



2010/11 Annual Report

AGCO

Alcohol and Gaming
Commission of Ontario



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**Alcohol and Gaming
Commission of Ontario**

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et des jeux de l'Ontario**

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**ALCOHOL AND GAMING COMMISSION OF ONTARIO
2010/2011 ANNUAL REPORT**

MEMORANDUM TO: The Honourable Chris Bentley
 Attorney General
 Ministry of the Attorney General

FROM: Eleanor Meslin
 Interim Chair
 Alcohol and Gaming Commission of Ontario

I am pleased to present the Alcohol and Gaming Commission of Ontario's Annual Report covering the period April 1, 2010 to March 31, 2011.

Eleanor Meslin

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Interim Chair, *Alcohol and Gaming
Commission of Ontario*

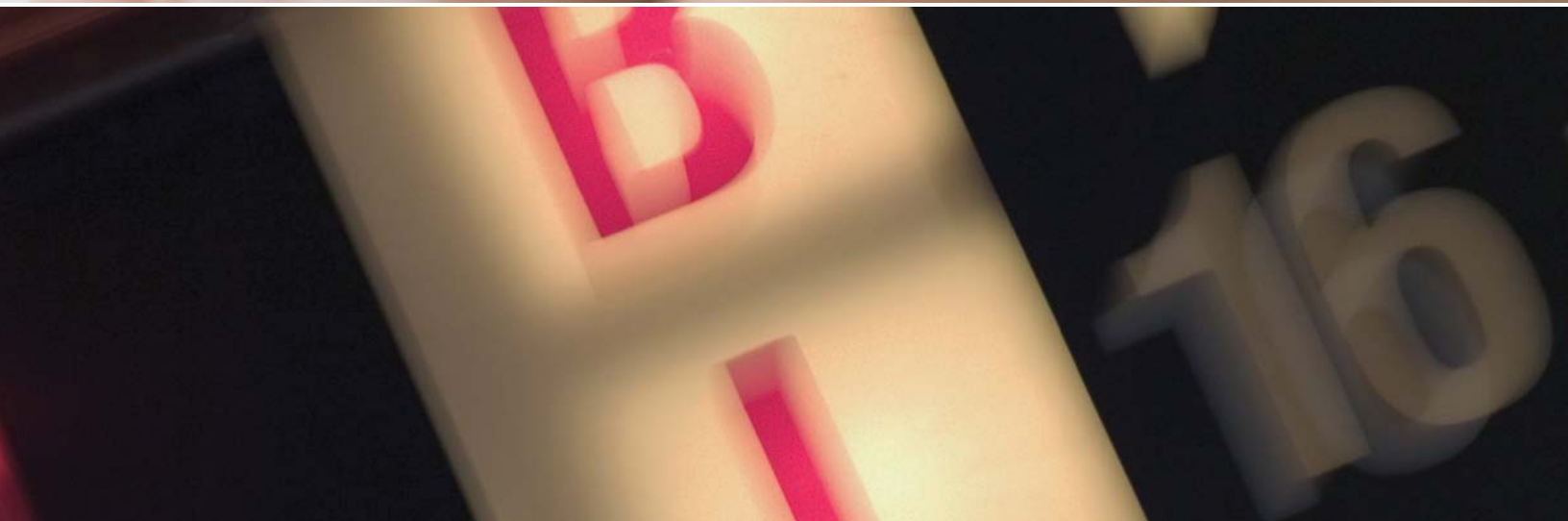


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MESSAGE FROM THE INTERIM CHAIR



Eleanor Meslin
*Interim Chair, Alcohol and Gaming
Commission of Ontario*

“We have been working closely with LAT on a transition plan to facilitate the transfer of responsibilities to make this change as smooth and seamless as possible for the public and our licensees and registrants.”

The past year has been quite transitional for the Board and staff of the AGCO. Foremost has been the anticipation of and planning for a significant pending change in the core function of the Board: its adjudicative function.

On March 7, 2011, the Ontario Legislature passed the *Good Government Act, 2011*, an omnibus bill containing amendments to a number of statutes administered by various Ministries. One of the provisions in the legislation provided for the transfer of responsibility for the adjudication of liquor and gaming matters under the *Liquor Licence Act* and the *Gaming Control Act, 1992* from the Board of the AGCO to the Licence Appeal Tribunal (LAT) effective July 1, 2011. LAT is an agency of the government of Ontario which adjudicates compensation claims and licensing activities regulated by various Ministries. This change was made to increase efficiencies, focus the AGCO on its primary role of regulating the alcohol and gaming sectors, and allow the Board to concentrate on internal corporate governance and policy oversight.

We have been working closely with LAT on a transition plan to facilitate the transfer of responsibilities to make this change as smooth and seamless as possible for the public and our licensees and registrants. This transition will also see several of the Board Members move to LAT to

continue their adjudicative role; in the short term, this will result in a more compact Board at the AGCO. Until the transfer is completed, the Board will continue to fulfill its adjudicative function, providing licensees, registrants and the public with a forum that is fair, transparent and in the public interest.

The leadership of the AGCO Board has also undergone some changes this year. On February 18, 2011, David C. Gavsie, who served as Chair of the AGCO since November 2005, was appointed by the provincial government as Chair of the Ontario Civilian Police Commission. Mr. Gavsie served the AGCO and the people of Ontario well during his tenure, and I was honoured to have been appointed as Interim Chair of the AGCO in his stead. I will continue to work closely with my Board colleagues and all AGCO staff to provide excellent service to our stakeholders, and to ensure that the regulation of Ontario's alcohol and gaming sectors continues to be carried out with honesty, integrity and in the public interest.

Eleanor Meslin

A stylized, handwritten signature in black ink, appearing to read 'E. Meslin'.

*Interim Chair, Alcohol and Gaming
Commission of Ontario*

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



Jean Major
CEO, Alcohol and Gaming
Commission of Ontario

“The last year has been focused on refining our risk-based approach to regulation in all of the sectors that we regulate and on completing various initiatives that have been underway. . .”

2010/11 has been a year of change at the AGCO where we focused our activities on completing projects to achieve the strategic objectives outlined in our Business Plan and on supporting broader government initiatives. Modernizing the regulatory environment, strengthening our information technology management capabilities, enhancing our accountability to government and maximizing our employee potential are some of the key strategies being pursued that will position the AGCO for future success.

The last year has been focused on refining our risk-based approach to regulation in all of the sectors that we regulate and on completing various initiatives that have been underway, such as risk-based licensing and implementation recommendations from a communications review. These initiatives are intended to not only enhance our external business practices but also our internal approach to staff development and technological capability. The end goal is to create a flexible and nimble agency that is capable of responding to a rapidly changing environment and meeting the diverse needs of government and our customers, even while operating under challenging circumstances such as difficult economic conditions and fiscal restraint.

Along with continuing to meet our business plan targets and managing our day-to-day operations, a number

of government legislative initiatives and programs have set the stage for further changes at the AGCO. This past year alone, three legislative initiatives were advanced by government which will have a significant impact on the AGCO's operations and structure moving forward.

The *Better Tomorrow for Ontario Act (Budget Measures), 2011*, which included amendments to the *Gaming Control Act, 1992*, provides for the introduction of internet gaming in Ontario, and further support to the charitable gaming industry by permitting additional collaboration with the Ontario Lottery and Gaming Corporation (OLG) to enhance charitable gaming offerings across the province through the use of innovative technology in the future. As part of this initiative, the AGCO was tasked with establishing a comprehensive risk-based and standards-based approach to regulating these new products in a manner that is more responsive to market conditions and less prescriptive in nature than traditional gaming regulatory models, while maintaining the highly effective oversight of the industry that the Ontario public has come to expect.

The *Open For Business Act, 2010* was introduced with the aim of responding to the needs of the business community while continuing to provide appropriate government oversight and protection of the public interest. To complement this

initiative, a government-led consultation on the *Liquor Licence Act*, and particularly Ontario Regulation 389/90, Special Occasion Permits (SOPs), was initiated. The result of this consultation will be a more streamlined, user-friendly SOP program that provides additional flexibility for permit holders, while being balanced by enhanced compliance opportunities. Further regulatory changes are forthcoming next fiscal year that will continue the modernization of the liquor licensing framework.

Finally, as outlined by the Chair, final approval of the *Good Government Act, 2011*, will result in changing the mandate and structure of the Board, allowing it to focus on its role of internal corporate governance and policy oversight.

