

Chapter 54

Saskatchewan Liquor and Gaming Authority – Liquor Procurement

1.0 MAIN POINTS

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

Liquor & Gaming’s mission is “serving Saskatchewan people with excellence contributing to economic growth through the socially responsible distribution and regulation of liquor and gaming products...”¹ Liquor & Gaming aims to achieve a balance between generating revenue, promoting responsible use of alcohol, and providing customers with product selection and value. In 2014-15, Liquor & Gaming generated gross revenue of \$622.4 million from liquor sales.²

This chapter reports the status of the five recommendations we initially made in our 2012 audit of Liquor & Gaming’s processes to procure liquor that were outstanding from our 2013 follow up.

By March 31, 2015, Liquor & Gaming had implemented two recommendations. It developed written procedures for staff to use to objectively select all liquor products and formally evaluated new liquor products during the year using these procedures.

Liquor & Gaming also made progress on our recommendation to develop and use written procedures for monitoring product performance. However, Liquor & Gaming needs to do more work to document information used in making procurement decisions and to obtain formal assurance that liquor products sold in Saskatchewan are safe to drink and contain their stated alcohol content.

2.0 INTRODUCTION

In our *2012 Report – Volume 1*, Chapter 17, we concluded that Liquor & Gaming had effective processes in place to procure liquor with some exceptions. We made seven recommendations. By September 2013, as reported in our *2013 Report – Volume 2*, Liquor & Gaming had implemented two recommendations.³ This chapter describes our second follow-up of management’s actions on the five recommendations not yet implemented at September 2013.

To conduct this review engagement, 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 management agreed with the criteria in the original audit.

¹ Saskatchewan Liquor and Gaming Authority. *2014-15 Annual Report*. p. 3.

² *Ibid.*, p. 4.

³ *2013 Report – Volume 2*, Chapter 47, pp. 317-320.



Our approach primarily included discussions with management and review of related documents, including Liquor & Gaming's most recently completed *Beverage Alcohol Listing Policy* (Listing Policy). We tested a sample of listing applications evaluated by staff to determine whether they were evaluated in accordance with the Listing Policy.

3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at March 31, 2015, and Liquor & Gaming's actions up to that date. We found that Liquor & Gaming implemented two of the recommendations but still had work to do to meet the remaining three.

3.1 Written Liquor Procurement Strategy Needed

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 agreement December 9, 2013)

Status – Partially Implemented

We expected that Liquor & Gaming would have an overall documented strategy to determine what products to buy. Such a strategy would include overall customer demand, gross profits for products, cost and be aligned to Liquor & Gaming's strategic plan.

Liquor & Gaming has started to develop its Category Management Strategy (Strategy) and has created a position dedicated to category strategy. Since September 2013, it has analyzed internal sales trends by major liquor category (e.g., spirits, wine). It expects to formally analyze the Association of Canadian Distillers national liquor sales trends. It also plans to survey customers, and analyze those results to better determine customer demand and product preferences.

Once developed, Liquor & Gaming indicated that it plans to use this Strategy to guide its product selection and performance monitoring processes. It expects to finalize this strategy in spring 2017.

3.2 Written Product Selection Processes Developed

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 agreement December 9, 2013)

Status – Implemented

In April 2014, Liquor & Gaming revised its Listing Policy to facilitate objective selection of liquor purchases. The Listing Policy includes a new product scoring tool that outlines specific criteria and weighting for scoring and selecting liquor products for purchase. These criteria include:

- › Category need, trends, and customer demand
- › Taste/price value
- › Marketing investment
- › Packaging and labelling
- › Projected sales and profitability
- › Supplier performance
- › Brand performance, accolades and awards
- › Supply chain

In 2014, Liquor & Gaming's Listing Committee (Committee) developed and tested the effectiveness of this scoring tool. The Committee meets every month to review and evaluate new liquor purchase applications. We found that, during 2014-15, the Committee used the Listing Policy for its assessment of liquor purchase applications.

3.3 New Products Formally Evaluated

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 agreement December 9, 2013)

Status – Implemented

As noted in **Section 3.2**, Liquor & Gaming implemented its new Listing Policy in April 2014. The Committee evaluates and scores new liquor product applications using the criteria set out in the Listing Policy. We found that the Committee used these criteria to evaluate new liquor product applications during the 2014-15 year.

For the product applications we reviewed, the Committee gave each a score and communicated the results of the assessments to each of the suppliers. For unsuccessful suppliers, Liquor & Gaming sent emails indicating the category areas where the product ranked lower than competitors.

3.4 Formal Assurance on Product Safety Needed

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 agreement December 9, 2013)

Status – Not Implemented



We expected that Liquor & Gaming would, using a risk-based approach, test its products or reach an agreement to obtain product safety information from a party other than the liquor supplier (e.g., Liquor Control Board of Ontario). Management would assess the information and determine its impact on its liquor buying decisions.

As we reported in our *2013 Report – Volume 2*, at September 2013, Liquor & Gaming was developing a quality assurance policy related to liquor products sold in Saskatchewan. It had expected to finalize this policy in 2014. However, at March 2015, development of this policy continued, and it had not set a target date for its completion.

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 agreement December 9, 2013)

Status – Partially Implemented

We expected that Liquor & Gaming would have documented monitoring procedures for monitoring product sales and quality. Procedures would set out expected types and timing of analysis (e.g., achievement of sales targets) and product quality (e.g., customer satisfaction with product, condition of product). Staff would use and document work done to comply with these procedures.

In conjunction with the development of the Strategy noted in **Section 3.1**, Liquor & Gaming is planning to develop written procedures for monitoring product performance regarding sales and quality.

By March 2015, it had developed general guidance in its Listing Policy to identify, by category (e.g., spirits, wine), underperforming products. Underperforming products are generally those within the bottom 15% of sales by category. These are presented to the Listing Committee for consideration for de-listing (i.e., Liquor & Gaming would discontinue selling this product).