

# Chapter 11

## Saskatchewan Liquor and Gaming Authority – Regulating Commercial Permittees' On-table Sale of Liquor

### 1.0 MAIN POINTS

Saskatchewan Liquor and Gaming Authority (SLGA) had generally effective processes to regulate the sale of liquor to the public for consumption at permitted establishments (e.g. restaurants, taverns).

SLGA needs to:

- › Update its inspection plan to focus on the areas of highest risk to treat commercial permittees fairly and support the effective allocation of resources
- › Formalize its timelines for completing inspections of permitted establishments and investigating complaints about them
- › Monitor and report on key trends of permittee non-compliance with requirements
- › Consistently document the basis of its decisions where sanctions imposed on commercial permittees differ from established guidance
- › Notify retail liquor stores about suspended special licences as required by legislation

Effective regulatory processes can help reduce health and safety risks related to alcohol consumption, while maintaining a consistent and fair regulatory system for permittees.

### 2.0 INTRODUCTION

Under *The Alcohol and Gaming Regulation Act, 1997* (Act), Saskatchewan Liquor and Gaming (SLGA) is responsible for regulating and controlling the possession, sale, and delivery of beverage alcohol (liquor) in Saskatchewan by any person.<sup>1</sup> Also, through its regulatory framework, SLGA supports the socially-responsible use of liquor.

SLGA regulates commercial permittees' (e.g., restaurants, taverns) on-table sale of liquor to the public by issuing permits, inspecting permitted establishments, enforcing permit requirements, and educating permittees.

For the purposes of this audit, commercial permittees refers to organizations that SLGA permits, under legislation, to sell liquor to the public for consumption at permitted premises (establishments). On-table sale is liquor sold in open containers (e.g., glasses, open bottles) for consumption at permitted establishments.

See **Section 5.0** for Glossary of key terms.

<sup>1</sup> *The Alcohol and Gaming Regulation Act, 1997*, s. 12(c).



## 2.1 Legislative Responsibility for Regulating On-table Sale of Liquor

The Act provides SLGA with the following authority related to permitting establishments for on-table sales of liquor.<sup>2</sup> SLGA can:

- › Approve an application for a permit subject to any terms and conditions that it considers appropriate (including determining the duration of the permit)
- › Refer any application for a permit to the Liquor and Gaming Licensing Commission (Commission)<sup>3</sup> for a hearing where it determines it is in the public interest to do so
- › Inspect establishments
- › Enforce terms and conditions and legislation relating to permits
- › Impose sanctions against a permittee for non-compliance with terms and conditions and/or legislation
- › Suspend or cancel a permit

The types of commercial permits SLGA issues include restaurant, tavern, and special use (e.g., golf club) permits. Commercial permittees are responsible for complying with requirements and responsibilities concerning the day-to-day operation of an establishment under the Act.<sup>4</sup>

Since 2012, several regulatory changes came into effect, many of which affect commercial permittees. These changes:

- › Expanded the types of establishments allowed to sell and serve alcohol (e.g., movie theatres, spas, salons)
- › Provided establishments with greater flexibility in certain areas (e.g., allowed restaurants to give customers the option to bring their own wine)
- › Reduced existing regulatory requirements (e.g., allowed customers to carry liquor between adjoining premises)
- › Simplified the permit process (e.g., made some permit endorsements automatic such as room service and mini bar endorsements for restaurants and taverns where a written agreement with a hotel or motel is in place)

SLGA's Regulatory Services Division is responsible for permitting and monitoring commercial permittees. SLGA works with various law enforcement agencies (e.g., Regina Police Service) to enforce its terms and conditions and the related laws. At October 2016, over 20 staff (including 7 licensing specialists and 10 inspectors) carried out the Division's responsibilities.

<sup>2</sup> *The Alcohol and Gaming Regulation Act, 1997* s. 19(1), 19(2), 44.

<sup>3</sup> The Commission is an independent body of between three and seven members appointed by the Lieutenant Governor in Council. Its mandate is to ensure appropriate application of legislation and regulations governing liquor. The Commission, at the request of a permittee, reviews decisions of SLGA with respect to liquor licensing and cancellation/suspension matters within SLGA's jurisdiction, which includes all provincial liquor permittees. Saskatchewan Liquor and Gaming Authority, *Annual Report 2015-16*, p. 50.