The implementation of these fundamental changes, both external and internal, are helping the AGCO to establish a more flexible, efficient

and effective approach to regulating Ontario's alcohol and gaming sectors and create the foundation from which the AGCO will be able to successfully manage future changes and challenges that are emerging in the liquor and gaming industries. I look forward to working closely with the Board and AGCO staff in 2011/12 to ensure that all new government initiatives, as well as our own ambitious internal goals, continue to be implemented in a skillful and professional manner while maintaining the high standard of service that our stakeholders deserve.

Jean Major

A handwritten signature in black ink, appearing to read 'Jean Major', with a large, stylized initial 'J' and a long horizontal stroke extending to the right.

Chief Executive Officer, Alcohol and Gaming Commission of Ontario

OVERVIEW & KEY ACTIVITIES

OVERVIEW

The Alcohol and Gaming Commission of Ontario (AGCO) is an arms-length, quasi-judicial regulatory agency of the provincial government which was established February 23, 1998 under the *Alcohol and Gaming Regulation and Public Protection Act, 1996* (AGRPPA). As of August 2010, the AGCO reports to the Ministry of the Attorney General.

The AGCO is responsible for administering and enforcing the rules set by the Ontario government in order to regulate the following activities:

- The sale and service of beverage alcohol;
- Lotteries operated by OLG on behalf of the government of Ontario;
- Commercial gaming including commercial casinos, OLG casinos and slot machine facilities at racetracks; and
- Lottery schemes conducted by charitable, not-for-profit and religious organizations.

The AGCO's objectives in regulating gaming activities in the province are to:

- Ensure that gaming is operated with honesty and integrity;
- Facilitate a competitive environment for Ontario's gaming facilities while not reducing or lowering standards of operation and regulation;
- Ensure that all games are fair and appear to be fair;
- Maintain public confidence in the integrity of the games;

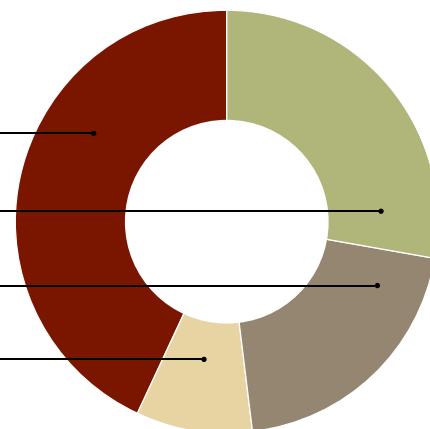
Figure 1: AGCO Client Base (Licensees and Registrants)

Alcohol Industry 18,523 (42.9%)

OLG Lottery Registrants 12,073 (28%)

Casino Industry 8,736 (20.2%)

Charitable Gaming 3,838 (8.9%)



- Establish a safe and secure environment at all gaming facilities; and
- Protect the assets of the Crown.

The AGCO's main objectives in regulating the sale and service of beverage alcohol are to:

- Ensure that alcohol is sold and served responsibly;
- Ensure that residents are provided an opportunity to have their interests considered during the licensing process;
- Permit Ontarians and their visitors opportunities to responsibly enjoy beverage alcohol within an economically viable hospitality and tourism sector;
- Promote fairness and equity and a level playing field for the industry through consistent enforcement of the regulations; and
- Focus enforcement/compliance activities on promoting compliance with law and maintaining public safety.

The principles which guide the AGCO's activities are prescribed in the AGCO's governing legislation and require the AGCO to exercise its powers and duties in the public interest and in accordance with the principles of honesty and integrity, and social responsibility. These principles serve as a reference point in determining how the agency goes about fulfilling its regulatory mandate. Paramount is that public confidence is maintained in the operation of these industries. The AGCO also promotes transparency in all of its activities.

KEY ACTIVITIES

The AGCO is responsible for the administration of the following:

- *Liquor Licence Act* (LLA);
- *Wine Content and Labelling Act, 2000*;
- *Liquor Control Act* [Section 3(1)b, e, f, g and 3(2)a];
- *Gaming Control Act, 1992* (GCA);
- Lottery Licensing Order-in-Council, 1413/08 (as amended); and
- *Alcohol and Gaming Regulation and Public Protection Act, 1996*.

The administration of these Acts and the Order-in-Council involves the following core activities:

Regulating Ontario's Alcohol and Gaming Sectors

- Licensing and regulating Ontario's establishments that sell or serve liquor, liquor delivery services, liquor manufacturers and their agents, agents of foreign manufacturers, and ferment-on-premise facilities.
- Administering the Special Occasion Permit (SOP) program which is delivered through designated LCBO retail stores.
- Authorizing the location of manufacturer's retail stores, which includes on-site and off-site winery retail stores, on-site distillery retail stores, brewery retail stores and Brewers Retail Inc. stores (The Beer Store).
- Registering commercial suppliers and gaming employees of charitable gaming events, commercial

casinos, OLG casinos and slot machine facilities at racetracks.

- Administering, in partnership with municipalities, the regulatory framework governing the issuance of charity lottery licences (e.g. bingo, raffle and break open ticket events).
- Licensing games of chance at fairs and exhibitions.
- Approving rules of play or changes to rules of play for games of chance conducted and managed by OLG.
- Excluding persons from accessing gaming premises in the province of Ontario pursuant to the GCA and its regulations.
- Regulating lotteries/gaming conducted by OLG, including the registration of individuals and businesses providing services to, or on behalf of, OLG (i.e. lottery retailers and lottery retailer managers).

Investigating, Inspecting and Monitoring

- Inspecting and monitoring liquor sales licensed establishments to ensure compliance with the LLA and regulations.
- Inspecting and monitoring commercial casinos, OLG casinos, slot machine facilities at racetracks and charitable gaming events/facilities for compliance with the

GCA, its regulations, and licensing and registration requirements.

- Conducting background investigations on individuals and companies seeking registration and licensing under the GCA and LLA.
- Providing police presence at commercial casinos, OLG casinos and slot machine facilities at racetracks.
- Conducting audits of companies registered and licensed under the GCA and LLA.
- Approving and monitoring internal control systems, surveillance and security systems, and other operational systems for commercial casinos, OLG casinos and slot machine facilities at racetracks for compliance with all regulatory requirements.
- Testing, approving and inspecting slot machines and gaming systems.
- Inspecting and monitoring retailers who sell lottery tickets on behalf of OLG.
- Investigating insider wins involving lottery retailers, lottery retailer managers or lottery equipment suppliers.
- Investigating suspicious lottery wins, carried out by the Ontario Provincial Police (OPP) Bureau assigned to the AGCO.

OVERVIEW & KEY ACTIVITIES

Adjudication

- Conducting hearings on proposed actions by the Registrar of Alcohol and Gaming (Registrar) under the LLA and GCA.
- Conducting hearings on the Registrar’s refusal to licence or register under the LLA and GCA.
- Conducting compliance order hearings and hearings on the wine authority’s refusal to grant an approval or suspend, revoke or refuse to renew an approval to use the terms, descriptions and designations established by the wine authority under the *Vintners Quality Alliance Act, 1999*.
- Conducting public interest hearings to determine eligibility for liquor sales licensed premises or additions to liquor sales licensed premises where the public files objections in response to a public notice advising of the request for a licence or an amendment thereof.
- Arbitrating disputes between two or more claimants for a lottery ticket prize.
- Conducting appeals of Orders of Monetary Penalty imposed by the Registrar.

CORPORATE VALUES

Vision

Mandate

Mission

A leader in the alcohol and gaming sectors through effective regulation and services that are fair, responsive and in the broader public interest.

To regulate the alcohol and gaming sectors in accordance with the principles of honesty and integrity, and in the public interest.

The AGCO commits to conducting business in a manner that will:

- Develop, implement and enforce fair policies and procedures.
- Establish a framework of critical regulatory controls in the public interest that are sensitive to the economic viability of the alcohol and gaming industries.
- Create a supportive work environment that respects and values AGCO staff contributions and provides them with opportunities for growth and professional achievement.
- Be customer focused in the way we respond to and manage customer and stakeholder needs.
- Educate customers and stakeholders, and develop partnerships.

ORGANIZATIONAL STRUCTURE

The AGCO’s organizational structure is based on functional responsibilities.

Figure 2: Organizational Structure of the AGCO



BOARD OF DIRECTORS

MEMBERS OF THE BOARD

The *Alcohol and Gaming Regulation and Public Protection Act, 1996* (AGRPPA) constitutes the AGCO as a corporation without share capital and requires that the AGCO shall have a Board of Directors of at least five (5) members. Board members are appointed by the Lieutenant Governor in Council, through Order-in-Council.

