

Chapter 20

Saskatchewan Indian Gaming Authority Inc.

1.0 MAIN POINTS

In this chapter we report the results of the annual audit of the Saskatchewan Indian Gaming Authority Inc. (SIGA) for the year ended March 31, 2012.

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 strengthen its human resource plan by including a projection of its future human resource needs. This information would allow SIGA to focus its efforts to carry out its strategic plan.

SIGA's 2012 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 (PAC).

2.0 INTRODUCTION

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) licenses 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. The casinos are:

- › 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 the Criminal Code (Canada) (Section 207), 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, Liquor & Gaming allows SIGA to deduct from the slot machine revenues reasonable costs for operating casinos, as determined by Liquor & Gaming (see Section 3.0 Background). 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.

2.1 Financial Overview

The casino operations include slot machines, ancillary operations (i.e., gift shops, restaurants, and lounges), and table games operations. **Figure 1** shows the net casino profits SIGA made during the last five years.

Figure 1–SIGA Financial Results for the Year ended March 31

	2012	2011	2010	2009	2008
Slot operations profit	\$ 92,174	\$ 80,122	\$ 75,468	\$ 78,685	\$ 68,355
Ancillary operations loss	(7,501)	(11,779)	(11,472)	(9,399)	(6,143)
Table games operations loss	<u>(3,032)</u>	<u>(4,248)</u>	<u>(3,755)</u>	<u>(2,066)</u>	<u>(1,106)</u>
Distributable net profit	81,641	64,094	60,241	67,220	61,106
Unrealized gain (loss) on interest rate swaps	<u>(2,489)</u>	<u>345</u>	<u>4,867</u>	<u>(7,346)</u>	<u>(3,014)</u>
Net profit	<u>\$ 79,152</u>	<u>\$ 64,439</u>	<u>\$ 64,108</u>	<u>\$ 59,874</u>	<u>\$ 58,092</u>

Source: 2007-08 to 2011-12 Saskatchewan Indian Gaming Authority Annual Reports

3.0 BACKGROUND

In 2002, the Government of Saskatchewan and the FSIN signed the 2002 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 for what constitutes reasonable costs.

As part of Liquor & Gaming's monitoring processes over reasonable costs, its Internal Audit function performs annual audits to ensure that SIGA expenditures are reasonable, comply with relevant policies and have an adequate business purpose. 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.¹

The latest audit was conducted for the period from October 1, 2010 to September 30, 2011 and the report was finalized in September 2012. As of September 30, 2012, Liquor

¹ The purpose of the First Nations Trust is to distribute First Nations' share of gaming proceeds due to them pursuant to the 2002 Framework Agreement.

& Gaming's Internal Audit function has not yet completed the audit of SIGA's expenses incurred after September 30, 2011.

Based on internal audit results, Liquor & Gaming concluded that, in general, expenses audited up to September 30, 2011 were appropriate business expenses and no recovery was required (see Chapter 21 on Liquor & Gaming).

4.0 AUDIT CONCLUSIONS 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* (www.auditor.sk.ca/rrd.html).

In our opinion, for the year ended March 31, 2012:

- **SIGA had effective 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 Non-profit Corporations Regulations, 1997
The Alcohol and Gaming Regulation Act, 1997
The Gaming Regulations, 2007
Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada)
Proceeds of Crime (Money Laundering) Suspicious Transactions Reporting Regulations (Canada)
Terms and Conditions for SIGA Table Games (issued by Indigenous Gaming Regulators Inc.)
SIGA Slot Machine Operating Procedures and Directives (issued by Liquor & Gaming)
SIGA Operating Policies and Directives (issued by Liquor & Gaming)
 SIGA Bylaws
2002 Framework Agreement (June 11, 2002)
Casino Operating Agreement (June 11, 2002)

- **SIGA's financial statements are reliable**

4.1 Improve IT Strategic Plan

We recommended that Saskatchewan Indian Gaming Authority Inc.'s management review and the Board approve an information technology (IT) strategic plan. (2005 Report – Volume 3; Public Accounts Committee agreement October 31, 2006)

Status – We continue to make this recommendation.

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. SIGA identified key threats and risks but has not yet incorporated these into its IT strategic plan.



4.2 Prepare Complete Disaster Recovery Plan and Business Continuity Plan

We recommended 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; Public Accounts Committee agreement March 11, 2009)

Status – We continue to make this recommendation.

SIGA places significant reliance on its IT systems to operate. SIGA still does not have a complete disaster recovery plan (DRP) for its IT systems. Nor has SIGA assessed the requirements for a business continuity plan (BCP) that would include emergency preparedness planning for all of its casinos. 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. SIGA plans to complete this project in 2012-13.

4.3 Improve Human Resource Plan

We recommended Saskatchewan Indian Gaming Authority Inc. complete and implement its human resource plan. (2003 Report – Volume 3; Public Accounts Committee agreement June 29, 2004)

Status – We continue to make this recommendation.

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.

4.4 Segregate IT Responsibilities

We recommended 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; Public Accounts Committee agreement January 20, 2011)

Status – We continue to make this recommendation.

IT application developers for some of SIGA's main applications have the ability to both develop system changes and implement these changes without authorization. Lack of segregation of duties between the development and implementation functions in an IT

environment increases the risk of unauthorized and incorrect changes to systems and data. These could result in errors in financial information.

4.5 Review of User Access

We recommended that Saskatchewan Indian Gaming Authority Inc. perform regular reviews of its computer application user accounts. (2010 Report – Volume 2; Public Accounts Committee agreement January 20, 2011)

Status – We continue to make this recommendation.

SIGA does not review IT 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. Lack of such reviews increases the risk of unauthorized access to and inappropriate modifications of systems and data.

4.6 Control Capital Assets

We recommended that Saskatchewan Indian Gaming Authority Inc. follow its policies to control capital assets. (2010 Report – Volume 2; Public Accounts Committee agreement January 20, 2011)

Status – We continue to make this recommendation.

SIGA's policies require employees to periodically count capital assets and compare the counts to the accounting records. However, employees have not done a complete count of capital assets at its casinos. Therefore, SIGA cannot be sure that all capital assets recorded in its accounting records exist.

4.7 Password Settings Implemented

We recommended that Saskatchewan Indian Gaming Authority Inc. follow its computer password setting policy. (2010 Report – Volume 2; Public Accounts Committee agreement January 20, 2011)

Status – Implemented.

SIGA has established and uses access password setting requirements for its systems and data.