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Main points

Saskatchewan Gaming Corporation needs better controls for the provision of information under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and Regulations (the Act). The Act requires casino operators to have processes to identify customers who conduct certain financial transactions, keep records of such transactions, and report them.

Introduction

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

SaskGaming has a total of 995 slot machines, 32 table games, and 9 poker tables in its two casinos. 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.

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

SaskGaming's consolidated financial statements for the year ended December 31, 2010 report net revenues of \$124.1 million, expenses of \$81.1 million, payment to the General Revenue Fund of \$21.5 million, net income of \$21.5 million, and assets of \$71.2 million.

Audit conclusions and findings

To form our opinions on SaskGaming and SGC Holdings, our Office worked with their appointed auditor, KPMG LLP. We used the framework recommended by the *Report of the Task Force on Roles, Responsibilities, and Duties of Auditors*.¹

In our opinion, for the year ended December 31, 2010:

- ◆ **SaskGaming had adequate rules and procedures to safeguard public resources and those of SGC Holdings except for the matter described in this chapter**

¹ To view this report, see our website at www.auditor.sk.ca/rrd.html.

- ◆ **SaskGaming 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 SaskGaming and the financial statements for SGC Holdings are reliable**

Controls require improvement

SaskGaming needs better controls for the provision of information under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and Regulations (the Act).

The Act requires casinos operators to identify customers who conduct certain financial transactions (e.g., cash buy-ins or disbursements of greater than \$10,000), keep records of such transactions and report them to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC).² While the Act has been in place for a number of years, enforcement has evolved from awareness and education to compliance. Not complying with the Act can result in financial penalties.

During the audit, we noted SaskGaming did not have sufficient controls to ensure it complied with the Act. For example, its staff training program did not clearly set out the roles and responsibility of staff to identify and report customers who conduct certain transactions.

In 2010, FINTRAC, based on its assessment of SaskGaming's compliance with the Act, issued a notice of violation. In 2011, FINTRAC assessed penalties of \$148,840. As the Act permits, SaskGaming has asked FINTRAC for a review of this notice of violation. At March 2011, the review is underway.³

1. **We recommend that Saskatchewan Gaming Corporation have effective controls to maintain and report information required under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and Regulations.**

² FINTRAC collects, analyzes and discloses financial information and intelligence on suspected money laundering and terrorist financing activities.

³ The Act also provides for an appeal to the Federal Court of Canada.

Status of other outstanding recommendations of the Standing Committee on Crown and Central Agencies

The following table provides an update on recommendations previously made by the Standing Committee on Public Accounts (PAC) that are not yet implemented and are not discussed earlier in this chapter.⁴ In 2009, Saskatchewan Gaming Corporation was designated as CIC subsidiary corporation under *The Crown Corporations Act, 1993*. As a result, these recommendations are deemed to be referred to the Standing Committee on Crown and Central Agencies.⁵

COMMITTEE REPORT YEAR ⁶	OUTSTANDING RECOMMENDATION	STATUS
Saskatchewan Gaming Corporation (Project Management Processes – IT System)		
2009	The Committee concurs: 9-4 that the Saskatchewan Gaming Corporation provide complete and accurate reports on the project's progress to senior management and the Board of Directors.	Not implemented (as at December 31, 2008). We plan to conduct our first follow-up in conjunction with the casino system upgrade in 2011.
2009	The Committee concurs: 9-5 that the Saskatchewan Gaming Corporation establish a process to monitor and track how well it achieved the benefits it set out for the project.	Not implemented (as at December 31, 2008). We plan to conduct our first follow-up in conjunction with the casino system upgrade in 2011.
2009	The Committee concurs: 9-6 that the Saskatchewan Gaming Corporation establish a process to document the results of testing of new systems and to track and document the follow up of all risks before systems become operational.	Not implemented (as at December 31, 2008). We plan to conduct our first follow-up in conjunction with the casino system upgrade in 2011.

⁴ For the definitions of the key terms used in the table, see Chapter 20 – Standing Committee on Crown and Central Agencies.

⁵ The Standing Committee on Crown and Central Agencies oversees CIC subsidiary corporations.

⁶ PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

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