The list below reflects the members of the Board as at March 31, 2011, including their original appointment dates.

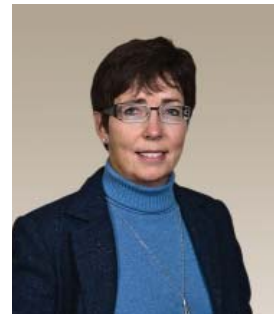
On February 18, 2011, David C. Gavsie, who had served as Chair of the AGCO since November 2005, was appointed by the provincial government as Chair of the Ontario Civilian Police Commission. Eleanor Meslin, a member of the Board since 2000, was appointed as Interim Chair of the AGCO through an Order-in-Council.



Eleanor Meslin, Interim Chair
November 2000 – February 2012
Appointed Interim Chair: February 2011



Kirsti Hunt
Part-Time Vice-Chair
April 1997 – 2012



Patricia McQuaid
Full-Time Vice-Chair
April 2003 – November 2013



Jacqueline Castel
Part-Time Member
April 2008 – 2012



Beryl Ford
Part-Time Member
September 2004 – 2011



Brian Ford
Part-Time Member
September 2004 – 2011



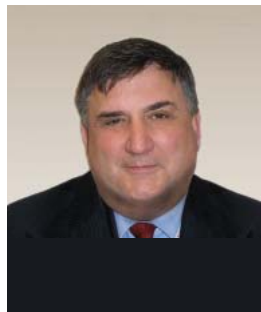
Allan Higdon
Full-Time Member
April 2005 – March 2013



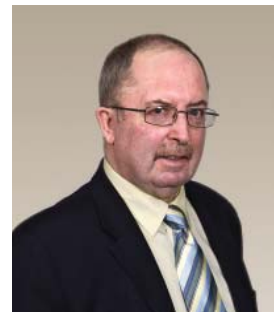
S. Grace Kerr
Part-Time Member
July 2007 – 2012



Joan Lougheed
Part-Time Member
April 2008 – 2012



Bruce Miller
Part-Time Member
December 2008 – 2012



Alex McCauley
Part-Time Member
October 2005 – 2013

AGCO BOARD ACTIVITIES

Governance

The Board is responsible for the overall governance of the Commission and meets as a Board of Directors on a monthly basis. In exercising its governance functions, the Board sets goals and develops policy and strategic directions for the Commission to fulfill its mandate. This involves working with the Chief Executive Officer and Senior Management through the Board's Regulatory Governance and Corporate Governance committees. The AGCO exercises its powers and duties in the public interest and in accordance with the principles of honesty, integrity and social responsibility.

The AGCO operates at arms-length from the Ministry of the Attorney General. Through a Memorandum of Understanding (MOU), the accountability relationships between the Chair, CEO, Minister and Deputy Minister are formalized. The MOU also requires the AGCO to operate within specified Management Board Directives which govern agencies, including the Agency Establishment and Accountability Directive.

Adjudication

AGRPPA gives the Members of the AGCO Board responsibility for hearing and deciding matters under the LLA, GCA, *Wine Content and Labelling Act* and the *Vintners Quality Alliance Act*. As of March 31, 2011, the Board was comprised of a part-time Interim Chair, a full-time

Vice-Chair, a part-time Vice-Chair, 1 full-time Member and 7 part-time Members.

In carrying out its adjudicative responsibilities, the Board was supported by the Manager of Hearings and staff of the Hearings Section which coordinated the hearings/appeals process. The section processed requests for hearings/appeals, issued hearing/appeal notices and summonses, coordinated the assignment of Board panels, arranged hearing/appeal locations and distributed written Board decisions.

Administrative procedures continued to be streamlined so that the average turn around time from request of hearing to hearing date was 3 to 4 months (average of 61 days) in 2010/11. Decisions of the Board are published, on average, about 6 months (average of 137 days) after the initial request for a hearing is made to the Board.

Transfer Of The Adjudicative Function To The Licence Appeal Tribunal

On March 7, 2011, the Ontario Legislature passed the *Good Government Act, 2011*. One of the provisions in the legislation transfers responsibility for the adjudication of liquor and gaming matters under the LLA and the GCA from the Board of the AGCO to the Licence Appeal Tribunal (LAT) effective July 1, 2011.

This change is being made to increase efficiencies, focus the AGCO on its primary role of regulating the alcohol and gaming sectors, and allow the Board of the AGCO to concentrate on internal corporate governance and policy oversight.

Pending final approval from government, beginning July 1, 2011, hearings on Notices of Proposal, Notices of Proposed Order and appeals of Orders of Monetary Penalty will no longer be held before the Board of the AGCO but will be held before LAT. An exception to this is the continuation of hearings/appeals that were already before the Board of the AGCO prior to July 1, 2011 which will be completed by the Board of the AGCO, including any AGCO Board decisions that are appealed.

BOARD OF DIRECTORS

Table 1 – Alcohol-Related Hearings

For Fiscal Years	2009/10	2010/11
Hearing type based on Notice of Proposal/Order of Monetary Penalty issued by the Registrar		
Revoke Licence	25	11
Refuse to Transfer/Renew Licence	12	8
Review Licence Application	28	26
Suspend Licence	96	73
Attach Condition	0	2
Refuse to Remove Condition	1	3
Order of Monetary Penalty	4	13
Total alcohol related hearings	166	136
Number of Hearing days (includes all hearings for which a decision was issued between April 1 st , 2010 and March 31 st , 2011)	253	196

Table 2 – Pre-Hearing Conferences

For Fiscal Years	2009/10	2010/11
Number of Pre-Hearing Conferences	148	122

Table 3 – Alcohol-Related Settlements Without a Hearing *

For Fiscal Years	2009/10	2010/11
Number of Settlements agreed to without a hearing (Notices of Proposal and Orders of Monetary Penalty)	123	167

* These settlements are negotiated by the AGCO's Legal Services Branch, based on instructions from the Registrar.

Table 4 – Alcohol-Related Public Meeting Conference Calls **

For Fiscal Years	2009/10	2010/11
Number of Public Meeting Conference Calls	41	31

** This is an alternative dispute resolution process.

Table 5 – Gaming-Related Hearings

For Fiscal Years	2009/10	2010/11
Total Number of Hearings	19	13

Table 6 – Gaming-Related Settlements Without a Hearing ***

For Fiscal Years	2009/10	2010/11
Number of Settlements agreed to without a hearing (Notices of Proposed Order and Orders of Monetary Penalty)	20	11

*** These settlements are negotiated by the AGCO's Legal Services Branch, based on instructions from the Registrar.



OPERATIONAL OVERVIEW



STRATEGIC DIRECTION

The AGCO has adopted an approach to regulation which is **risk-based and compliance-focused** with the long term objective of positioning the agency to be **flexible, transparent and adaptable** to a rapidly changing environment.

The liquor and gaming industries in Ontario are significant contributors to the provincial economy, employ thousands of workers and generate large amounts of revenue for the provincial government. Significant changes over the last decade, including fluctuations in the economy, both domestically and internationally, increased competition for the entertainment dollar and shifts in public attitudes have had a significant impact on these two industries.

Both industries operate within a complex social and economic context where business and economic considerations need to be balanced against the potential public safety and public health issues that the consumption of liquor or excessive gambling may cause. The AGCO's

goal is to balance the views and interests of industry, public interest stakeholders and government when establishing programs and strategies for regulating these sectors.

From an operational perspective, a renewed focus by government to strengthen accountability in the agency sector and a cultural shift at the AGCO to become a more compliance-focused regulator continues to impact how the AGCO manages its day-to-day activities and internal administrative policies.

For the past several years, the AGCO has adopted an approach to regulation which is risk-based and compliance-focused with the long term objective of positioning the agency to be flexible, transparent and adaptable to a rapidly changing environment.

Our strategy has been to establish an operating approach that supports the advancement of five key priorities:

- Build more effective communications
- Strengthen our business processes and information technology management capabilities
- Modernize the alcohol and gaming regulatory environment
- Maximize our employee potential
- Enhance AGCO's corporate accountability

AGCO operational activities have been designed to specifically support the advancement of these priorities. To encourage efficiency and effectiveness in its operations, the AGCO has also developed programs and processes designed to:

- Better assess and manage risk,
- Better manage financial pressures through effective use of resources, and
- Be more operationally efficient.