<sup>4</sup> Adapted from Saskatchewan Liquor and Gaming Authority's *Commercial Liquor Permittee Policy Manual*, p. I-1.

As described in **Figure 1**, over the past five years, SLGA issued an average of 1,900 commercial permits annually. Also, each year SLGA made over one-third of its liquor sales to commercial permittees.<sup>5</sup> Over the past five years, it has issued an average of 73 liquor sanctions each year.

**Figure 1 – Financial and Operational Highlights of SLGA’s Liquor Segment by Fiscal Year**

	2011-12	2012-13	2013-14	2014-15	2015-16
Liquor Sales <sup>A</sup> (in millions)	\$571.8	\$592.3	\$612.0	\$622.4	\$641.0
Liquor Sales to Commercial Permittees (in millions)	\$220.1	\$226.5	\$228.0	\$224.8	\$219.4
Commercial Liquor Permits Issued	1,843	1,828	1,874	1,914	2,065
Liquor Sanctions Issued	84	91	56	68	69

Source: Saskatchewan Liquor and Gaming Authority annual reports.

<sup>A</sup>Includes SLGA sales to commercial permittees, to private stores, and to the general public.

## 2.2 Importance of Regulating On-table Liquor Sales

To encourage permittees to follow its terms and conditions, and related laws, SLGA educates commercial permittees about requirements to:

- › Minimize public health and safety risks associated with the service and consumption of liquor
- › Provide an orderly environment for organizations to conduct the sale and service of liquor
- › Maintain a socially responsible liquor industry<sup>6</sup>

Without effective processes to regulate commercial permittees, SLGA faces increased risk it may not fulfill its legislated responsibilities to help protect the public. As a result, the public may face increased health and safety risks such as establishments serving alcohol to minors or overserving individuals. Also, without sufficient regulatory processes, SLGA may not be treating commercial permittees consistently and fairly when assessing permit applications or imposing sanctions.

As outlined in **Figure 1**, over the last five years, the number of sanctions issued fluctuated and the number of commercial liquor permits issued increased. With the increase in commercial permits, SLGA’s regulatory work is increasing.

In addition, as noted previously, SLGA recently implemented numerous changes to liquor regulations and policies that affect commercial permittees. Changing regulation increases the risk that commercial permittees may not be aware of or may not be complying with current legislation. It also increases the risk that SLGA has not appropriately updated its processes to reflect these changes.

<sup>5</sup> As a result of legislative changes, effective October 9, 2016, commercial permittees can purchase alcohol from all retail store permittees. Prior to this, commercial permittees mainly purchased alcohol from SLGA-operated stores.

<sup>6</sup> Adapted from Saskatchewan Liquor and Gaming Authority’s *Commercial Liquor Permittee Policy Manual*, p. XI-1.



## 3.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess the effectiveness of Saskatchewan Liquor and Gaming Authority's processes, for the 12-month period ended October 31, 2016, to regulate the on-table sale of liquor by commercial permittees to the public.

We interviewed SLGA staff and management involved in the regulation of the on-table sale of liquor by commercial permittees, and examined related policies and procedures. We sampled permit applications, permit renewals, inspections, and investigations to determine whether SLGA followed its processes. We also accompanied inspectors to observe selected inspections.

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate SLGA's processes, we used criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. SLGA's management agreed with the criteria (see **Figure 2**).

**Figure 2—Audit Criteria**

Processes to:

- 1. Permit establishments for on-table sales to the public**
  - 1.1 Set permit requirements consistent with legislation
  - 1.2 Confirm applicants meet established requirements
  - 1.3 Issue appropriate permits (e.g., restaurant, tavern) timely to successful applicants
- 2. Monitor compliance with permit regulations**
  - 2.1 Set guidance for monitoring compliance with permit requirements (e.g., checklists, expected actions, sanctions)
  - 2.2 Set risk-based plans for inspecting permitted establishments
  - 2.3 Regularly assess compliance with requirements and identify non-compliance
  - 2.4 Investigate complaints about on-table sales of liquor in a timely manner
- 3. Address and report non-compliance**
  - 3.1 Communicate action required for resolution of non-compliance in a timely manner
  - 3.2 Require prompt action on non-compliance
  - 3.3 Escalate action on continued non-compliance
  - 3.4 Report non-compliance to senior management and the public

