

Chapter 21

Saskatchewan Indian Gaming Authority Inc.

1.0 MAIN POINTS

This chapter reports the results of the annual audit of the Saskatchewan Indian Gaming Authority Inc. (SIGA) for the year ended March 31, 2013.

To help it recover critical business functions in the event of a disaster, SIGA must assess the need for a business continuity plan that would include emergency preparedness planning for all of its casinos. SIGA must better protect its information technology (IT) systems and data including appropriately segregating the duties of staff and periodically reviewing user access to its IT systems and data. SIGA also needs to strengthen its human resource plan by including a projection of its future human resource requirements. This information would assist SIGA in obtaining the right people to help it carry out its strategic plan.

SIGA's 2013 financial statements are reliable and it complied with the authorities governing its activities.

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 located on First Nations reserves. SIGA's casinos provide table games, slot machines, and other hospitality services (ancillary operations) to the public. 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 Dakota First Nation)
- › Living Sky Casino (Swift Current)

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*. 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 and is determined based on the Casino Operating Agreement.¹

¹Liquor & Gaming and SIGA 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.



2.1 Financial Overview

SIGA's casino operations include slot machines, ancillary operations (i.e., gift shops, restaurants, lounges, and a hotel), 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 Five-year Period from 2009 to 2013

Year Ended March 31	2013	2012	2011	2010	2009
	(in millions)				
Slot operations profit	\$ 99.5	\$ 92.2	\$ 80.1	\$ 75.5	\$ 78.7
Ancillary operations loss	(10.0)	(7.5)	(11.8)	(11.5)	(9.4)
Table games operations loss	(3.0)	(3.0)	(4.2)	(3.8)	(2.1)
Distributable net profit	86.5	81.7	64.1	60.2	67.2
Unrealized gain (loss) on interest rate swaps	0.3	(2.5)	0.3	4.9	(7.3)
Net casino profit	\$ 86.8	\$ 79.2	\$ 64.4	\$ 65.1	\$ 59.9

Source: 2008-08 to 2012-13 Saskatchewan Indian Gaming Authority Annual Reports

3.0 AUDIT CONCLUSIONS AND SCOPE

Our Office worked with Deloitte LLP, the appointed auditor, to carry out the audit of SIGA. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.²

In our opinion, for the year ended March 31, 2013:

- » **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, 1995
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)
 2002 Framework Agreement (June 11, 2002)
 2002 Casino Operating Agreement (June 11, 2002)
 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

- » **SIGA had reliable financial statements**

²See our website at www.auditor.sk.ca.

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of SIGA's controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

We examined the effectiveness of SIGA's financial-related controls used to administer its revenues, expenses, assets and liabilities. Also, we examined the effectiveness of the controls used to keep reliable financial records and prepare reliable financial reports.

4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

4.1 Business Continuity Plan Assessment Needed

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 – Partially Implemented

SIGA places significant reliance on its IT systems to operate. During 2012-13, SIGA completed its disaster recovery plan for its IT systems and tested the plan. However, SIGA had not 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.

4.2 Human Resource Plan Needs Improvement

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

Status – Partially Implemented

In 2012-13, SIGA approved a project plan outlining key actions to formalize its workforce planning process. SIGA plans to complete its workforce planning in 2013-14.

However, SIGA has not yet finalized or implemented its previously developed draft 2009-2014 human resource plan. Also, the draft plan did not include a projection of its future human resource needs (i.e., number, type, level, and location of employees). This information would allow SIGA to determine the gaps between the resources needed to



carry out its strategic plan with access to these resources. Without an adequate human resource plan, SIGA may not be able to ensure it has the right number of employees with the right competencies at the right time to meet its objectives.

4.3 Segregation of IT Responsibilities Needed

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 – Partially Implemented

IT developers for some of SIGA's main applications have the ability to both develop system changes and implement these changes without additional authorization. For one of its key applications, SIGA implemented a monthly monitoring process where a report is generated and reviewed to ensure no unauthorized changes are made. However, it has not done so for all of its key applications. Lack of segregation of duties between the development and implementation functions in an IT environment increases the risk of unauthorized and incorrect changes to IT systems and data.

4.4 Review of User Access Needed

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 – Partially Implemented

In 2012-13, SIGA completed reviews of IT user access for two of its key applications to ensure that the access granted was required and was consistent with each employee's job responsibilities. SIGA plans to complete reviews for its other IT applications in 2013-14. Lack of such reviews increases the risk of unauthorized access to and inappropriate modifications of systems and data.

4.5 Compliance with Policies to Control Capital Assets Needed

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 – Partially Implemented

SIGA's policies require employees to periodically count capital assets and compare the counts to the accounting records. SIGA manages capital assets totalling approximately \$102 million. As in prior years, 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.

4.6 IT Strategic Planning Improved

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 – Implemented

In 2012-13, SIGA completed its assessment of key IT threats and risks.³ As part of its established risk assessment process, SIGA analyzed its current IT environment to determine its IT-related strengths, weaknesses, opportunities, and threats. SIGA reorganized its IT function and established a new vision and mission for IT. SIGA also updated its IT strategy to reflect revised objectives and performance measures for IT. It is currently working on updating targets for the revised performance measures. SIGA's IT strategy includes key initiatives, some of which are longer term in nature (i.e., are expected to take longer than one year to complete).

Also, in 2012-13, SIGA implemented a new process for its IT projects. All projects with an IT impact are reviewed to ensure that SIGA's business and IT objectives are aligned. SIGA project plans, which are approved by senior management, include the estimated resources needed to carry out the plans.

³ We assessed and reported on the effectiveness of SIGA's IT threat and risk assessment processes in our *2012 Report – Volume 2*, Chapter 35.