It is within this overall context that, during the 2010/11 fiscal year, the AGCO's activities have been focused in three broad areas:

1. Completing projects that have been underway to support the AGCO's overall strategic priorities over the last several years;
2. Responding to policy changes initiated and desired by government, and laying the foundation both from a regulatory and organizational perspective to ensure they can be implemented; and
3. Ensuring AGCO operations are aligned with corporate directions and accountability measures implemented by government.

COMPLETION OF PROJECTS UNDERWAY

In keeping with its overall objective of transitioning from a primarily enforcement-based to a more compliance-focused regulator, the AGCO continues to refine and expand its compliance approach in efforts to enhance prevention,

communication, cooperation, education and consultation, balanced by appropriate enforcement. The overall compliance program is intended to provide the AGCO with the right mix of tools to work with licensees and registrants to secure regulatory compliance in the future rather than solely focusing on strict enforcement of the rules. On a parallel and complementary track, the AGCO has also committed to developing and applying risk-based regulatory approaches within each of its lines of business to increase regulatory effectiveness and better target resources. This multi-faceted strategy informs the day-to-day activities of the AGCO and has involved the successful implementation of a number of major reforms and new programs, including:

- Risk-Based Licensing, where liquor sales licences are now processed and issued based on an assessment of identifiable risks.
- Risk-Based Registration, where gaming-related registrations will be processed and issued based on an assessment of identifiable risks (for implementation during 2011/12).
- Monetary Penalties, which is an additional regulatory tool to encourage compliance before a serious suspension or revocation may need to be imposed.
- Public Affairs program, which focuses on licensee and registrant education and training to promote a greater understanding of regula-

tory requirements and create an environment more conducive to regulatory compliance.

- Refinements to better rationalize the background investigation process.

GOVERNMENT POLICY INITIATIVES AND REGULATORY/ ORGANIZATIONAL IMPACT

Standards-Based Approach to Regulation

For the past several years, meaningful regulatory modernization has been an ongoing project for both the provincial government and the AGCO. As part of this modernization agenda, targeted reforms have been made in specific sectors regulated by the AGCO, such as those aimed to assist with the long-term viability of the charitable gaming sector as well as those intended to allow Ontarians and their visitors to enjoy alcohol in a more mature and less restrictive fashion.

Most recently, the focus has been on reducing the administrative burden for business as part of the government's broader Open for Business initiative. To that end, the AGCO has been working with stakeholders across its main business lines to explore prospects for streamlining and eliminating areas of ineffective or excessive regulation. A formalized consultation process with industry participants, including the establishment of pilot projects to support modernization,

STRATEGIC DIRECTION

has been an integral component of this initiative to ensure “we get it right”.

Within the commercial gaming sector, for instance, the AGCO has begun piloting a new “standards-based” approach to regulation which aims to establish clear statements of regulatory risks, control objectives and standards within which operators develop their own activities and business processes. Generally, the idea is to move away from overly prescriptive and complex rules to providing straightforward regulatory direction within which operators can effectively meet policy direction while being able to take advantage of market opportunities. This regulatory shift is intended to create more operational flexibility and operator accountability, while allowing the AGCO to better focus its efforts and resources on core concerns and fundamental regulatory objectives.

Standards-based gaming regulation is expected to yield significant benefits, including:

- Better regulatory outcomes given that the AGCO and operators will be in a position to more effectively target resources to key areas of higher identified risk such as game integrity.
- Cost savings and reduced administrative burden for operators — particularly those with a

strong track record of compliance — as well as the AGCO.

- Greater flexibility for operators to respond to changing market, environmental and technological conditions to meet both operational and regulatory goals.

The approach to standards-based regulation adopted by the AGCO has four implementation stages, namely (1) developing a regulatory risk inventory, (2) developing regulatory standards and control objectives, (3) establishing an operator control environment through control activities, and (4) evaluating the overall efficiency of the entire system. An initial 6-month pilot project applying the standards-based approach to casino marketing and promotions was launched on February 1, 2011. Work is also underway on a second pilot in the twin areas of security and surveillance, which will commence later in 2011.

Internet Gaming

The Ontario Government has announced its intention to launch internet gaming in Ontario in 2012. As the regulator of gaming in the province, this policy enhancement will have a multitude of regulatory and operational implications for the AGCO. The existing GCA provides a framework on which to build a regulatory model that will meet both public policy and public interest objectives. The AGCO, however, will work to continue to adapt and modernize that framework to help ensure that

internet gaming operates in the public interest and in a manner that is socially and financially responsible and that will engender public confidence in the product. As the AGCO moves towards a standards-based, compliance-focused and risk-based approach to regulation, it is anticipated that these principles will be imbedded in the framework. In anticipation of the 2012 launch, the AGCO has also begun the process to review internal resources and develop a plan to expand our capacity to meet any new operational requirements.

Social Responsibility

The AGCO continues to develop and refine its role in the promotion of social responsibility in the alcohol and gaming sectors. As a regulator, the AGCO exercises its powers and duties in the public interest, and in accordance with the principles of honesty, integrity and social responsibility. To this end, there are a number of provisions in the Acts and regulations we administer that are specifically directed at promoting social responsibility.

For example, under the LLA, licensees are prohibited from permitting drunkenness in their establishments and selling or serving to minors and intoxicated individuals. Additionally, licensees and manufacturers are obligated to advertise or promote liquor in a socially responsible manner, which does not, for instance, target minors or associate the consumption of liquor with driving a

motorized vehicle or with personal success, among other things.

In the gaming context, there are measures in place to ensure that persons under the age of nineteen (19) cannot access casino-style gaming premises, strict procedures on access to credit by players are followed, and regulations to ensure that advertising is not directed at encouraging minors to gamble and does not imply that casino gaming will promote lifestyle improvements.

Although the responsibility for the development of a provincial responsible gambling strategy rests with the Ministry of Health and Long Term Care and the Ministry of Health Promotion, the AGCO continues to productively work with multiple governmental, industry and public interest partners to enhance its contribution in this important area. In 2010/11, the AGCO Board, working with the agency's Centre for Gaming Excellence, consulted with industry stakeholders on the proper framework for and necessary elements of successful self-exclusion programs. In the year ahead, the AGCO will conduct further consultations with stakeholders as part of a broader regulatory review of responsible gaming and the appropriate role for the AGCO in this emerging field.

"Open for Business"

This ongoing government-wide initiative is designed to minimize

the burden of regulation on Ontario businesses, foster competitive-ness and welcome new business to Ontario. The overall target is to reduce the number of legislative and regulatory requirements administered by each program area by 25% to 35%.

Internally, the AGCO has been working on a number of initiatives which support the overall goals of the program by reducing administrative burdens and using a regulatory approach intended to support business. One example includes moving towards a standards-based approach to regulation in the gaming sector which would allow more flexibility for business operators. In the liquor sector, risk-based licensing, licensee education programs and monetary penalties all assist licensees to comply with requirements so that the impact on business operations is minimized.

The AGCO is supporting the government's efforts as it undertakes to streamline regulations under the LLA and GCA specifically through legislative amendments passed this fiscal year that set the stage for:

- Developing a comprehensive standards-based and risk-based regulatory model to accommodate regulation of new types of gaming activities; and
- Allowing for the implementation of reforms that would stream-

line the process for obtaining a Special Occasion Permit.

GOVERNMENT ACCOUNTABILITY MEASURES

The AGCO's overall strategic direction continues to adapt to coordinate with the government's public policy priorities and fiscal objectives. The AGCO reviews its priorities for consistency with government direction and resource availability to provide cost-effective services that are relevant to, and in keeping with, the evolving environment.

Government Oversight and Agency Accountability

Accountability and transparency in the agency sector has been a key government priority over the last several years, with the government taking steps to strengthen its oversight of this sector. Initiatives such as the *Public Service of Ontario Act* (PSOA), and the Agency Establishment and Accountability Directive of January 26, 2010 resulted in internal changes to support the key directives.

The government continued to implement new accountability mechanisms for agencies. As an example, the Integrity Commissioner now reviews the expenses incurred by AGCO Board members and senior executives. In addition, the agency must identify the top five expense claimants not included in these two categories, to ensure compliance with all government directives

STRATEGIC DIRECTION

regarding expenses. Since April 1, 2010, these expenses have been posted on the AGCO's website once they have been reviewed and cleared by the Integrity Commissioner. Another example is the implementation of a new procurement directive to increase transparency and accountability in this area.

The AGCO is also subject to review and audit by government to ensure funds are being spent wisely and taxpayers are receiving value for money.