**We concluded that, for the 12-month period ended October 31, 2016, Saskatchewan Liquor and Gaming Authority had, other than for the following areas, effective processes to regulate the on-table sale of liquor by commercial permittees to the public. SLGA needs to:**

- › **Implement an updated plan for inspecting permittees who sell liquor for consumption at permitted establishments, and monitor the plan's use**
- › **Formalize expected timeframes for inspecting permittees, investigating complaints, and communicating sanctions**
- › **Consistently document its reasoning to differ from the sanctions recommended in its established guidelines**
- › **Monitor and report key trends of non-compliance with requirements for selling liquor for consumption at permitted establishments**

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we set out our expectations (*in italics*), key findings, and related recommendations.

### 4.1 Updated Risk-Informed Inspection Plan Needed

*We expected SLGA would assess the risk of commercial permittees not following established requirements (i.e., permit terms and conditions, related laws). It would develop an annual inspection plan based on its risk assessment. It would periodically update its risk assessment to reflect risks identified through its monitoring activities (e.g., permits, inspections, investigations).*

SLGA does not have an up-to-date inspection plan based on an assessment of key risks of permittee non-compliance.

SLGA uses periodic inspections of commercial permittees as its main way to monitor whether commercial permittees follow established requirements on an ongoing basis. SLGA updated its *Client Services Policy Manual* in June 2016. The Manual sets out factors inspectors are to consider when scheduling inspections (e.g., type of establishment, industry trends, repeated violations, significant complaints from the public).

At October 2016, SLGA based inspection frequency primarily on the type of permit, that is, the type of establishment serving liquor. For example, its Compliance Matrix (i.e., inspection plan) expected inspectors to inspect restaurants serving alcohol every five years, and lounges and taverns annually.

SLGA has not updated its Compliance Matrix since it was approved in 2012. Its Compliance Matrix based inspection frequency solely on type of establishment, which is a key risk factor. However, the Matrix did not consider other risk factors such as permittees' history of violations, location of establishment, and size of establishment. SLGA expects inspectors to complete at least 20 inspections each month in addition to other regulatory work (e.g., investigating complaints, educating permittees).

In 2016, SLGA began a project to update its Compliance Matrix. It expected this would help inspectors determine who to inspect and when. It expected to prioritize inspection activities based on risks to public safety and risks that permittees will not follow established requirements (e.g., permit terms and conditions, and related laws). Management indicated that it plans to finalize and implement this new guidance in 2017-18.

In addition to inspections that SLGA does on its own, on an ad hoc basis SLGA's inspectors participate in liquor inspections with other enforcement agencies (e.g., police, fire departments, municipality bylaw officers). In 2016, SLGA participated in joint inspections on high-risk days such as Halloween. Also, for one community (i.e., Prince Albert), SLGA and other enforcement agencies jointly inspected certain establishments viewed as having a higher risk of non-compliance. At October 2016, SLGA was working with enforcement agencies in other communities to develop similar arrangements. Arrangements for joint inspections are informal (e.g., no written agreements or plans), and risks are not documented.



Having an inspection plan that focuses inspection activities on the areas of highest risks of non-compliance related to factors such as types of establishments, history of violations, and complaints would help ensure SLGA treats permittees consistently and fairly. It would also help SLGA to allocate its resources to the highest priority areas.

- 1. We recommend that Saskatchewan Liquor and Gaming Authority implement an updated plan for inspecting commercial permittees who sell liquor for consumption at permitted establishments that incorporates all key risk factors related to non-compliance.**

## 4.2 Qualified Personnel Conduct Liquor Inspections and Investigations

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*We expected SLGA to use qualified personnel to conduct periodic inspections and investigations (of complaints).*

SLGA requires its inspectors to have law enforcement experience (e.g., police, RCMP, provincial sheriff). It provides ongoing training to inspectors for conducting liquor inspections and investigations. We found SLGA inspectors had appropriate qualifications and attended training.

## 4.3 Monitoring of Timeliness of Inspections and Investigations Needed

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*We expected SLGA would conduct timely inspections as set out in its inspection plan. SLGA staff would investigate complaints within a reasonable timeframe. SLGA would communicate inspection and investigation results, including sanctions, if any, to commercial permittees within a reasonable timeframe. SLGA management would monitor whether inspections are conducted when expected.*

SLGA did not always meet its informal targets for completing periodic inspections of permittees and investigations of complaints.

