

Chapter 18

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, 2016 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 two matters, effective rules and procedures to safeguard public resources. It needs to complete its IT security policies and consistently comply with its IT user access policies to remove user access promptly.

2.0 INTRODUCTION

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

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 also distributes liquor to other businesses who sell liquor to the public (e.g., private liquor stores, franchises, and commercial permittees).

2.1 Financial Overview

In 2015-16, Liquor & Gaming had revenues of \$1,118 million,² expenses of \$613 million, and comprehensive income of \$505 million. **Figure 1** shows Liquor & Gaming's key financial results by segment. At March 31, 2016, Liquor & Gaming held total assets of \$278 million, had total liabilities of \$282 million, and had a retained deficit of \$4.5 million. Liquor & Gaming's *2015-16 Annual Report* includes its financial statements.

Figure 1 – Key Financial Results for 2015-16 by Segment

	Liquor	VLTs	Slot Machines in SIGA Casinos	Other Gaming	Total
	(in millions)				
Total Revenues ^A	\$ 647.4	\$ 240.9	\$ 229.4	\$ 0.4	\$ 1,118.1
Total Expenses	388.9	65.0	142.3	16.8	613.0
Total Comprehensive Income (Loss)	258.5	175.9	87.1	(16.4)	505.1

Source: Saskatchewan Liquor and Gaming Authority's 2015-16 audited financial statements.

^A Including other comprehensive income/loss.

¹ www.slga.gov.sk.ca/Prebuilt/Public/SLGA%20Plan%202016-17.pdf (15 June 2016).

² \$1,118 million is comprised of gross revenues of \$1,114.3 million plus other comprehensive income of \$3.7 million.



3.0 AUDIT CONCLUSIONS AND SCOPE

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

- › **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, 2013

The Financial Administration Act, 1993

The Gaming Regulations, 2007

The Liquor and Gaming Authority Employee Code of Conduct Regulations

The Liquor Consumption Tax Act

The Litter Control Act (repealed June 1, 2015)

The Litter Control Designation Regulations (repealed June 1, 2015)

The Environmental Management and Protection Act, 2010 (effective June 1, 2015)

The Environmental Management and Protection (General) Regulations (effective June 1, 2015)

The Customs Tariff Act (Canada)

Excise Act (Canada) (schedule I, II and II.1)

Excise Tax Act (Canada) (section 188)

Excise Act, 2001 (Canada) (schedule 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

Agreement

- › **Liquor & Gaming had reliable financial statements**

We used the control framework published by CPA Canada 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 and examining how it monitored SIGA's operations. Also, we assessed the work of its Gaming Integrity Branch and Audit Services Branch with respect to compliance with legislation over liquor and gaming activities in the province.

In addition, we assessed the financial statement impact of Liquor & Gaming's plans to expand the private liquor retail system. This included assessing that accounting standards applied were in accordance with International Financial Reporting Standards (e.g., subsequent events disclosure, valuation of property, plant, and equipment).

4.0 KEY FINDINGS AND RECOMMENDATIONS

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

4.1 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 – Partially Implemented

While Liquor & Gaming had processes for identifying security threats and detecting security incidents and some IT security policies and procedures for monitoring IT security, these policies and procedures were not complete by March 2016.

During 2015-16, Liquor & Gaming implemented a number of IT security policies and procedures (e.g., identity and access management, remote access). It signed an agreement with a third party to help build Liquor & Gaming's security monitoring system and provide regular security management services. In addition, it established a process to interact with its service provider when a security incident occurs. Also, during 2015-16, Liquor & Gaming documented its quarterly process for making critical updates to its systems (i.e., patch management).

However, by March 2016, Liquor & Gaming had not documented policies and procedures for certain high risk IT areas. It did not have policies or procedures for responding to security incidents, or for assessing the criticality of security updates available between quarters to determine whether it can delay applying an update until quarter end (i.e., its regular schedule) or should apply an update immediately.

Immediately updating critical systems helps limit exposure to security risks. Incomplete documentation of IT security policies and procedures increases the risk of staff not understanding or completing key monitoring steps when and as expected. Failure to monitor IT security and respond to security issues increases the risk of unauthorized access to IT systems and data without detection.

Management noted that Liquor & Gaming plans to develop, during 2016-17, a policy and processes for responding to security incidents and to finalize system maintenance procedures, which includes patch management.

4.2 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



While Liquor & Gaming had an IT user access management policy, it did not require regular (i.e., more than annual) review of user access by each business area. Liquor & Gaming has an approved policy that requires managers to submit requests for user access removal before employees leave the organization. During 2015-16, Liquor & Gaming staff continued to not consistently follow approved policies for removing user access privileges to key IT systems for individuals no longer in its employ.

For example, in our testing, we noted:

- ▶ Three individuals with access to Liquor & Gaming's network and IT retail store inventory system had access for 2 to 13 days after leaving the organization
- ▶ Four individuals with access to Liquor & Gaming's network and IT pricing, purchasing, and distribution system had access for 10 to 159 days after leaving the organization
- ▶ Two individuals with access to Liquor & Gaming's network and IT financial system had access for 20 to 199 days after leaving the organization
- ▶ Three individuals with access to Liquor & Gaming's network had access for 5 to 159 days after leaving the organization

Liquor & Gaming expects its IT Branch, through review of a bi-weekly report, to check whether it has removed network access of individuals who have left the organization. Management indicated that it follows up on network accounts not used in the past 90 days to determine if the user still requires access. However, in our user access testing (i.e., network and system access) we noted six individuals with access to Liquor & Gaming's network had access greater than 90 days after leaving the organization.

During 2016-17, Liquor & Gaming plans to have each business area regularly assess user access. To do this, it notes it must develop reports to enable business areas to efficiently carry out these reviews.

Delays in removing unneeded user access increase the risk of unauthorized disclosure, inappropriate modification, or loss of data.