

Chapter 22

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, 2014.

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 six casinos. SIGA must better protect its information technology (IT) systems and data including periodically reviewing user access to its IT systems and data.

Also, SIGA needs to finalize its human resource plan. Complete human resource plans assist in obtaining the right people at the right time. In addition, SIGA needs formal processes to track the disposal of its assets and to carry out periodic counts of its assets to confirm their existence.

SIGA's 2014 financial statements are reliable and it complied with the authorities governing its financial-related activities.

2.0 INTRODUCTION

SIGA is a non-profit corporation established under *The Non-profit Corporations Act, 1995*. Its members are the Federation of Saskatchewan Indian Nations (FSIN), the Tribal Councils of Saskatchewan, and independent First Nations.

SIGA operates six casinos 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 Dakota First Nation)
- › Living Sky Casino (Swift Current)

Saskatchewan Liquor and Gaming Authority (Liquor & Gaming) licenses SIGA to operate these casinos. 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 for the development and operation of casinos in Saskatchewan within the parameters of the *Criminal Code (Canada)*. As required by section 207 of the *Criminal Code*, 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

2.1 Financial Overview

At March 31, 2014, SIGA held assets of \$177 million, including capital assets of \$95 million, and had liabilities of \$182 million, including long-term debt of \$53 million. For the year ended March 31, 2014, its net casino profit was \$82.3 million.

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 by type.

Figure 1 – SIGA Financial Results for the Five-Year Period from 2010 to 2014

| Year Ended March 31 | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|----------------|----------------|----------------|----------------|----------------|
| | (in millions) | | | | |
| Slot machines operations profit | \$ 94.2 | \$ 99.5 | \$ 92.2 | \$ 80.1 | \$ 75.5 |
| Ancillary operations loss | (10.7) | (10.0) | (7.5) | (11.8) | (11.5) |
| Table games operations loss | (3.3) | (3.0) | (3.0) | (4.2) | (3.8) |
| Unrealized gain (loss) on interest rate swaps* | 2.1 | 0.3 | (2.5) | 0.3 | 4.9 |
| Net casino profit | \$ 82.3 | \$ 86.8 | \$ 79.2 | \$ 64.4 | \$ 65.1 |

Source: 2009-10 to 2013-14 Saskatchewan Indian Gaming Authority Inc. annual reports.

* Unrealized gain (loss) on interest rates swaps is the amount of change in the fair value of the swaps in a fiscal year.

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, 2014:

- › **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 related 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)

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.

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

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

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

Because SIGA operates in the casino industry, it processes a significant number of cash transactions and holds a significant amount of cash in its casinos. As a result, we paid particular attention to SIGA's controls for managing cash in its casinos. This included assessing its processes for approving and recording transactions, and monitoring staff compliance with established procedures to safeguard cash. Also, because SIGA relies on its computer systems to manage its operations, we assessed its controls over key IT service providers, IT security, change management processes, and user access.

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 relies significantly on its IT systems to operate. As previously reported,³ SIGA has a disaster recovery plan for its IT systems that it tested in 2012-13. It plans to re-test the plan in 2014-15. A disaster recovery plan is a component of a business continuity plan (BCP). A BCP would include emergency preparedness planning for all of SIGA's six casinos.

By March 2014, SIGA had not assessed the need for a BCP. SIGA plans to complete its BCP in 2014-15. Lack of a BCP increases the risk that SIGA may not properly recover critical business functions in the event of a disaster.

³ 2013 Report – Volume 2, Chapter 21, Saskatchewan Indian Gaming Authority Inc., p. 155.



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

At March 2014 and as previously reported,⁴ SIGA continued to have an incomplete draft human resource plan (dated 2009-2014). The draft plan did not include a projection of SIGA's future human resource needs (i.e., number, type, level, and location of employees) or analysis of the gaps between the resources needed to carry out its strategic plan and its access to those resources.

In January 2014, consistent with its plans, SIGA approved a workforce planning process and provided planning tools to help management in developing a comprehensive workforce plan (i.e., human resource plan). SIGA plans to complete and approve its workforce plan in 2014-15.

Lack of a complete and approved human resource plan increases the risk that SIGA may not have the right number of employees with the right competencies at the right time necessary to meet its strategic priorities.

4.3 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

During 2013-14, SIGA did not complete reviews of IT user access for its key applications as it had planned. Such reviews are necessary so that access granted is consistent with each employee's job responsibilities and is appropriate. For example, during the audit, we noted about 21 users with administrator privileges⁵ for a key application who no longer needed these privileges.

Lack of reviews of IT user access increases the risk of unauthorized access to and inappropriate modifications of systems and data.

⁴ Ibid.

⁵ Administrative privileges give users the ability to install software and change configuration settings.

4.4 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

During the year, we noted that SIGA did not have a formal process for the disposal of capital assets. As a result, it did not have a record, in all cases, of what items are removed for sale or disposal from a given location.

Also, by March 2014 and as previously reported,⁶ employees did not carry out a complete count of capital assets at SIGA's casinos as its policies require.

Not periodically counting all capital assets and comparing them to accounting records increases the risk that capital assets recorded in its accounting records may not exist.

4.5 Segregation of 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 – Implemented

IT developers for some of SIGA's key applications have the ability to both develop system changes and implement them without additional authorization (i.e., lack of segregation of incompatible functions). This increases the risk of unauthorized changes.

As part of its monitoring process, for one of its key applications, SIGA continued to generate and review a report each month to determine whether any unauthorized changes occurred.

During the year, SIGA also replaced some of its key applications and determined that lack of segregation did not pose a significant risk to its operations for the remaining key applications.

⁶ 2013 Report – Volume 2, Chapter 21, Saskatchewan Indian Gaming Authority Inc., p. 157.