Auditor General – Casino Regulation

In 2010/11, the Auditor General conducted a Value for Money Audit on Casino Gaming Regulation to assess the efficiency and effectiveness of the AGCO's regulatory activities in this area.

The Auditor General recognized that the AGCO has put into place a regulatory framework that is comprehensive and that its regulatory oversight of the casino gaming industry is one of the strongest and most effective regimes in North America.

The audit assessed whether the AGCO had adequate policies, procedures and systems in place to ensure that gaming at facilities is conducted in accordance with established policies and legislation. The audit also examined the AGCO's organizational capacity to measure and report on the effectiveness of all regulatory

activities established to meet the principles of honesty, integrity and operation in the public interest.

The audit concluded that the AGCO has adequate systems, policies and procedures in place to ensure that commercial casinos, OLG casinos and slot facilities are run fairly and honestly, that casino employees are honest and effectively overseen, and that the games are run fairly. A copy of the full audit report is available at www.auditor.on.ca.

Five recommendations were made by the Auditor General relating directly to the regulation of casino gaming. These recommendations touched on areas where the AGCO is already taking a proactive approach through our risk-based registration and enforcement initiatives, which the report notes the Auditor General fully supports.

FINANCIAL OVERVIEW

INTERNAL OPERATIONS AND FISCAL ENVIRONMENT

The significant expansion of the liquor and gaming industries since 1998 as well as the expansion of the AGCO's regulatory mandate during this time has required the AGCO to implement changes to improve efficiencies to meet the need for increased services, especially in a prolonged environment of fiscal restraint. It is also anticipated that in 2012, the AGCO's mandate will again be expanded to include regulation of internet gaming and other potential new products, including electronic gaming products in bingo halls.

In fiscal year 2010/11, the AGCO continued to support the government's initiatives to control costs in delivering public services. The Board and the staff of the AGCO have followed closely, both in letter and spirit, with the constraint measures taken by the Ontario Public Service (OPS) including capping salary increases for those earning \$150,000 or more to 1.5% and following in the steps of the OPS in the management of performance awards. In addition, for the last four years, the AGCO has looked at ways to improve efficiencies and effectiveness in its operations, including conducting detailed organizational and business process reviews.

The AGCO, however, continues to face funding issues and is working with government to assess and implement longer term strategies, including the development of a comprehensive, cost-recoverable and sustainable funding strategy that will help to ensure that public confidence, public safety and the public interest are maintained in the liquor and gaming industries. Going forward, the funding strategy will also need to address funding needs for expanding regulatory activities required for any new products, such as internet gaming, which may be introduced into the Ontario marketplace.

For the last four years, the AGCO has looked at ways to **improve efficiencies and effectiveness** in its operations, including conducting detailed organizational and business process reviews.

Total program expenditures for 2009/10

\$59,334,165

Total program expenditures for 2010/11

\$62,056,154

OPERATING BUDGET – 2010/11 FISCAL YEAR REVENUE AND EXPENDITURES

The AGCO remits all revenues collected to the government's consolidated revenue fund (CRF) and operates within a separate budget allocation contained in the government's printed estimates. Although oversight responsibility for the AGCO was moved to the Ministry of the Attorney General in August 2010, the budget allocation for the AGCO was contained in the Ministry of Consumer Service's printed estimates for the 2010/11 fiscal year.

Table 7 – 2010/11 Fiscal Year Revenue and Expenditures

For Fiscal Years	2009/10	2010/11
Revenues		
Fees and Levies	\$491,398,095	\$202,641,113
Total	\$491,398,095	\$202,641,113¹
Expenditures		
Salaries and Benefits	\$46,564,403	\$49,819,941
Other Direct Operating Expenses	\$12,769,762	\$12,236,213
Less Recoveries	(\$19,791,229)	(\$24,089,113)
Total	\$39,542,936	\$37,967,041

¹ The Beer and Wine Tax Act, 2009 transferred the responsibility for the collection of beer and wine taxes to the Ministry of Revenue effective July 1, 2010.

Recoveries for 2010/11 include monies received from liquor licence advertisements, eligibility review investigations (applicants billed directly for costs) and for the registration and regulation of OLG lotteries (paid for by OLG).

A close-up photograph of two hands holding two interlocking puzzle pieces. The puzzle pieces are a light beige color. In the background, several other puzzle pieces of various colors (light beige, light orange, light green) are scattered on a white surface, but they are out of focus. The hands are positioned at the top left and bottom right, holding the two main puzzle pieces. The puzzle pieces have a slightly textured surface.

AGCO CORPORATE ACTIVITIES & PROGRAMS

AGCO CORPORATE ACTIVITIES & PROGRAMS

ACCESSIBILITY FOR ONTARIANS WITH DISABILITIES ACT, 2005

The AGCO continued to provide accessible and responsive customer service to people with disabilities. The AGCO's "Accessible Customer Service Policy Statement", established in accordance with the agency's responsibilities under the *Accessibility for Ontarians with Disabilities Act, 2005* and Ontario Regulation 429/07, provides ongoing training for all AGCO staff on implementing this policy.

INFORMATION TECHNOLOGY PLAN

To support the AGCO's overall strategic direction of enhancing customer service, strengthening business processes and improving information technology capabilities, an Information Architecture review was conducted to assess the current infrastructure and determine the approach to Information Technology (IT) planning and investments that will enable AGCO to support its overall program objective. The goal of the Strategic IT Plan is to provide an integrated enterprise information system that will provide better customer service, improve the flow of information, automate manual processes and provide increased availability of information throughout the organization and to external clients and stakeholders.

The first step in the plan involved establishing the foundational framework which included the develop-

ment of Models and Standards as well as the technical infrastructure to enable the development of future business systems.

Significant projects that were completed in 2010/11 include:

- Launch of the new AGCO website which will support electronic service delivery going forward;
- Break Open Ticket (BOT) system modernization;
- Public Expense Disclosure on the AGCO Website;
- Prototype for a Document Management system and new Intranet site; and
- Prototype for electronic forms on demand to support future electronic service delivery capabilities.

HUMAN RESOURCES PLAN

To support the AGCO's goal of maximizing employee potential, the Human Resources Plan provides a path for creating a workplace that values employees and supports both corporate and individual staff development needs. Some key accomplishments include:

- AGCO Awards of Excellence, which recognize both an individual and a team, continue to be awarded annually;
- Implementation of a corporate learning and development program that focuses on wellness and leadership; and
- Secondment and development opportunities for staff as part of the AGCO's recruitment and retention strategy.

In order to build a healthy workplace resulting in improved morale, higher job satisfaction and decreased absenteeism, the AGCO began development of a Wellness Program to address the health and well being of our employees. The first initiative, a Staff Engagement Survey, was conducted in February 2010. The results of the survey have provided a benchmark that is being used to develop a staff wellness program.

INTERNAL AND EXTERNAL COMMUNICATIONS Communications Plan

The AGCO continued implementing the recommendations from the communications review conducted in 2008 by Hill & Knowlton. Based on these recommendations, a comprehensive three-year plan was developed to achieve the results noted in the review and support the improvement of internal and external communications for customers, stakeholders, the public and AGCO staff. The key components of this plan were:

- Redesign of the AGCO's internet and intranet sites with a view to supporting Electronic Service Delivery;
- Public affairs and education programs to support the AGCO's compliance strategy;
- Renewed focus on staff training, development and information sessions;
- Improved customer service for stakeholders; and
- Improved internal staff communications.

At the conclusion of fiscal year 2010/11, almost all of the recommendations were successfully implemented.

Media Relations

The AGCO has adopted a media strategy that helps to inform and educate the public, licensees and registrants about the AGCO's responsibilities and activities for the licensing and enforcement of the province's liquor and gaming industries in a timely fashion. The AGCO conducted media interviews relating to changes to liquor and gaming legislation, regulation, policy and decisions rendered by the Board. In 2010/11, the AGCO responded to 196 requests for information by various media outlets.

AGCO Website

The AGCO is committed to providing its clients with accurate and timely information through a number of different communications channels, including the internet. The AGCO's website (www.agco.on.ca) provides customers and the general public with timely and easily accessible information about liquor and gaming policies administered by the AGCO. Users of the site have access to all of the registration and licensing application forms, instruction guides and all publications, annual reports and newsletters made available by the AGCO. In 2010/11, there were 372,237 visitors to the AGCO website.

