

Chapter 13

Saskatchewan Indian Gaming Authority Inc.

1.0 MAIN POINTS

During 2016-17, the Saskatchewan Indian Gaming Authority Inc. (SIGA) had effective rules and procedures to safeguard public resources except it needs to better protect its IT systems and data by periodically reviewing user access to them. Lack of regular and timely reviews of IT user access increases the risk of unauthorized access to and inappropriate modifications of systems and data.

During 2016, SIGA tested its business continuity plan to confirm that it could restore its IT systems as intended in the event of unplanned interruption.

SIGA complied with the authorities governing its financial-related activities and its 2016-17 financial statements are reliable.

2.0 INTRODUCTION

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.

In 2002, the Government of Saskatchewan and the FSIN signed the 25-year *2002 Framework Agreement*.¹ It allows for the development and operation of casinos in Saskatchewan within the parameters of the *Criminal Code* (Canada).

As required by the *Criminal Code* (section 207), Saskatchewan Liquor and Gaming Authority (Liquor & Gaming) is responsible for the overall conduct and management of the slot machines in SIGA's casinos. Revenue from the slot machines belongs to Liquor & Gaming. SIGA and Liquor & Gaming have signed the Casino Operating Agreement (COA)² that sets the calculation of slot machine revenue belonging to Liquor & Gaming.

Liquor & Gaming has licensed SIGA to operate the following six casinos located on First Nations reserves: Bear Claw Casino, Dakota Dunes Casino, Gold Eagle Casino, Living Sky Casino, Northern Lights Casino, and Painted Hand Casino.

2.1 Financial Overview

At March 31, 2017, SIGA held assets of \$173 million (2016: \$177 million), including capital assets of \$103 million (2016: \$108 million), and had liabilities of \$177 million (2016: \$183 million), including long-term debt of \$36 million (2016: \$42 million). For the year ended March 31, 2017, its net casino profit was \$83 million (2016: \$87 million).

¹ The *2002 Framework Agreement* is effective from June 11, 2002 to June 11, 2027.

² 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 1** shows the net casino profits SIGA made during the last five years by type.

Figure 1 – SIGA Financial Results for the Five-Year Period from 2013 to 2017

Year Ended March 31	2017	2016	2015	2014	2013
(in millions)					
Slot machines operations profit	\$ 92.2	\$ 97.5	\$ 96.5	\$ 94.2	\$ 99.5
Ancillary operations loss	(9.2)	(9.0)	(10.2)	(10.7)	(10.0)
Table games operations loss	(1.9)	(2.2)	(2.2)	(3.3)	(3.0)
Unrealized gain (loss) on interest rate swaps ^A	1.7	0.8	(1.0)	2.1	0.3
Net casino profit	\$ 82.8	\$ 87.1	\$ 83.1	\$ 82.3	\$ 86.8

Source: 2012-13 to 2016-17 SIGA audited financial statements.

^A 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

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*.³

In our opinion, for the year ended March 31, 2017:

- **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.)⁴
 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 matter described in this chapter**

³ See our website at www.auditor.sk.ca.

⁴ 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.

We used standards for assurance engagements published in the *CPA Canada Handbook – Assurance* to conduct our audits. 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 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 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

SIGA did not follow its established policies to annually review user access to its key IT applications (e.g., financial system, casino management system). SIGA did not complete any IT user access reviews in 2016-17—it last completed reviews for some, but not all, of its key IT applications in 2015-16.

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.

4.2 Disaster Recovery Plan Tested

We recommended that Saskatchewan Indian Gaming Authority Inc. annually test the effectiveness of its disaster recovery plan. (2016 Report –

Volume 2; Public Accounts Committee has not yet considered this recommendation)

Status – Implemented

SIGA relies significantly on its IT systems to operate; it has a disaster recovery plan (DRP) for its IT systems. SIGA tested its DRP in December of 2016 and did not identify any significant issues. 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.