SLGA assigns inspectors to regions. We found liquor inspectors prepare weekly inspection schedules several days in advance. They use the Compliance Matrix to decide when to inspect an establishment within their assigned region. Inspectors indicated that sometimes they consider additional factors (e.g., permittee history of non-compliance) when scheduling an inspection. We found they did not always document their consideration of those factors.

SLGA's guidance does not specify a timeline for completing inspections and investigations. Rather SLGA uses an informal target of 60 days for communicating to commercial permittees sanctions resulting from inspections or investigations. To help achieve the 60-day informal target, SLGA expects inspectors to complete inspection reports within 10 days of the inspection.

For just over 10% of the inspections (i.e., 4 out of 31), and 10% of the investigations (i.e., 1 out of 10) we tested, SLGA communicated sanctions to commercial permittees later than the 60-day target. In addition, for over one-third of the inspections we tested (i.e., 11 out of 31), SLGA inspectors did not complete inspection reports within the 10-day target. The reasons for delays were not always clearly documented.

Without documented expectations for prompt completion of work, staff may not complete inspections or investigations timely. Untimely communication of sanctions to commercial permittees increases the risk that SLGA applies its regulatory process in an inconsistent and unfair way.

**2. We recommend that Saskatchewan Liquor and Gaming Authority formalize expected timeframes for completing liquor inspections and investigations and communicating sanctions to permittees who sell liquor for consumption at permitted establishments.**

SLGA does not actively monitor whether it inspects commercial permittees as often as its current Compliance Matrix expects.

Two of the 31 inspections we tested were not completed as often as the Compliance Matrix expected. In one instance, SLGA had not inspected a tavern for over two-and-a-half years instead of annually. SLGA had not documented the reason for the delay.

In addition, at October 31, 2016, SLGA had not inspected almost 8% of permitted establishments within the frequency set out in the Compliance Matrix (i.e., 137<sup>7</sup> of 1,782). SLGA could not show us why it delayed these inspections. It noted that some of its inspector positions were vacant during this period.

As previously noted, SLGA uses inspections as its main way to detect non-compliance and to encourage compliance. Active monitoring of staff helps identify issues and ensure staff carry out work as planned.

Not actively monitoring if establishments are inspected as and when planned may increase the risk of SLGA not detecting significant violations. It may also reduce opportunities for SLGA to educate permittees on the importance of complying with Saskatchewan liquor laws and permit terms and conditions. Unidentified violations could lead to increased risk to public safety (e.g., establishments serving alcohol to minors or overserving individuals).

**3. We recommend that Saskatchewan Liquor and Gaming Authority monitor that its staff complete, when planned, inspections of permitted establishments that sell liquor for on-premise consumption, and obtain reasons for delayed inspections.**

<sup>7</sup> 137 was comprised of 93 special use, 33 restaurant, and 11 tavern permits.



## 4.4 Processes to Issue Permits Followed

*We expected SLGA to establish and communicate requirements that new applicants and existing commercial permittees must meet to obtain or retain a commercial permit. SLGA would provide guidance to qualified staff on how to review and approve permit applications and renewals. We also expected SLGA to issue appropriate permits timely.*

SLGA followed its well-established processes to issue permits to establishments to sell liquor for consumption on the premises.

Interested parties must apply to SLGA to obtain a new commercial liquor permit or renew an existing permit.<sup>8</sup> Information on applying for or renewing permits is readily available.

SLGA posts on its website information about how to apply for permits.<sup>9</sup> This includes its *Commercial Liquor Permittee Manual* and *Commercial Liquor Permit Application Package*.

- › The Manual outlines the requirements and responsibilities for each type of permit, including those set by legislation. For example, responsibilities include not serving liquor to minors, not serving intoxicated persons, and not overserving patrons. In addition, the Manual sets out SLGA's inspection and investigation processes, and actions to address identified non-compliance with requirements, such as notices of improvement or fines (sanctions).
- › The Package describes the information applicants must give SLGA (e.g., proof of right to occupy premises, criminal history, floor plan).

This guidance helps applicants understand the process. In addition, SLGA has checklists to help its staff assess the eligibility of applicants. The Manual and checklists help SLGA treat liquor permit applicants consistently and fairly.

