expenses from

future payments to the First Nations Trust. Based on internal audit results, Liquor & Gaming concluded that, in general, expenses for the period audited were appropriate business expenses and no recovery was required.

Prior to 2008, Liquor & Gaming prescribed the structure of SIGA's Board of Directors through a directive. In 2008, Liquor & Gaming removed the directive. Since that time, the Board has increased in size from 7 to 13 members and as such, related expenses have increased. Liquor & Gaming, SIGA, and FSIN are working to resolve current governance issues.

Audit conclusion and findings

To form our opinions, we worked with SIGA's appointed auditor, Deloitte & Touche LLP. We used the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.²

In our opinion, for the year ended March 31, 2011:

- ◆ **SIGA had adequate rules and procedures to safeguard public resources except for the matters described in this chapter**
- ◆ **SIGA complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

The Non-profit Corporations Act, 1997
The Alcohol and Gaming Regulation Act, 1997
Framework Agreement (June 11, 2002)
Casino Operating Agreement (June 11, 2002)
**Terms and Conditions for SIGA Table Games (issued
by Indigenous Gaming Regulators)**
**SIGA Slot Machine Operating Procedures and
Directives (issued by Liquor & Gaming)**
**SIGA Operating Policies and Directives (issued by
Liquor & Gaming)**

² To view this report, see our website at www.auditor.sk.ca/rrd.html.

**SIGA Bylaws
Proceeds of Crime (Money Laundering) and Terrorist
Financing Act (Canada)
Regulations issued pursuant to the above legislation**

- ◆ **SIGA’s financial statements are reliable**

Implementation of past recommendations needed

In our past reports to the Legislative Assembly of Saskatchewan, we made several recommendations to strengthen SIGA’s processes to safeguard public resources. SIGA accepted our recommendations and the Standing Committee on Public Accounts (PAC) agreed with our recommendations. We continue to make the recommendations contained in Exhibit 1.

Exhibit 1–Summary of previous outstanding recommendations

Recommendation (initial report)	Status with PAC	Actions SIGA took in 2010-11	Status of recommendation
<i>We recommend that Saskatchewan Indian Gaming Authority Inc.’s management review and the Board approve an information technology (IT) strategic plan. (2005 Report – Volume 3)</i>	PAC agreed with this recommendation in 2006.	In January 2011, SIGA’s Board approved an IT strategic plan. However, the approved IT strategic plan does not have all of the key elements of a good IT strategic plan. SIGA’s approved IT strategic plan does not contain an analysis of its current environment, an assessment of key threats and risks, long-term planning, and estimated resources required to carry out the plan.	Partially implemented.

Recommendation (initial report)	Status with PAC	Actions SIGA took in 2010-11	Status of recommendation
<p><i>We recommend that Saskatchewan Indian Gaming Authority Inc. prepare a complete disaster recovery plan and assess the need for a business continuity plan. (2008 Report – Volume 3)</i></p>	<p>PAC agreed with this recommendation in 2009.</p>	<p>SIGA places significant reliance on its IT systems to operate. SIGA still does not have a complete disaster recovery plan (DRP) for all of its IT systems. Nor has SIGA assessed the requirements for a business continuity plan (BCP) including emergency preparedness planning for all of its casinos.</p> <p>SIGA also needs to assess the requirement for a BCP by completing a threat and risk assessment. A BCP would help SIGA recover critical business functions in the event of a disaster. In 2010, SIGA initiated a project to address this issue.</p>	<p>Partially implemented.</p>
<p><i>We recommend Saskatchewan Indian Gaming Authority Inc. complete and implement its human resource plan. (2003 Report – Volume 3)</i></p>	<p>PAC agreed with this recommendation in 2004.</p>	<p>SIGA developed a draft 2009-2014 human resource plan. To strengthen this plan, SIGA should include a projection of its future human resource needs (i.e., number, type, level, and location of employees). This information would allow SIGA to focus its efforts to carry out its strategic plan.</p>	<p>Partially implemented.</p>

Recommendation (initial report)	Status with PAC	Actions SIGA took in 2010-11	Status of recommendation
<i>We recommend that Saskatchewan Indian Gaming Authority Inc. adequately segregate responsibilities of information technology staff so that one person cannot both develop and make system changes. (2010 Report – Volume 2)</i>	PAC agreed with this recommendation in 2011.	SIGA’s IT application developers continue to have the ability to both develop and make system changes.	Not implemented.
<i>We recommend that Saskatchewan Indian Gaming Authority Inc. perform regular reviews of its computer application user accounts. (2010 Report – Volume 2)</i>	PAC agreed with this recommendation in 2011.	SIGA does not review user access or segregation of duties for application user accounts to ensure that the access granted is required and consistent with each employee’s job responsibilities.	Not implemented.
<i>We recommend that Saskatchewan Indian Gaming Authority Inc. follow its policies to control capital assets. (2010 Report – Volume 2)</i>	PAC agreed with this recommendation in 2011.	SIGA has not counted all of its capital assets and compared the counts to the accounting records.	Partially implemented.
<i>We recommend that Saskatchewan Indian Gaming Authority Inc. follow its computer password setting policy. (2010 Report – Volume 2)</i>	PAC agreed with this recommendation in 2011.	During the year, SIGA did not require users to follow the password settings for its financial system application.	Not implemented.