

## Chapter 23

### Saskatchewan Liquor and Gaming Authority

#### 1.0 MAIN POINTS

Saskatchewan Liquor and Gaming Authority's (Liquor & Gaming) financial statements for the year ended March 31, 2014 are reliable. It complied with authorities governing its activities related to financial reporting, safeguarding resources, revenue raising, spending, borrowing, and investing.

Liquor & Gaming had, other than for the following four matters, effective rules and procedures to safeguard public resources. It needs to maintain complete and accurate records of its slot machines, improve its information technology (IT) policies, consistently comply with its IT policies, and implement a corporate-wide risk management framework.

#### 2.0 INTRODUCTION

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

Liquor & Gaming owns and operates all video lottery terminals (VLTs) located in the province, owns and manages all slot machines located at Saskatchewan Indian Gaming Authority Inc. (SIGA) casinos, and operates retail liquor stores. It distributes liquor to other businesses who sell liquor to the public (e.g., franchises, commercial permittees).

#### 2.1 Financial Overview

In 2013-14, Liquor & Gaming had revenues of \$1.1 billion, expenses of \$0.6 billion, and comprehensive income of \$0.5 billion. **Figure 1** shows Liquor & Gaming's key financial results by segment. At March 31, 2014, Liquor & Gaming held total assets of \$0.3 billion, had total liabilities of \$0.3 billion, and had a retained deficit of \$4 million. Liquor & Gaming's 2013-14 annual report includes its financial statements.

**Figure 1 – Key Financial Results for 2013-14 by Segment**

	Liquor	VLT	Slot Machines in SIGA Casinos	Other Gaming	Total
	(in millions)				
Total Revenues*	\$ 620.1	\$ 239.2	\$ 225.1	\$ 1.2	<b>\$1,085.6</b>
Total Expenses*	367.8	63.6	142.8	16.9	<b>591.1</b>
Total Comprehensive Income (Loss)	\$ 252.3	\$ 175.6	\$ 82.3	\$ (15.7)	<b>\$ 494.5</b>

Source: Saskatchewan Liquor & Gaming Authority, *Annual Report for 2013-14*.

\* Including other comprehensive income/loss

<sup>1</sup> Saskatchewan Liquor and Gaming Authority, *Saskatchewan Liquor and Gaming Authority – Plan for 2014-15*, [www.slga.gov.sk.ca/Prebuilt/Public/Strategic%20Plan%202014-15.pdf](http://www.slga.gov.sk.ca/Prebuilt/Public/Strategic%20Plan%202014-15.pdf) (24 April 2014).



## 3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2014:

- › **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 related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Alcohol and Gaming Regulation Act, 1997*  
*The Alcohol Control Regulations, 2002* (until August 5, 2013)  
*The Alcohol Control Regulations, 2013* (effective August 6, 2013)  
*The Gaming Regulations, 2007*  
*The Liquor and Gaming Authority Employee Code of Conduct Regulations*  
*The Liquor Consumption Tax Act*  
*The Litter Control Act*  
*The Litter Control Designation Regulations*  
*The Saskatchewan Gaming Corporation Casino Regulations, 2002*

*Customs Tariff Act* (Canada)  
*Excise Act* (Canada) (Schedules I, II and II.1)  
*Excise Tax Act* (Canada) (section 188)  
*Excise Act, 2001* (Canada) (Schedules 4-6)  
*Criminal Code of Canada* (section 207)  
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 to make our judgments about the effectiveness of Liquor & Gaming'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.

We examined the effectiveness of Liquor & Gaming's financial-related controls used to administer revenues and expenses, safeguard assets, keep reliable financial records consistent with related authorities, and prepare reliable financial reports. This included evaluating its significant IT systems and processes, examining how it monitored SIGA's operations, and assessing its processes to request proposals and select a vendor to construct its new liquor distribution centre.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

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

### 4.1 More Timely Recording of Slot Machines Needed

Liquor & Gaming did not maintain complete and accurate records of its slot machines that are located at SIGA's casinos.

Liquor & Gaming has contracted a service provider, the Western Canadian Lottery Corporation – Saskatchewan Division (WCLC), to administer the operating system and

provide general physical maintenance of Liquor & Gaming's slot machines. This includes the installation and disposal of slot machines. At March 31, 2014, Liquor & Gaming owned about 2,100 slot machines with a net book value of \$8.3 million.<sup>2</sup>

Liquor & Gaming's financial staff must obtain information from WCLC to update its financial and capital asset records for purchases and disposals of slot machines. We found that during 2013-14, Liquor & Gaming's financial staff did not record all purchases and disposals of slot machines to keep its financial records up to date.

After year-end, Liquor & Gaming reconciled its slot machine records to those of WCLC. It identified that it had not recorded five slot machines and that it had not removed 176 slot machines (both with a nominal book value) from its financial records. Our audit also identified that Liquor & Gaming had not recorded the full value of 21 slot machines resulting in understating its capital assets and accounts payable by \$0.5 million at March 31, 2014.

Up-to-date records are important to ensure Liquor & Gaming has accurate and complete information when making decisions.

1. **We recommend that Saskatchewan Liquor & Gaming Authority verify, on a timely basis, information from its service provider on purchases and disposals of its slot machines to enable it to keep its financial records up to date.**

## 4.2 Policies and Procedures for Monitoring IT Security Needed

We recommended that Saskatchewan Liquor and Gaming Authority develop information technology security policies and procedures for monitoring information technology security. (2013 Report – Volume 2; Public Accounts Committee agreement December 9, 2013)

**Status – Not Implemented**

While Liquor & Gaming has processes for identifying security threats and detecting security incidents, it has not yet developed policies and procedures to monitor IT security and respond to security issues when they arise.

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

<sup>2</sup> Saskatchewan Liquor & Gaming Authority, *Annual Report for 2013-14*.  
<http://slga.gov.sk.ca/Prebuilt/Public/SLGA%20Annual%202014.pdf> (3 September 2014).



### 4.3 Implementation of Corporate-Wide Risk Framework 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 agreement December 9, 2013)

**Status** – Partially Implemented

During 2013-14, Liquor & Gaming developed a draft risk management framework. The draft framework sets out the value of a corporate-wide risk assessment, the levels at which Liquor & Gaming intends to assess risk, and how it will rank and address risks. Management indicated that Liquor & Gaming intends to finalize and implement the framework during the 2014-15 fiscal year.

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 Consistent Compliance with User Access IT 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 2013-14, Liquor & Gaming staff continued to not consistently follow approved policies for granting and removing user access privileges to key IT systems. For example, we noted that Liquor & Gaming:

- › Gave one individual access to an IT system that was not needed to carry out assigned responsibilities
- › Gave two individuals conflicting access privileges to certain Liquor & Gaming IT systems that resulted in a lack of segregation of duties
- › Did not remove IT access privileges of 10 individuals no longer in its employ, one of whom had access to the overall computer network

In our further testing, we did not find that these individuals used their inappropriate access.

Giving staff inappropriate user access increases the risk of fraud or inappropriate modification to data. Delays in removing unneeded user access increase the risk of unauthorized disclosure, inappropriate modification, or loss of data.