SLGA's inspectors complete pre-permit inspections to verify applicants meet requirements (e.g., floor plan, accurate liquor dispensing devices, endorsement requirements such as minor restricted areas for a restaurant permit with a lounge endorsement). Inspectors educate permittees on the responsibilities of each party. They provide pre-permit inspection reports to SLGA's licensing specialists.

SLGA's licensing specialists complete the application process. They decide whether applicants meet requirements, whether to approve or deny the permit, and the need to add conditions to the permit.

During the 12-month period ended October 31, 2016, SLGA received and approved about 200 permit applications and 600 permit renewals. For permit applications and renewals we tested, SLGA followed its established guidance when assessing and issuing permits.

<sup>8</sup> Existing commercial permittees must also apply to SLGA to obtain a new permit prior to construction, renovation, or changing ownership of a permitted establishment.

<sup>9</sup> [www.slga.com/permits-and-licences/liquor-permits](http://www.slga.com/permits-and-licences/liquor-permits) (29 March 2017).



## 4.5 Established Guidance Used to Inspect and Investigate

*We expected SLGA staff would use established guidance (e.g., written procedures, checklists, suggested sanctions) to assess whether commercial permittees are following established requirements.*

Liquor inspectors are familiar with and follow clear guidance when inspecting permittees' compliance with requirements and investigating complaints.

SLGA expects its inspectors to enforce the permit terms and conditions and related laws. In addition, it expects inspectors to educate permittees on their responsibilities when selling liquor.

In addition to the publicly available *Commercial Liquor Permittee Policy Manual*, SLGA provides its staff with its *Client Services Policy Manual*. The *Client Services Policy Manual* includes detailed guidance on conducting inspections and investigating complaints. Also, SLGA provides staff with checklists and report templates to help them consistently conduct and document inspections and investigations.

When SLGA receives information from other enforcement agencies (e.g., police) or complaints, inspectors investigate to determine if the commercial permittee is following permit requirements.

For inspection reports and investigation reports we tested and commercial permittee inspections we observed, inspectors followed established processes. For inspections we observed, inspection reports accurately reflected the results of the inspections.

For the inspections and investigations with significant violations that we tested, inspectors inspected establishments sooner than the frequency set out in SLGA's Compliance Matrix.

## 4.6 Clear Guidance on Recommended Sanctions Available

*We expected SLGA to provide guidance to staff on how to handle situations where commercial permittees do not follow established requirements (violations).*

SLGA provides its staff with sufficient guidance to help them determine and communicate sanctions in situations where a commercial permittee did not follow established requirements.

To help staff treat permittees consistently and fairly, SLGA provides its staff with detailed guidance and recommended actions. This includes:

- › The *Client Services Policy Manual* sets out processes when a commercial permittee did not follow established requirements. Sanctions include a notice for improvement



letter, a warning letter, new or amended terms or conditions to a permit, administrative penalties (i.e., fines), and suspending or cancelling permits.<sup>10</sup>

- › Liquor Sanctioning Guidelines (Guidelines) require staff to consider, when determining potential sanctions: the permittee's compliance history; nature of the violation; impact on the permittee, its employees, and the public; and sanctions imposed on other permittees that committed similar offences.<sup>11</sup>

The Guidelines also include recommended sanctions for common violations; we found the sanctions consistent with related laws.

The recommended sanctions increase in severity based on the number of repeat violations and impact on public health and safety. For example, the guidelines recommend a greater sanction for selling or giving liquor to minors than for failure to supply food and non-alcoholic beverages. The Guidelines allow SLGA to use judgment based on the facts of each case when deciding the sanction.

Commercial permittees can appeal to the Saskatchewan Liquor and Gaming Licensing Commission if they disagree with SLGA's sanction involving a monetary penalty (e.g., fine).

## 4.7 Better Documentation of Basis for Sanction Decisions Needed

*We expected SLGA to follow its established guidance when issuing sanctions and to communicate actions commercial permittees must take and by when to address identified violations. We expected SLGA to follow up on continued violations and take appropriate action (e.g., escalate sanctions) to encourage permittees to follow established requirements.*

SLGA did not consistently document its reasons to differ from the sanctions recommended in its guidelines for commercial permittees.

