

Chapter 5 Saskatchewan Liquor and Gaming Authority

1.0 MAIN POINTS

The Saskatchewan Liquor and Gaming Authority's 2021–22 financial statements are reliable. In 2021–22, the Authority complied with the authorities governing its activities related to financial reporting and safeguarding public resources. The Authority had effective rules and procedures to safeguard public resources for the year ended March 31, 2022, other than the Authority needed to follow its data protection policy for credit card information.

The Authority has an adequate policy for data protection, which prohibits staff from storing credit card information electronically. However, we found it inappropriately stored about 125 credit card numbers of liquor retailers and regulatory clients electronically on its network.

Not following its policy for properly protecting credit card information can result in the loss of sensitive information and negatively impact the Authority, and its clients.

2.0 INTRODUCTION

2.1 Background

The Saskatchewan Liquor and Gaming Authority operates under *The Alcohol and Gaming Regulation Act, 1997*. The Authority is responsible for distributing liquor and gaming products, and the regulation of liquor, gaming, and cannabis.¹

The Minister responsible for the Authority forms the one-member Board governing the Authority. Members of the Authority's management comprise the Boards of both SLGA Retail Inc. and SLGA Holding Inc.—the Authority's wholly-owned subsidiaries.

The Authority operates government-owned retail stores through its subsidiary SLGA Retail Inc.² It also distributes liquor to retail store permittees who sell liquor to the public.

The Authority owns and operates all video lottery terminals (VLTs) in Saskatchewan. In addition, the Authority owns and manages all slot machines located in the casinos of Saskatchewan Indian Gaming Authority Inc. (SIGA). The Authority owns the VLTs and slot machines through its subsidiary, SLGA Holding Inc.³

The Authority contracts the operation of its VLT program to Western Canada Lottery Corporation—Saskatchewan Video Lottery Division. It also contracts the operation of slot machines at SIGA casinos (including the operation of a related Casino Management System) to SIGA.

¹ Saskatchewan Liquor and Gaming Authority, *Saskatchewan Liquor and Gaming Authority—Plan for 2021–22*.

² SLGA Retail Inc. was approved for incorporation under Order in Council 423/2016. It was incorporated under *The Business Corporations Act* as a wholly-owned subsidiary of the Authority on September 28, 2016.

³ SLGA Holding Inc. was approved for incorporation under Order in Council 312/2018. It was incorporated under *The Alcohol and Gaming Regulation Act, 1997*, as a wholly-owned subsidiary of the Authority on June 26, 2018.



2.2 Financial Overview

In 2021–22, the Authority generated revenues of just over \$1 billion, expenses of \$0.5 billion, and comprehensive income of almost \$0.5 billion. At March 31, 2022, the Authority held consolidated assets and liabilities each worth \$0.3 billion.

Figure 1 shows the Authority's key financial results by segment—liquor, VLTs, slot machines, other gaming, and cannabis.

Figure 1—Authority's Key Financial Results for 2021–22 by Segment

	Liquor	VLT	Slot Machines in SIGA Casinos	Other Gaming	Cannabis	Total
	(in millions)					
Total Revenues ^A	\$ 678.8	\$ 217.0	\$ 177.3	\$ 0.8	\$ 0.7	\$ 1,074.6
Total Expenses	403.9	64.9	107.1 ^B	11.2	3.7	590.8
Total Comprehensive Income (Loss)	\$ 274.9	\$ 152.1	\$ 70.2	\$ (10.4)	\$ (3.0)	\$ 483.8

Source: Adapted from Saskatchewan Liquor and Gaming Authority's 2021–22 consolidated financial statements.

^A Includes other comprehensive income.

^B Under the Casino Operating Agreement, the Authority allows SIGA to deduct reasonable costs incurred from slot machine revenue in accordance with the operating policies approved by the Authority.

3.0 AUDIT CONCLUSIONS

In our opinion, for the year ended March 31, 2022, we found, in all material respects:

- **The Saskatchewan Liquor and Gaming Authority had effective rules and procedures to safeguard public resources, except for the matter reported below**
- **The Saskatchewan Liquor and Gaming Authority, SLGA Holding Inc., and SLGA Retail Inc. complied with the following authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

Saskatchewan Liquor and Gaming Authority:

The Alcohol and Gaming Regulation Act, 1997
The Alcohol Control Regulations, 2016
The Cannabis Control (Saskatchewan) Act
The Cannabis Control (Saskatchewan) Regulations
The Executive Government Administration Act
The Environmental Management and Protection Act, 2010 (Sections 40 to 45)
The Environmental Management and Protection (General) Regulations (Section 12)
The Financial Administration Act, 1993
The Gaming Regulations, 2007
The Liquor and Gaming Authority Employee Code of Conduct Regulations