In July 2010, the AGCO launched a completely redesigned website, which included improved and more intuitive navigation and several new features. The new website is one of the foundational pieces for the AGCO's broader IT Strategy, which will eventually offer Electronic Service Delivery for our stakeholders. The new website has resulted in significantly fewer "clicks per visit" since it was introduced, indicating that visitors are more easily able to find the information they need.

CUSTOMER SERVICE IMPROVEMENTS

As part of its service delivery program, the AGCO provides customers with a personal "one stop shopping" service through its Customer Service Department. During 2010/11, this department responded to over 116,050 customer contacts providing assistance regarding licensing and registration issues including inquiries and complaints for all AGCO business areas. This is in addition to responding to over 14,522 walk-in customers at the AGCO's head office Customer Service Desk, and over 37,748 customers who were able to gather information themselves through the AGCO's integrated voice messaging system. The Customer Service department also responded to 4,154 email inquiries. In total, over 170,000 contacts were managed.

Visitors to the AGCO website

372,237

Requests for information by various media outlets responded to by the AGCO

196

Customer Service contacts

+170,000

AGCO CORPORATE ACTIVITIES & PROGRAMS

In 2010/11, the following customer service improvements were made:

- A formal complaints handling process was established. A brochure entitled “Resolving Complaints” was published in 2010/11 and outlines the processes in place to deal with all manner of complaints which may be received by the AGCO, whether about a licensee or registrant, the services we provide, or an AGCO employee or Board Member.
- Customer service standards were developed, which complement the complaints process and the standards currently in place to meet the requirements of the *Accessibility for Ontarians With Disabilities Act, 2005*. The establishment of customer service standards is in step with a broader government commitment to move towards a standards-based approach to resolving complaints and providing services to our customers and clients. The new customer service standards will be launched during Summer 2011.
- A number of upgrades to the AGCO’s call centre technology were also implemented. AGCO Customer Service representatives are able to answer inquiries more quickly through a more user friendly platform, significantly improving our service delivery.

GREENING THE AGCO – ECO INITIATIVES

The AGCO’s Eco Committee was established in 2009 with a mandate to create a more environmentally-friendly workplace, reduce costs, and contribute to the well-being of the environment at large. The Eco Committee is staff-driven and comprises representatives from every Branch of the agency. Its mandate is to develop and implement initiatives and programs that encourage employees to reuse, reduce and recycle.

A number of initiatives have been undertaken this fiscal year, including the electronic dissemination of a regular internal enviro-newsletter, participating in OPS Green Office programs and conferences, supporting OLG’s Bet On Green program for AGCO employees working at OLG facilities, Lunch and Learn opportunities for staff, annual

participation in Toronto’s “20 Minute Cleanup”, and a “Green Meeting Guide”. The Eco Committee also hosted the David Suzuki Foundation for a half-day workshop on improving the agency’s green capabilities.

In addition, each branch of the AGCO has undertaken a review of its operational processes to see where paper savings could be had without compromising the integrity of the services we provide. Changes as a result of this review included double sided printing for documents, reducing distribution lists for hard copies, scanning and emailing documents rather than copying them, reducing hard copy fax approvals and replacing them with email approvals, creating electronic manuals rather than paper ones, etc. It is estimated that these changes will save in excess of 100,000 sheets of paper per year.



**Operational Highlights –
LIQUOR REGULATION**

LIQUOR REGULATION

Liquor Licence Act infractions have been decreasing as licensees become more educated, AGCO resources are being used more effectively, and risks are being reduced.

LICENCES AND PERMITS ISSUED UNDER THE *LIQUOR LICENCE ACT* (LLA)

In 2010/11, the number of liquor-related licences and permits issued by the AGCO remained relatively constant from that of the previous year.

Table 8 – Liquor Licences and Permits Issued

For Fiscal Years	2009/10	2010/11
Liquor Sales Licensed Establishments	16,659	16,644
Brew-on-Premise Facilities	600	597
Liquor Delivery Services	291	306
Manufacturers	244	265
Manufacturer's Representatives	755	775
Total	18,549	18,587
Notices of Proposal	832	642
Orders of Monetary Penalty	83	80
Alcohol Beverage Advertisement Complaints Reviewed	38	19
Special Occasion Permits Issued	61,587	62,221

MEETING GOVERNMENT PRIORITIES

Special Occasion Permit Reform

In 2010/11, the AGCO continued to work on initiatives which support the government's broader "open for business" objectives for LLA reform. This included streamlining and simplifying the SOP program, which allows individuals or organizations to serve alcohol at special events. Moving forward with this reform agenda, the Ministry of the Attorney General, in collaboration with the AGCO, conducted stakeholder consultations during 2010/11 to gather feedback on proposed changes to the SOP program. Stakeholders were supportive of the proposed changes which simplify the current licensing and regulatory regime. Changes to the SOP program are anticipated to be introduced in several phases over 2011 and 2012.

Compliance-Focused Approach to Liquor Regulation

Further progress was made in shifting our overall approach to liquor regulation to be more compliance-focused. AGCO staff continued to work on refining the strategy and in some cases expanding the programs to achieve a greater rate of compliance. The following programs form a key part of this strategy:

- Risk-Based Enforcement
- Risk-Based Licensing
- Monetary Penalties
- Public Affairs and Education

INVESTIGATION, ENFORCEMENT AND COMPLIANCE

The AGCO's Investigation and Inspection Branch, which is overseen by the OPP Investigation and Enforcement Bureau assigned to the AGCO, continues to implement a risk-based approach to conducting LLA inspections at licensed premises, monitoring liquor licensed premises for compliance with the LLA and investigating complaints and/or breaches of the LLA, sometimes in partnership with local police services.

During this fiscal year, the Inspection and Investigation Branch carried out **23,683** inspections of liquor sales licensed establishments, together with **2,383** joint forces projects, for a total of **26,066** liquor-related inspections.

Enhancing Compliance – Partnerships With Municipalities and Law Enforcement Agencies

The AGCO continued to foster better coordination and relations with other provincial and local agencies with respect to liquor enforcement by providing assistance and advice to our partners in an effort to increase compliance rates and enhance LLA enforcement activities across the province.

In many municipalities, the AGCO is part of a formal Integrated Municipal Enforcement Team involving local police, fire, health, by-law and licensing authorities; in other municipalities, the AGCO carries out joint forces operations with local authorities as requested. This

Total liquor-related inspections
carried out by the AGCO

26,066

approach has been most formalized with regards to liquor enforcement in Toronto's Entertainment District, where a committee comprising representatives of the AGCO, the City of Toronto and law enforcement agencies continues to meet to share information and review issues.

The AGCO, working with the Ontario Association of Chiefs of Police (OACP), sponsors an annual award to recognize police agencies that have increased their efforts with regards to enforcement of the LLA. Two Awards for Outstanding Liquor Enforcement are presented annually, one to an agency with more than 500 officers, and one to an agency with fewer than 500 officers. The 2010 awards were presented to the Waterloo Regional Police Service and the Cornwall Community Police Service at the annual OACP convention in June.

In 2010/11, the AGCO developed two educational programs geared to assist local law enforcement agencies in relation to liquor enforcement:

- A training video for front-line police officers on enforcement of the LLA, and the ways in which law enforcement agencies can work

LIQUOR REGULATION

with the AGCO to take action against problematic local establishments in order to bring them into compliance with the law, produced with the Ontario Police Training Video Alliance (OPTVA); and

- A pocket-sized brochure for police officers entitled “Liquor Enforcement in Ontario: A Guide for Police Officers”, which summarizes the key points of the OPTVA video.



PUBLIC AFFAIRS AND EDUCATIONAL ACTIVITIES

This fiscal year the AGCO broadened its public affairs program by expanding the distribution of information to licensees and offering free educational seminars across the province on core elements of the laws applying to liquor sales licensees. Results of the seminars are as follows:

- 44 seminars hosted
- 24 communities visited

- 2,627 people attended (60% owners and managers, 72% with more than 5 years in the industry)
- 1,018 establishments represented
- Positive feedback from those attending — 89% found it useful, 86% learned something, 82% would recommend the seminar
- 20,147 pieces of educational material were distributed at the seminars

Licensees and their staff are provided access to a number of materials such as:

- You and the Liquor Laws – A Guide for Staff of Liquor Sales Licensed Establishments
- You and the Liquor Laws Plus – A Guide for Owners and Managers of Liquor Sales Licensed Establishments
- Responsible Service Tip Sheets covering a variety of topics

These materials can be obtained through the AGCO website, at trade-shows and seminars, directly from AGCO Inspectors and upon request through the Customer Service Representatives.

