

Chapter 22

Saskatchewan Liquor and Gaming Authority

1.0 MAIN POINTS

This chapter reports the results of our audit of the Saskatchewan Liquor and Gaming Authority (Liquor & Gaming) for the year ended March 31, 2013.

Liquor & Gaming's 2012-13 financial statements are reliable. Liquor & Gaming complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

Liquor & Gaming had effective rules and procedures to safeguard public resources except that it needs to improve its information technology (IT) policies and compliance with them, and implement an enterprise risk management framework.

2.0 INTRODUCTION

Liquor & Gaming operates under *The Alcohol and Gaming Regulation Act, 1997*. Liquor & Gaming is responsible for the distribution, regulation, management and operation of liquor and gaming across the province.¹

Liquor & Gaming operates retail liquor stores, owns and operates all video lottery terminals (VLTs), and owns and manages the slot machines at all Saskatchewan Indian Gaming Authority Inc. (SIGA) casinos. It is also responsible for the distribution of liquor to other businesses who sell liquor to the public (e.g. franchises, commercial permittees). Liquor & Gaming also regulates all liquor and gaming operations in Saskatchewan.

2.1 Financial Overview

In 2012-13, Liquor & Gaming had revenues of \$1,060 million, expenses of \$582 million, and comprehensive income of \$478 million. Its revenues and expenses include slot machine revenues and expenses from SIGA casinos. At March 31, 2013, Liquor & Gaming held total assets of \$340 million, had total liabilities of \$347 million, and had a retained deficit of \$7 million. Liquor & Gaming's 2012-13 annual report includes its financial statements. **Figure 1** shows Liquor & Gaming's key financial results by segment.

¹ Saskatchewan Liquor and Gaming Authority. (2013). *Saskatchewan Liquor and Gaming Authority – Plan for 2013-14*. www.slga.gov.sk.ca/Prebuilt/Public/Strategic%20Plan%202013-14.pdf (15 July 2013).



Figure 1 – Key Financial Results by Segment

	Liquor	VLTs	Slots in SIGA Casinos	Other Gaming	Total
	(in millions)				
Total Revenues	\$ 595.2	\$ 223.3	\$ 241.8	\$ 0.4	\$ 1,060.7
Total Expenses	<u>363.0</u>	<u>44.9</u>	<u>155.1</u>	<u>19.3</u>	<u>582.3</u>
Net Income (Loss)	<u>\$ 232.2</u>	<u>\$ 178.4</u>	<u>\$ 86.7</u>	<u>\$ (18.9)</u>	<u>\$ 478.4</u>

Source: Liquor & Gaming's 2012-13 audited financial statements

3.0 AUDIT CONCLUSIONS AND SCOPE

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

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

The Alcohol and Gaming Regulation Act, 1997
The Liquor Consumption Tax Act
Customs Tariff Act (Canada)
Excise Act (Canada) (Schedule I and II)
Excise Tax Act (Canada) (Section 188)
Excise Act, 2001 (Canada) (Schedule IV-VI)
Criminal Code of Canada (Section 207)
The Alcohol Control Regulations, 2002
The Saskatchewan Gaming Corporation Casino Regulations, 2002
The Gaming Regulations, 2007

The Liquor and Gaming Authority Employee Code of Conduct Regulations
The Litter Control Act
The Litter Control Designation Regulations
 Orders in Council issued pursuant to the above legislation
 2002 Framework Agreement, as amended
 2002 Casino Operating Agreement, as amended
 Western Canada Lottery Corporation Operating Agreement
 Indigenous Gaming Regulators Licensing Agreement

- ▶ **Liquor & Gaming had reliable financial statements**

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of Liquor & Gaming'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.

In our 2012-13 audit, we examined the effectiveness of Liquor & Gaming's financial-related controls to administer revenues and expenses, safeguard assets, keep reliable financial records consistent with related authorities, and prepare reliable financial reports.

We focused on how Liquor & Gaming operates retail liquor stores, VLTs, and the break-open vending machine program. We also examined how it monitored SIGA's operations. We evaluated its significant IT systems and processes. We assessed the work done by Liquor & Gaming's Compliance Branch and Audit Services Branch with respect to compliance with legislation over liquor and gaming activities in the province.

4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we set out our key findings and the resulting recommendations.

4.1 Policies and Procedures for Monitoring Information Technology Security Needed

IT security policies and procedures help ensure the confidentiality, integrity, and availability of information systems and data. Proper configuration of network devices (e.g., firewalls) and regular monitoring of network security help to reduce the risk of unauthorized access to systems and data, and help to detect and react to security threats. IT security policies and procedures should outline who is responsible for monitoring and responding to security threats or security incidents, the level of response required, and the appropriate documentation required.

In 2012-13, Liquor & Gaming implemented new technology to better secure and monitor its IT network. It has some processes in place to help identify security threats and detect security incidents. However, it has not yet developed policies and procedures to monitor IT security and respond to issues when they arise.

Failure to monitor IT security increases the risk of unauthorized access to IT systems and data without detection.

1. We recommend that the Saskatchewan Liquor and Gaming Authority develop security policies and procedures for monitoring information technology security.

4.2 Compliance with User Access Information Technology Policies and Procedures Needed

We recommended that Saskatchewan Liquor and Gaming Authority follow its approved information technology (IT) policies and procedures. (2007 Report – Volume 3; Public Accounts Committee agreement January 9, 2008)

Status – Not implemented with respect to user access IT policies and procedures

During 2012-13, employees continued not to follow approved policies for granting and removing user access privileges to key IT systems. For example, we noted that eight individuals who no longer worked for Liquor & Gaming had access privileges to certain IT systems with two of those individuals having access to the overall computer network.

Delays in removing unneeded user access increase the risk of unauthorized disclosure, inappropriate modification, or loss of data.



4.3 Corporate-Wide Risk Assessment Needed

We recommended that Saskatchewan Liquor and Gaming Authority develop and implement an enterprise risk management framework and plan. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

Status – Not Implemented

During 2012-13, Liquor & Gaming management completed a corporate re-organization and assigned responsibility for enterprise risk management to its Performance Management Division. However, it had not yet developed a complete risk management framework or plan.

If risks are not identified, documented, and mitigated to an acceptable level, Liquor & Gaming increases the risk of not meeting its organizational goals and objectives.

4.4 Bank Reconciliations Completed on a Timely Basis

We recommended that the Saskatchewan Liquor and Gaming Authority follow its procedures to control its bank accounts. (2011 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

Status – Implemented

Liquor & Gaming's procedures require employees to reconcile its recorded bank balances to the bank's records each four-week period for each of its 10 bank accounts. It also requires management to review and approve reconciliations. In addition to periodic bank reconciliations, Liquor & Gaming performs daily reconciliations of its stores' deposits and cheque-clearing activities.

4.5 SIGA's Expenses Monitored on a Timely Basis

We recommended that Saskatchewan Liquor and Gaming Authority complete its review of the Saskatchewan Indian Gaming Authority's expenses on a timely basis. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

Status – Implemented

In 2012-13, Liquor & Gaming's Audit Services Branch completed its review of SIGA's expenses on a timely basis. For example, on April 15, 2013, the Branch gave senior management its report on the results of its review of SIGA's expenses for the period from October 1, 2011 – September 30, 2012.