For two of six investigations, each with violations identified in the final investigation report, SLGA exercised its discretion not to issue the sanction recommended in its established guidelines. Its guidelines allow SLGA to use judgment based on the facts of each case when deciding the sanction. SLGA did not document the rationale supporting its decisions to differ from the sanction recommended in its guidelines. In both instances, the violation related to an allegation that a commercial permittee served alcohol to minors.

**Figure 3** summarizes actions SLGA took in response to the identified violations for the items we tested.

<sup>10</sup> Adapted from Saskatchewan Liquor and Gaming Authority, *Commercial Liquor Permittee Policy Manual*, p. XIV-1.

<sup>11</sup> Ibid.

**Figure 3—Violations and Resulting Sanctions for Inspections and Investigations Tested**

	Inspections	Investigations
Total reports with identified violations that we tested	6	6
Action taken by SLGA		
No sanction issued	2	1
Sanction: Notice for Improvement	3	1
Sanction: Warning	1	2
Sanction: Monetary Penalty	0	2

Source: SLGA inspection and investigation records.

SLGA not documenting the basis for sanctions when decisions vary from recommended sanctions included in its guidelines increases the risk that it may not treat liquor permittees in a consistent and fair way. In addition, it increases the risk of Saskatchewan Liquor and Gaming Licensing Commission overturning SLGA's decisions.

**4. We recommend that Saskatchewan Liquor and Gaming Authority consistently document the basis for its decisions on sanctions for non-compliance with requirements for selling liquor for consumption in permitted establishments where those decisions differ from its recommended sanctions.**

For all inspections and investigations we tested, SLGA communicated to commercial permittees a clear description of the violation, and actions that the permittee was required to take by a specific date. Also, each of these communications provided clearly stated consequences for non-compliance with sanctions. We found senior management approved each of the decisions to issue a monetary sanction (e.g., fine).

## 4.8 Analysis of Trends of Non-compliance Needed

*We expected SLGA to report to senior management, its Board, and the public about significant instances of non-compliance. We expected SLGA to analyze and report on non-compliance trends (e.g., number of permits approved, inspections and investigations conducted, violations identified, repeat violators, and sanctions issued).*

Although SLGA compiles data about its liquor regulatory activities, SLGA did not identify or analyze key trends of permittees' non-compliance with permit terms and conditions and related laws.

SLGA's *Administrative Penalty Publishing Policy* expects SLGA to report publicly, each quarter, liquor permit sanctions issued.<sup>12</sup> The Liquor Sanction Summary Report lists the establishment location and name, permit type, date of violation, description of the violation, and the sanction. Senior management reviews and approves the report prior to

<sup>12</sup> Publicly available at [www.slga.com/permits-and-licences/liquor-permits/liquor-permit-sanctions/previous-sanctions](http://www.slga.com/permits-and-licences/liquor-permits/liquor-permit-sanctions/previous-sanctions). (13 February 2017).



making it public. By February 2017, SLGA had posted two reports for 2016 (i.e., from January to March 2016, and from April to September 2016).

SLGA's Vice-President of Regulatory Services reviews individual liquor inspection reports with identified violations upon their completion, and the Liquor Sanction Summary Report once available. In addition, the Vice-President reviews annual statistics on the number of liquor permits and sanctions issued, and the number and type of liquor inspections and investigations completed.

Each year, SLGA's one-person Board receives its draft annual report before it is tabled or published.<sup>13</sup> The annual report provides data on SLGA's liquor regulatory activities. This includes the number of permits issued, the number of sanctions issued, and the results of Saskatchewan Liquor and Gaming Licensing Commission hearings for that year.

However, SLGA does not analyze its data to identify trends of non-compliance over a period of years by type of establishment, by inspection region, or by owners/managers selling liquor to the public. Such analysis may help it determine whether its liquor regulatory processes work, whether it applies its regulatory processes fairly and consistently between inspection regions, and whether commercial permittee compliance is getting better or worse.

**5. We recommend that Saskatchewan Liquor and Gaming Authority analyze and report on key trends of non-compliance with requirements for selling liquor for consumption in permitted establishments.**

## 4.9 Retail Liquor Stores Not Notified of Suspensions as Required by Law

As required by law, SLGA did not have a ready way to promptly notify retail liquor stores about commercial permittees who have had their licence to purchase liquor without paying liquor consumption tax suspended. The private sector operates almost 90% of Saskatchewan's 700 retail liquor stores.<sup>14</sup> Under its current liquor modernization strategy, SLGA is reducing the number of retail liquor stores it operates.