OVERALL RESULTS – COMPLIANCE-FOCUSED APPROACH TO LIQUOR REGULATION

The AGCO’s new and multifaceted regulatory approach is showing positive results. In all parts of Ontario, the introduction of risk-based, compli-

ance-focused programs are helping licensees achieve greater compliance.

LLA infractions have been decreasing as licensees become more educated, AGCO resources are being used more effectively, and risks are being reduced. For example, in 2008/09 there were 13,046 infractions noted across the province. By the next year that number had dropped to 8,610 — or a decrease of 34% — even though the number of inspections and AGCO Inspectors remained largely the same.

There has also been a decrease in the number of suspensions served in Ontario. This results from the decrease in the number of infractions in conjunction with the introduction of monetary penalties as an additional compliance tool.

In 2007, there were 456 suspensions served across the province, or 3% of liquor sales licensees. By the end of 2008, the number of suspensions dipped from 456 to 416 — or 9% fewer than the year before. In 2009, there was another drop in the number of suspensions to 352. This represents 22% fewer suspensions in just two years.



Operational Highlights –
**GAMING ACTIVITIES
OPERATED BY OLG**

GAMING ACTIVITIES OPERATED BY OLG

The AGCO's multifaceted approach to regulation is a collaborative, partnership approach to ensure that gaming activities operated by OLG are conducted in the public interest in accordance with the principles of honesty, integrity and social responsibility.

The AGCO currently regulates the following gaming activities operated by OLG:

- Commercial gaming, comprising:
 - 4 commercial casinos,
 - 6 OLG casinos, and
 - 17 slot machine facilities at racetracks.
- Provincial lotteries, which include such products as scratch tickets, and games where customers play numbers and their tickets are individually dispensed through a terminal (Lotto 6/49, Lotto Max, Pro Line, etc.).

The AGCO's multifaceted approach to regulation, which includes registration of industry participants, compliance and inspection activities, equipment testing (i.e. slot machines), audit and investigations is a collaborative, partnership approach working with key stakeholders to ensure that gaming activities operated by OLG (both gaming facilities and lotteries) are conducted in the public interest in accordance with the principles of honesty, integrity and social responsibility.

1. REGULATION OF COMMERCIAL CASINOS, OLG CASINOS AND SLOT MACHINE FACILITIES AT RACETRACKS

OVERVIEW

The AGCO works proactively with OLG and gaming registrants to

address any emerging concerns and to collaboratively enhance the regulatory framework that governs the industry. These collaborative efforts have facilitated the creation of regulatory approaches that are both more effective and efficient in nature, permit added operational flexibility, increase operator and registrant accountability and, where possible, identify regulatory synergies with the other lines of business regulated by the AGCO.

The AGCO registers employees, approves electronic gaming equipment and rules of play, conducts compliance inspections, launches investigations and undertakes audits, both scheduled and ad hoc, at Ontario's 27 commercial gaming facilities to help ensure regulatory compliance and to maintain strong public confidence in casino gaming in Ontario.

Table 9 – Number of Slot Machines and Table Games at Ontario Gaming Facilities

OLG Casinos	# of Slot Machines	# of Table Games	Location	Open to Public
OLG Casino Brantford	539	55	Brantford	November 19/99
Great Blue Heron Charity Casino	523	60	Port Perry	May 5/00
OLG Casino Point Edward	480	25	Point Edward	April 20/00
OLG Casino Sault Ste. Marie	447	13	Sault Ste. Marie	May 23/99
OLG Casino Thousand Island	496	23	Gananoque	June 22/02
OLG Casino Thunder Bay	452	14	Thunder Bay	August 30/00
Commercial Casinos	# of Slot Machines	# of Table Games	Location	Open to Public
Casino Niagara	1,636	40	Niagara Falls	December 9/96
Niagara Fallsview Casino Resort	3,121	132	Niagara Falls	June 8/04
Casino Rama	2,460	123	Orillia	July 31/96
Caesars Windsor	2,330	86	Windsor	Interim: May 94 Permanent: July 29/98
Slot Facilities at Racetracks	# of Slot Machines		Location	Open to Public
Ajax Downs	800		Ajax	March 2/06
OLG Slots at Clinton Raceway	123		Clinton	August 26/00
OLG Slots at Dresden Raceway	116		Dresden	April 20/01
Flamboro Downs	782		Dundas	October 13/00
Fort Erie Racetrack	401		Fort Erie	September 11/99
Georgian Downs	1,000		Barrie	November 29/01
Grand River Raceway	240		Elora	December 6/03
OLG Slots at Hanover Raceway	131		Hanover	February 21/01
OLG Slots at Hiawatha Raceway	452		Sarnia	May 10/99
Kawartha Downs Raceway	450		Peterborough	November 24/99
Mohawk Raceway	859		Milton	August 12/99
Rideau Carleton Raceway	1,274		Ottawa	February 18/00
Sudbury Downs Raceway	370		Sudbury	November 28/99
OLG Slots at Western Fair	750		London	September 30/99
OLG Slots at Windsor Raceway	750		Windsor	December 18/98
Woodbine Raceway	2,204		Toronto	March 29/00
Woodstock Raceway	185		Woodstock	June 22/01

GAMING REGISTRATIONS – COMMERCIAL GAMING FACILITIES

Any person or business wishing to provide goods or services to, or work for a commercial casino, OLG casino or slot machine facility at a racetrack must be registered under the GCA (unless exempt). In this regard, an investigation is carried out by the Registrar concerning the character, integrity and financial responsibility and competence of those persons or businesses and their suitability for registration.

Table 10 – Number of Gaming Registrations at Casinos and Slot Machine Facilities at Racetracks

For Fiscal Years	2009/10	2010/11
Gaming Suppliers	2,493	2,377
Gaming Employees	15,646	15,233
Total	18,139	17,610
Orders of Monetary Penalty	1	0
Notices of Proposed Order	34	13

Compliance Inspections

The AGCO's Audit and Gaming Compliance Branch conducts compliance inspections and audits at commercial casinos, OLG casinos and slot machine facilities at racetracks, both scheduled and ad hoc, to ensure compliance with the GCA, LLA, approved policies, terms and conditions of registrations, and anti-money laundering and terrorist financing measures. The Branch also approves and monitors applicable internal control measures, and surveillance and security policies and procedures, to help protect honesty, integrity and the public confidence in casino operations in Ontario. If areas of risk or non-compliance are identified, the AGCO works proactively with gaming registrants to address those concerns and, when necessary, initiates administrative action. The AGCO also investigates and responds to complaints that pertain

to regulatory issues at individual gaming sites.

In 2010/2011, the Audit and Gaming Compliance Branch carried out 3,150 gaming-related inspections, resulting in 902 Corrective Action Reports being issued (CARs). The Branch also carried out 134 liquor inspections at gaming sites, resulting in 38 CARs.

Audit and Memorandum of Understanding (MOU) with FINTRAC

As part of the AGCO's overall approach to working collaboratively with other government agencies, the AGCO worked closely with the Financial Transaction and Reports Analysis Centre of Canada (FINTRAC) to help combat money laundering and terrorist financing at gaming facilities. An MOU was signed between both parties in

2004. The collaboration between the organizations continues to be refined and enhanced in an effort to develop stronger communication channels, sharing of information in appropriate circumstances and to assist both the AGCO and FINTRAC in meeting their regulatory mandates. In 2009, both parties committed to participating in a pilot project to further enhance the relationship and communication between both agencies. The AGCO is the first gaming regulator in Canada to participate in a pilot project of this nature. The pilot project was reviewed at the end of the fiscal year and determined by all parties to be a success so the elements of the pilot were made permanent, creating an even more effective ongoing relationship between the two organizations. This new collaborative model is now being considered for implementation in other provincial jurisdictions.

In carrying out an audit at a commercial gaming facility, the AGCO auditor focuses on the site's compliance with its Internal Control Manual (ICM) to ensure that it fulfills the requirements under the GCA, the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act, 2001*, and all of the related regulations. In 2010/11, the Branch conducted 19 audits at Ontario's gaming facilities. The AGCO works with the gaming facilities on developing plans to address any issues raised through the audit process. Follow up audits are conducted to ensure plans are implemented and are effective.

