

Chapter 42

Saskatchewan Liquor and Gaming Authority—Assurance on Safety of Liquor Products

1.0 MAIN POINTS

By September 2019, the Saskatchewan Liquor and Gaming Authority improved its processes to buy liquor for distribution and resale. It implemented the last outstanding recommendation from seven recommendations initially made in our 2012 audit of its processes to procure liquor.

The Authority developed its *Beverage Alcohol Quality Assurance Policy* in 2018. By following its Policy and related processes, the Authority obtains formal assurance (independent laboratory test reports) from alcohol suppliers on the safety of alcohol and the percentage of alcohol content. It obtained formal assurance reports for almost 90% of the products it regularly distributes from its warehouse.

2.0 INTRODUCTION

Under *The Alcohol and Gaming Regulation Act, 1997*, the Authority is responsible for distributing, controlling, and regulating liquor and gaming in Saskatchewan.¹ The Authority aims to achieve a balance between generating revenue, promoting responsible use of alcohol, and providing customers with product selection and value. In 2018–19, it generated gross revenue of \$638 million from liquor sales.²

Our *2012 Report – Volume 1*, Chapter 17, concluded the Authority had effective processes in place to procure liquor other than the areas reflected in the seven recommendations.³ By August 2017, it implemented six recommendations.⁴

This chapter describes the results of our fourth follow-up of the actions of the Authority on the remaining recommendation.

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook—Assurance* (including CSAE 3001). To evaluate the Authority's progress toward meeting our recommendation, we used the relevant criteria from the original audit. The Authority's management agreed with the criteria in the original audit.

Our audit approach primarily included examining the Authority's policy and procedures relevant to buying liquor for distribution and resale, and discussing them with management. We tested a sample of assurance reports to assess whether the Authority obtained and reviewed appropriate reports showing liquor products' safety and that the products contained their stated alcohol content.

¹ *The Alcohol and Gaming Regulation Act, 1997*, s. 12.

² Saskatchewan Liquor and Gaming Authority, *2018–19 Annual Report*, p. 18.

³ *2012 Report – Volume 1*, Chapter 17, pp. 145–157.

⁴ www.auditor.sk.ca/pub/publications/public_reports/2012/Volume_1/2012v1_17_LiquorProcurement.pdf (10 October 2017).

⁵ In 2013, 2015, and 2017, we reported on the status of the Authority's implementation of these recommendations.



3.0 STATUS OF RECOMMENDATION

This section sets out the recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at September 6, 2019, and the Authority's actions up to that date.

3.1 Formal Assurance on Liquor Product Safety Obtained

We recommended 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, p. 154, Recommendation 6; Public Accounts Committee agreement December 9, 2013)

Status—Implemented

The Authority requires and obtains formal assurance that liquor products sold in Saskatchewan are safe to drink and contain their stated alcohol content.

At September 6, 2019, the Authority received formal assurance for almost 90% of the products it regularly distributes.

The Authority finalized and implemented its *Beverage Alcohol Quality Assurance Policy* on September 24, 2018.⁵ Under its new Policy, the Authority:

- Requires formal assurance for each product it regularly distributes. A certified laboratory issues a formal assurance report.⁶ In addition, conducting an alcoholic product analysis must be consistent with the alcohol testing requirements established by the Liquor Control Board of Ontario's Guidelines for Chemical Analysis.⁷
- Requires it to receive formal assurance for all new liquor products planned for regular distribution since Policy implementation.
- Requests alcohol suppliers to provide it with formal assurances for all products it regularly distributed when the Authority implemented the Policy. The Authority planned to receive these by November 30, 2018.
- Requires alcohol suppliers to provide it with an updated formal assurance report every 24 months.
- Requires customers to agree on waivers acknowledging and accepting the product they purchase may not have been tested or meet recognized quality assurance standards for products it does not regularly distribute (e.g., special order of a specific wine for customers).

⁵ www.slga.com/liquor/partners/for-liquor-suppliers (02 September 2019).

⁶ The Policy states SLGA will accept reports from laboratories that are ISO 17025 certified; ISO 17025 are general requirements for laboratories completing testing and calibration. www.iso.org/files/live/sites/isoorg/files/store/en/PUB100424.pdf (02 September 2019).

⁷ These Guidelines are designed to assist alcohol suppliers to ensure their products meet minimum safety requirements. For example, the Guidelines set labelling requirements for alcohol content (i.e., alcohol %), acceptable differences the actual alcohol content percentage can be from the amount stated on the label, and maximum amounts of about 15 potentially harmful chemicals allowed in alcoholic products (e.g., arsenic, lead). www.doingbusinesswithlcb.com/tro/Packaging-Quality/Downloads/PPS_EN.pdf (02 September 2019).

We found the Authority received formal assurance reports for almost 90% of the more than 2,000 products it regularly distributed when its new Policy came into effect in September 2018.

We determined the Authority actively sought outstanding assurance reports. It periodically contacts (by phone and email) suppliers who have not supplied the required assurance reports. The Authority indicated it meets with suppliers each fall (e.g., September to November) and discussions include the new quality assurance policy.

We observed it emailed suppliers in mid-August and listed each product requiring assurance reports from suppliers. It expects to receive the remaining assurance reports during fall 2019.

For products distributed when the policy came into effect, we found the Authority received and reviewed appropriate formal assurance reports for 29 of 30 alcohol products we sampled. The Authority deemed the alcohol products safe and contained appropriate alcohol content. As of August 2019, the Authority had not yet received a formal assurance report for one product sampled.

For all of the approximately 170 new, regularly distributed alcohol products since its Policy came into effect, the Authority indicated it received formal assurance reports.

For almost all of the 16 new products we sampled, the Authority reviewed appropriate reports, and deemed the alcohol products safe and contained appropriate alcohol content before ordering the new products.

The Authority subjects all products from local alcohol manufacturers to the new policy if manufacturers choose to use the Authority for distribution. The Authority regulates all locally produced alcohol when the manufacturer distributes directly to customers using its local manufacturer regulatory process (e.g., licensing and periodically inspecting the manufacturer).⁸

All 30 special orders we sampled contained evidence customers acknowledged in writing that they accept responsibility for product quality. The Authority processed about 1,700 special orders from October 1, 2018 to August 5, 2019.

In addition, we found the Authority updated its agreement in December 2017 to make national beer distributors (e.g., Molson) dispensing beer products directly to customers responsible for providing safe to consume products.

Some consumers use the alcohol content listed on labels to help them drink responsibly. At times, the content listed on the label may be incorrect, or the product may contain other dangerous chemicals.⁹ Taking formal steps to confirm marked alcohol content reduces the risk of the Authority distributing unsafe liquor or liquor with incorrectly marked alcohol content. This decreases the risk to the health and safety of liquor consumers, and litigation.

⁸ www.slga.com/permits-and-licences/liquor-permits/commercial-liquor-permits/manufacturing-liquor (27 September 2019).

⁹ In June 2019, 19 people died in Costa Rica after consuming methanol-laced alcohol. www.globalnews.ca/news/5671222/costa-rica-alcohol-deaths/ (02 September 2019).

