

## Chapter 17

### Saskatchewan Indian Gaming Authority Inc.

#### 1.0 MAIN POINTS

Saskatchewan Indian Gaming Authority Inc. (SIGA) is a non-profit corporation established under *The Non-profit Corporations Act, 1995*. Its members are the Federation of Sovereign Indigenous Nations (FSIN), the Tribal Councils of Saskatchewan, and independent First Nations. SIGA is licensed by Saskatchewan Liquor and Gaming Authority (Liquor & Gaming) to operate six casinos located on First Nations reserves.

During 2015-16, SIGA complied with the authorities governing its financial-related activities. SIGA's 2015-16 financial statements are reliable. However, SIGA must better protect its information technology (IT) systems and data by periodically reviewing user access and testing its disaster recovery plan.

#### 2.0 INTRODUCTION

As required by section 207 of the *Criminal Code*, Liquor & Gaming is responsible for the overall conduct and management of the slot machines in SIGA's casinos. The revenue from the slot machines belongs to Liquor & Gaming.

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). At March 2016, SIGA operated the following six casinos:

- › Bear Claw Casino
- › Dakota Dunes Casino
- › Gold Eagle Casino
- › Living Sky Casino
- › Northern Lights Casino
- › Painted Hand Casino

The Casino Operating Agreement (COA)<sup>1</sup> between SIGA and Liquor & Gaming sets the calculation of slot machine revenue belonging to Liquor & Gaming.

#### 2.1 Financial Overview

At March 31, 2016, SIGA held assets of \$177 million (2015: \$184 million), including capital assets of \$108 million (2015: \$108 million), and had liabilities of \$183 million (2015: \$191 million), including long-term debt of \$42 million (2015: \$48 million). For the year ended March 31, 2016, its net casino profit was \$87 million.

<sup>1</sup> SIGA and Liquor & Gaming signed a COA effective from June 11, 2002 to June 11, 2027. Under the COA, Liquor & Gaming allows SIGA to deduct from slot machine revenues reasonable costs incurred in accordance with the operating policies approved by Liquor & Gaming.



SIGA's casino operations include slot machines, ancillary operations (i.e., gift shops, restaurants, lounges, and a hotel), and table games operations. **Figure 2** shows the net casino profits SIGA made during the last five years by type.

**Figure 2—SIGA Financial Results for the Five-Year Period from 2012 to 2016**

Year Ended March 31	2016	2015	2014	2013	2012
	(in millions)				
Slot machines operations profit	\$ 97.5	\$ 96.5	\$ 94.2	\$ 99.5	\$ 92.2
Ancillary operations loss	(9.0)	(10.2)	(10.7)	(10.0)	(7.5)
Table games operations loss	(2.2)	(2.2)	(3.3)	(3.0)	(3.0)
Unrealized (loss) gain on Interest rate swaps <sup>^</sup>	0.8	(1.0)	2.1	0.3	(2.5)
<b>Net casino profit</b>	<b>\$ 87.1</b>	<b>\$ 83.1</b>	<b>\$ 82.3</b>	<b>\$ 86.8</b>	<b>\$ 79.2</b>

Source: 2011-12 to 2015-16 SIGA audited financial statements.

<sup>^</sup> Unrealized gain (loss) on interest rate 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*.<sup>2</sup>

**In our opinion, for the year ended March 31, 2016:**

- › **SIGA had reliable financial statements**
- › **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)*  
*Proceeds of Crime (Money Laundering) Suspicious Transaction 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.)<sup>3</sup>  
 SIGA Slot Machine Operating Procedures and Directives (issued by Liquor & Gaming)  
 SIGA Operating Policies and Directives (issued by Liquor & Gaming)  
 SIGA Bylaws

- › **SIGA had effective rules and procedures to safeguard public resources except for the matters described in this chapter**

We used the control framework published by CPA Canada to make our judgments about the effectiveness of SIGA's controls. The control framework defines control as

<sup>2</sup> See our website at [www.auditor.sk.ca](http://www.auditor.sk.ca).

<sup>3</sup> Indigenous Gaming Regulators Inc. is an institution of the FSIN; it licenses and regulates on-reserve charitable gaming in Saskatchewan including table games at SIGA casinos.

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 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

### 4.1 Regular Disaster Recovery Plan Testing Needed

SIGA relies significantly on its IT systems to operate; it has a disaster recovery plan (DRP) for its IT systems. However at March 2016, SIGA had not tested its DRP within the last three years (i.e., it last tested its DRP in March 2013). From 2013 to 2016, SIGA had a number of changes (e.g., purchased about \$1 million of IT software,<sup>4</sup> expanded its Gold Eagle Casino).<sup>5</sup>

A DRP helps to ensure efficient and effective resumption in the event of a major interruption of the operation of IT systems that support vital business functions. Changes in personnel, IT hardware, IT software, or business functions can cause a DRP to not work and become obsolete. Periodic testing of a DRP can identify whether the DRP continues to work as intended and gives SIGA management time to update or revise the DRP before a major interruption occurs.

- 1. We recommend that Saskatchewan Indian Gaming Authority Inc. annually test the effectiveness of its disaster recovery plan.**

### 4.2 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 2015-16, SIGA completed reviews of IT user access for some, but not all of its key IT applications. Not reviewing IT user access of all key applications is inconsistent with SIGA's policies.

<sup>4</sup> Audited financial statements available at [www.siga.sk.ca/about-us/annual-reports](http://www.siga.sk.ca/about-us/annual-reports) (9 September 2016).

<sup>5</sup> [www.siga.sk.ca/siga-announces-grand-opening-5000-squarefoot-expansion](http://www.siga.sk.ca/siga-announces-grand-opening-5000-squarefoot-expansion) (9 September 2016).



Also, in 2015-16, SIGA had not removed user access to its casino management system for four former employees (2014-15: eight former employees with user access).

Timely reviews of IT user access determine whether access granted is consistent with each employee's job responsibilities and is appropriate. Lack of regular and timely reviews of IT user access increases the risk of unauthorized access to and inappropriate modifications of systems and data.

### **4.3 Lease Agreements Appropriately Accounted For**

We recommended that Saskatchewan Indian Gaming Authority Inc. determine the accounting implications of new or amended lease agreements and document its assessment. (2015 Report – Volume 2; Public Accounts Committee agreement September 15, 2016)

**Status** – Implemented

In 2015-16, SIGA entered into a new lease agreement related to an expansion of one of its existing casinos. SIGA assessed and appropriately accounted for the arrangement as a finance lease in accordance with International Financial Reporting Standards.