

## Chapter 47

# Saskatchewan Liquor and Gaming Authority – Liquor Procurement Process

### 1.0 MAIN POINTS

This chapter reports our follow-up of seven outstanding recommendations from our *2012 Report – Volume 1*, Chapter 17 regarding the Saskatchewan Liquor and Gaming Authority's (Liquor & Gaming) processes to procure liquor. At September 30, 2013, Liquor & Gaming had implemented two of the recommendations but had not yet implemented the remaining five. Liquor & Gaming needs to better document information used in its procurement process, develop written procedures for product selection and monitoring product performance, and formalize its evaluation of liquor products. Liquor & Gaming also needs to obtain formal assurance that liquor products are safe to drink.

### 2.0 INTRODUCTION

Under *The Alcohol and Gaming Regulation Act, 1997 (Act)*, Liquor & Gaming is responsible for the distribution, control, and regulation of liquor in Saskatchewan.

Liquor & Gaming's mission is "Serving Saskatchewan people with excellence while promoting economic growth through the socially responsible distribution, management, operation and regulation of liquor and gaming products."<sup>1</sup> Liquor & Gaming aims to achieve a balance between generating revenue, promoting responsible use of alcohol, and providing customers with product selection and value. In 2012-13, Liquor & Gaming generated gross revenue of \$592.3 million from liquor sales.<sup>2</sup>

This chapter contains the results of our follow-up of recommendations originally made in our *2012 Report – Volume 1*, Chapter 17 on Liquor & Gaming's processes to procure liquor. In that report, we concluded that Liquor & Gaming had effective processes in place to procure liquor with some exceptions. We made seven recommendations.

To conduct this review, we followed the standards for assurance engagements published in the *CPA Canada Handbook - Assurance*. To evaluate Liquor & Gaming's progress towards meeting our recommendations, we used the relevant criteria from the original audit. Liquor & Gaming's management agreed with the criteria in the original audit.

### 3.0 STATUS OF RECOMMENDATIONS

This section sets out our past recommendations, Liquor & Gaming's actions up to September 30, 2013, and the status of the recommendations including the date on which the Standing Committee on Public Accounts agreed to the recommendation. We

<sup>1</sup> Saskatchewan Liquor and Gaming Authority. *2012-13 Annual Report*, p. 6.

<sup>2</sup> *Ibid.*, p. 7.



found that Liquor & Gaming implemented two of the recommendations but still had work to do to meet the remaining five.

### **3.1 Improved Documentation of Information Used in Procurement Process Needed**

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We recommended that Saskatchewan Liquor and Gaming Authority document what it uses and how it uses the information it has to ensure the product selection meets its customers' needs. (2012 Report – Volume 1; Public Accounts Committee has not yet considered this recommendation)

**Status** – Not Implemented

Liquor & Gaming is reviewing its product selection. It plans to integrate customer feedback and sales data into its product selection processes. It expects to complete this review and restructuring in 2014.

### **3.2 Written Product Selection Procedures Needed**

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We recommended that Saskatchewan Liquor and Gaming Authority develop written procedures for staff to use to objectively select all liquor purchases. (2012 Report – Volume 1; Public Accounts Committee has not yet considered this recommendation)

**Status** – Not Implemented

Liquor & Gaming is developing a new product scoring tool that it expects to include specific criteria for selecting liquor products (e.g., taste, price/value, supplier performance, projected sales/profitability, and marketing investment). This tool will be included in Liquor & Gaming's revised listing policy. Management indicated that it expects the revised listing policy to be completed and approved by senior management in late 2013 for implementation in 2014.

### **3.3 Formal Evaluation of New Liquor Products Needed**

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We recommended that Saskatchewan Liquor and Gaming Authority formally evaluate new liquor products and share written results of these evaluations with unsuccessful suppliers. (2012 Report – Volume 1; Public Accounts Committee has not yet considered this recommendation)

**Status** – Not Implemented

As noted in **Section 3.2**, Liquor & Gaming is developing a new product scoring tool. Once the tool is developed and implemented, it plans to provide the scoring results to unsuccessful suppliers.

### 3.4 Need to Obtain Formal Assurance that Products are Safe to Drink

We recommended that Saskatchewan Liquor and Gaming Authority obtain formal assurance that liquor products sold in Saskatchewan are safe to drink and contain their stated alcohol content. (2012 Report – Volume 1; Public Accounts Committee has not yet considered this recommendation)

**Status** – Not Implemented

Liquor & Gaming is developing a quality assurance policy relating to liquor products sold in Saskatchewan. It expects to provide this policy to senior management for review and approval in 2014.

### 3.5 Written Procedures for Monitoring Product Performance Needed

We recommended that Saskatchewan Liquor and Gaming Authority develop and use written procedures for monitoring product performance regarding sales targets, quotas, and product quality. (2012 Report – Volume 1; Public Accounts Committee has not yet considered this recommendation)

**Status** – Not Implemented

In conjunction with its review of its product selection models and restructuring noted in **Section 3.1**, Liquor & Gaming plans to develop and document complete policies and procedures for monitoring product performance. Some examples of planned changes include removing quotas set by product, developing a range for the number of product listing targets in each category, and presenting de-listing recommendations to the Listing Committee based on defined criteria.



### 3.6 Procurement and Pricing Policies are Publically Available

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We recommended that Saskatchewan Liquor and Gaming Authority make its procurement and pricing policies public and provide a breakdown of liquor price (e.g., cost, taxes, markup, etc.). (2012 Report – Volume 1; Public Accounts Committee has not yet considered this recommendation)

**Status** – Implemented

In September 2013, Liquor & Gaming posted its current liquor procurement and pricing policies on its website. These policies included information on the components of liquor prices including cost, taxes, markup, etc.

### 3.7 Listing Committee Minutes are Kept

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We recommended that the Listing Committee of Saskatchewan Liquor and Gaming Authority keep minutes supporting its decisions on product listings and de-listings. (2012 Report – Volume 1; Public Accounts Committee has not yet considered this recommendation)

**Status** – Implemented

Liquor & Gaming started keeping detailed minutes of the decisions made by the Listing Committee on December 5, 2012. The Listing Committee minutes included information on members in attendance, meeting date, summary of comments provided by members on products presented, and the final decision whether to list or de-list. Management indicated it expects to formally approve these minutes for meetings held after July 2013.