The Liquor Consumption Tax Act⁴
The Customs Tariff Act (Canada)
Excise Act (Canada) (Schedule I, II, III)
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 [Gaming] Framework Agreement, as amended
 2002 Casino Operating Agreement, as amended
 Western Canada Lottery Corporation Operating Agreement
 Indigenous Gaming Regulators Licensing Agreement

⁴ SLGA Retail Inc. is responsible to impose and collect Liquor Consumption Tax (LCT); the Authority remits LCT on behalf of SLGA Retail Inc.

SLGA Holding Inc.

The Alcohol and Gaming Regulation Act, 1997
The Gaming Regulations, 2007
The Executive Government Administration Act

The Financial Administration Act, 1993
 Orders in Council issued pursuant to the above
 legislation

SLGA Retail Inc.

The Alcohol and Gaming Regulation Act, 1997
The Business Corporations Act
The Business Corporations Regulations
The Environmental Management and Protection
Act, 2010 (Section 40)
The Environmental Management and Protection
(General) Regulations (Section 12)

The Executive Government Administration Act
The Financial Administration Act, 1993
The Liquor Consumption Tax Act
 Orders in Council issued pursuant to the above
 legislation

➤ **The Saskatchewan Liquor and Gaming Authority, SLGA Holding Inc., and SLGA Retail Inc. each had reliable financial statements**

We used standards for assurance engagements published in the *CPA Canada Handbook—Assurance* (including CSAE 3001 and 3531) to conduct our audit. We used the control framework included in COSO's *Internal Control—Integrated Framework* to make our judgments about the effectiveness of the Authority'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.

The audit of the Authority included examining its financial-related controls used to administer revenues and expenses, safeguard assets, prepare reliable financial reports/statements, and monitor SIGA's operations. This included evaluating its significant financial-related IT systems, assessing inventory controls, and evaluating the work of its Gaming Integrity Branch and Audit Services Branch for legislative compliance over liquor and gaming activities in the province. Audit work also included assessing the reasons behind the cybersecurity incident that occurred in December 2021, how the Authority responded to the incident, changes to the Authority's processes and controls up to early April 2022, the overall impact on the Authority's financial IT systems, and how well the Authority recovered.

In addition, the audit included assessing the accounting for significant related party transactions with SLGA Holding Inc. and SLGA Retail Inc., the accuracy of year-end consolidation adjustments, and the elimination of inter-entity transactions.

4.0 KEY FINDING AND RECOMMENDATION

4.1 Need to Follow its Data Protection Policy for Credit Card Information

The Saskatchewan Liquor and Gaming Authority needs to follow its established policies when obtaining credit card information. The Authority has a policy for data protection; however, we found staff were storing credit card information of liquor retailers and regulatory clients electronically, which is prohibited under the policy.

The Authority does not directly obtain or store customer credit card information (e.g., through pin-pad transactions) when customers purchase items at retail liquor stores.



The Authority does obtain credit card information directly from liquor retailers (e.g., private liquor stores) to collect payment for liquor purchases. As well, the Authority obtains credit card information from clients regulated by the Authority to collect permit fees and levies (e.g., cannabis permit fee, locally-manufactured craft alcohol production levy). The preferred method for obtaining this credit card information is over the phone, and where necessary, storing it in manual form in a secure manner.

The Authority's IT Data Protection Policy prohibits staff from storing credit card information in any electronic format (e.g., within a document saved on its network) and from sending it through email or instant messaging. We consider these requirements appropriate. Annually, the Authority requires staff to read this policy.

In December 2021, the Authority was subject to an external cyberattack where an unauthorized third-party may have accessed or taken sensitive information, including credit card information.⁵

After the cyberattack, Authority management assessed how it stored credit card information. We reviewed management's assessment and found staff stored some credit card information obtained from liquor retailers and regulatory clients on the Authority's network, which is not in accordance with its policy. The Authority indicated it identified about 125 unique credit card numbers it inappropriately stored electronically in 2021–22.

Not following its policy for properly protecting (e.g., storing, deleting) credit card information can result in the loss of sensitive information and negatively impact the Authority.

- 1. We recommend the Saskatchewan Liquor and Gaming Authority follow its established policy for protecting credit card information it receives from liquor retailers and regulatory clients (e.g., for liquor purchases, permit fees).**

⁵ www.slga.com/about-slga/publications/notice (30 May 2022).