By law, retail liquor stores can only sell liquor, without collecting the liquor consumption tax, to commercial permittees who hold a valid licence (special licence) from the Ministry of Finance. On October 9, 2016, *The Liquor Consumption Tax Act* changed to require SLGA to notify all retail liquor stores about the suspension or restoration of a special licence. Prior to October 9, 2016, SLGA only had to notify the stores it operated about suspensions and restoration of special licences.

Commercial permittees with a special licence do not pay liquor consumption taxes when they purchase liquor for on-table sales. Rather, permittees are required to collect the tax when they sell liquor to the public, and to remit the tax to the Ministry of Finance after the sale.

<sup>13</sup> [www.slga.com/about-slga/publications](http://www.slga.com/about-slga/publications). (13 February 2017).

<sup>14</sup> At October 2016, Saskatchewan had over 700 retail liquor stores, of which SLGA operated 75.

Each year, the Ministry of Finance suspends about 40 special licences when permittees do not remit the taxes on time. It suspends licences until permittees remit the taxes owed. It advises SLGA of any suspensions.

Prior to October 9, 2016, SLGA notified SLGA-operated retail liquor stores about suspensions of special licences using an IT system. With the introduction of retail liquor store permits on October 9, 2016, SLGA had not determined how it plans to notify retail liquor stores about suspensions to meet its obligations under *The Liquor Consumption Tax Act*.

SLGA not promptly notifying all retail liquor stores about suspensions of special licences increases the risk of commercial permittees buying liquor from retail liquor stores without paying the liquor consumption tax and not remitting taxes collected when the liquor is sold.

**6. We recommend that Saskatchewan Liquor and Gaming Authority notify all retail liquor stores about suspended and restated special licences as required by *The Liquor Consumption Tax Act*.**

## 5.0 GLOSSARY

**Beverage alcohol** – An intoxicating substance used as a food or beverage, and includes:

- (a) Beer, wine and spirituous, fermented and malt liquor
- (b) Any combinations of food or beverages or either of them containing a substance that is intoxicating (Source: *The Alcohol and Gaming Regulation Act, 1997 s.2*).

**Commercial permittees** – Persons SLGA has issued a permit to such as restaurants, taverns, clubs, manufacturers, or make-your-own facilities (Source: adapted from Saskatchewan Liquor and Gaming Authority *Commercial Liquor Permittee Policy Manual*, p. I-2).

**Establishment** – Any premises that operates under a permit issued by SLGA (Source: Saskatchewan Liquor and Gaming Authority *Commercial Liquor Permittee Policy Manual*, p. I-1).

**Liquor consumption tax** – A 10% tax imposed on the total selling price of beer, wine, and spirits. Businesses selling liquor in Saskatchewan licensed under *The Alcohol and Gaming Regulation Act*, must be licensed under *The Liquor Consumption Tax Act* for the sale of liquor. (Source: [www.finance.gov.sk.ca/taxes/lct](http://www.finance.gov.sk.ca/taxes/lct) [25 April 2017]).

**On-table sale of liquor** – Beverage alcohol sold in open containers (e.g., glasses, open bottles) for consumption at permitted establishments.

**Permitted premises** – The premises for which a permit is issued, except premises to: sell or consume beverage alcohol at a special occasion, manufacture alcohol, carry on a u-brew or u-ven operation, or operate a catering business that may serve and sell beverage alcohol at catered events (Source: *The Alcohol and Gaming Regulation Act, 1997 s.2*).

**Restaurant permits** – Available where the primary business and source of revenue generated in the premises is the preparation and sale of food for consumption on the premises.



**Special use permits** – Available where the primary purpose of a proposed establishment is the provision of facilities for recreational, sport, social or entertainment activities, or the provision of public conveyances for providing public transportation or delivery of beverage alcohol. Establishments in this category include private clubs, golf clubs, billiard halls, sports stadiums, theatre or concert premises, military messes, curling clubs, buses, limousines, and home delivery.

**Tavern permits** – Available where the primary purpose of a proposed establishment is selling beverage alcohol for the consumption on the premises. Establishments in this category include taverns and brew pubs.

## 6.0 SELECTED REFERENCES

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