ELECTRONIC GAMING EQUIPMENT AND SYSTEM APPROVALS

Testing of Electronic Gaming Equipment and Systems

The AGCO ensures that all electronic gaming equipment in the province meets rigorous standards aimed at ensuring its technical integrity. In that regard, all electronic equipment (slot machines, electronic table games, card shufflers, etc.) and gaming management systems (slot machine monitoring, cashless ticketing, progressives, etc.) are tested for technical integrity, security and audit capacity according to the Ontario Minimum Technical Standards established by the Registrar. This testing is carried out at the AGCO's in-house Electronic Gaming Lab equipped with the exact equipment and systems that are currently used or are intended to be used at gaming facilities. Tests carried out by the lab include:

- Mathematical simulation and verification of game payback and award odds;
- Random Number Generator testing to ensure random game outcomes;
- Computer emulation of gaming equipment to ensure prize payouts; and
- System interoperability between ticketing, slot machine monitoring and progressive systems and the gaming equipment.

Based on the results of the testing, the Registrar determines if the equipment and/or systems are to be approved for installation in Ontario gaming facilities. Only equipment and systems approved by the Registrar can be installed and used at the gaming sites. The AGCO continues to achieve an average 31 day turn around time for approval of gaming equipment/systems.

The AGCO has Electronic Gaming Officers on-site at casinos and slot machine facilities at racetracks who are responsible for inspecting new electronic gaming equipment, conducting random checks on approved electronic gaming equipment, and performing inspections on new installations and changes to slot machines.

In 2010/11, staff of the AGCO's Electronic Gaming Branch inspected 46,546 electronic gaming devices, including slot machines, with minimum disruption to patron play. Of these inspections, 4,391 deficiencies were found as follows:

- 3,460 deficiencies were found in games which were being inspected prior to approving their availability for patron play (i.e. incorrect software installed, unapproved paytables enabled, etc.). These games were not allowed for play until corrective action was taken by the site and the games passed inspection.
- 903 deficiencies were discovered during random checks of devices that were quickly remedied by the site (i.e. button panel not working, loose locks, etc.) so that the game could be made available for patron play once the deficiency was corrected.
- 28 deficiencies were discovered by Electronic Gaming Inspectors where there was a malfunction in the equipment (i.e. incorrect value displayed). These games were immediately removed from patron play.

Of electronic gaming devices available for play to patrons, Electronic Gaming Inspectors discovered 28 games during follow up inspections where there was a malfunction in the equipment posing a potential impact to the integrity of the game. These games were immediately removed from patron play. All other deficiencies discovered during random checks of devices both in and out of service (903) were quickly remedied (e.g. loose lock, button panel not working, touch screen requiring calibration, etc.), allowing the game up for patron play immediately once the deficiency was corrected with minimal impact to gaming revenue.

GAMING ACTIVITIES OPERATED BY OLG

Quality Assurance Program for Electronic Gaming Lab

A key AGCO initiative and Electronic Gaming Branch strategy was the development of a formal Quality Assurance program for the Electronic Gaming Lab.

The Quality Assurance program will develop a formal quality system that will help to continually improve the quality of test results and the efficiency and effectiveness of the Electronic Gaming Lab. Accreditation against an international standard provides a third party demonstration that the Lab has the necessary capabilities to carry out the specific tests necessary to ensure gaming equipment and gaming management systems satisfy the requirements to operate in Ontario. Moving forward, third party recognition will enhance the reputation of the Lab, as the AGCO is not aware of any other gaming regulator that has an in-house accredited gaming lab.

The recognized international accreditation standard for quality assurance of testing laboratories is ISO/IEC 17025:2005. This standard gives guidance to testing laboratories through the quality management system standard of ISO9001:2000 with additional technical requirements specific to testing and calibration laboratories. ISO/IEC 17025:2005 addresses quality management topics such as: the management system, document control, service delivery, control of non-conforming testing including preventative and corrective actions,

control of records, internal audits and management reviews.

It also addresses technical requirement topics such as: the technical competence of personnel, testing equipment and lab environment, test procedures and procedure validation, participation in proficiency testing with other laboratories, and guidance on the contents of generated test reports.

Accreditation to ISO/IEC 17025:2005 requires an accreditation audit to be performed by an external assessor who has technical expertise in the testing procedures and equipment that is being inspected. This audit, also performed biennially after accreditation is granted, will ensure that conformance to the standard is being maintained and will serve to further identify any necessary improvements to be made to the lab operations. In addition to the biennial audit by an external auditor appointed by the Registrar of the Accreditation Lab, a formal internal audit of the lab's quality system must also be conducted on an annual basis to verify operations comply with the requirements of this standard.

The accreditation is expected to be achieved by Fall 2011.

Server-Based Technical Standards

In May 2010, to complement the AGCO's risk-based approach to regulation, new technical standards for server-based gaming technology were introduced in anticipation of its possible introduction into the

Ontario marketplace. These technical standards would govern the use of a "server-assisted slot system" and a "server-based slot system".

The benefits of these new technologies, once installed by the gaming sites, will allow the casino operators to change the games and/or game configuration centrally with minimal effort instead of having to make these changes manually at each slot machine.

INVESTIGATION, ENFORCEMENT AND COMPLIANCE

Casino Enforcement Unit

The AGCO's Casino Enforcement Unit (CEU) comprises members of the OPP assigned to provide 24/7 police presence at all casinos and also to police slot machine facilities at racetracks.

Officers assigned to the CEU have a mandate to protect Crown assets and investigate Cheat at Play offences, ensuring that the honesty and integrity of the games is maintained and that public safety at facilities is maintained. CEU officers are also responsible for conducting regulatory investigations for the Registrar. These involve investigations of casino employees that are required to be registered under the GCA based on the job function they perform.

2010/11 Occurrences at Casinos and Slot Machine Facilities at Racetracks

During 2010/11, there were approximately **5,551** total occurrences at

casinos and slot machine facilities at racetracks which were responded to by the Casino Enforcement Unit. Of these, **1,587** were Criminal Code offences, including **162** alleged incidents of Cheat At Play (**29** Cheat At Play charges laid). Other Criminal Code occurrences include Fraud, Theft and Assault investigations.

There were an additional **3,964** non-Criminal Code related occurrences. These occurrence types could involve any Provincial statute investigation or violation, including the LLA, *Trespass To Property Act*, and *Mental Health Act*. Other examples could include a suspicious person investigation that may not necessarily fall into any specific offence category, missing persons investigations, as well as assistance to other police agencies. This could include assistance with intelligence gathering, or general inquiries/assistance for an outside investigation.

The **5,551** occurrences noted previously are in addition to assisting

local police with non-gaming related investigations. Only those events that result in a report being filed are considered by the AGCO's Investigation and Enforcement Bureau to be reportable occurrences. The number of occurrences has decreased slightly from approximately **5,589** occurrences in 2009/10*.

**Data for 2008/2009 and 2009/2010 reported only Criminal Code occurrences*

2. REGULATION OF LOTTERIES CONDUCTED BY OLG

OVERVIEW

In January 1, 2008, the AGCO began regulating the sale of lottery tickets managed and conducted by OLG on behalf of the government of Ontario through the registration of lottery retailers, lottery retailer managers and lottery equipment suppliers that supply gaming services to OLG with respect to the sale of lottery tickets. This was in response to recommendations made by the Ombudsman of Ontario in a report entitled "Investigation

into the Ontario Lottery and Gaming Corporation's Protection of the Public from Fraud and Theft: A Game of Trust". The AGCO also carries out lottery audits covering all major processes of OLG.

OLG LOTTERY REGISTRATIONS

Any person or business, including all lottery retailers, lottery retailer managers and lottery equipment suppliers to OLG, must obtain registration from the AGCO and follow specific terms in order to sell lottery products in Ontario. There is no fee for registration.



Table 11 – Lottery Retailer and Lottery Retailer Manager Registrations Issued

For Fiscal Years	2009/10	2010/11
Lottery Retailers	10,288	10,085
Lottery Retailer Managers	1,708	1,999
Lottery Suppliers	27	26
Total	12,023	12,110
Orders of Monetary Penalty	3	2
Notices of Proposed Order	44	25

The AGCO communicates with OLG on a daily basis regarding any changes in the registration status of contracted lottery retailers or lottery retailer managers. This process ensures that where a suspension or revocation of a registration has been ordered by the Registrar, OLG can take appropriate action so that the particular registrant is unable to sell or redeem lottery tickets (disabling the lottery terminal, collecting scratch tickets, etc.).

INVESTIGATION, ENFORCEMENT AND COMPLIANCE

During 2010/11, **9,942** Lottery Compliance Inspections were conducted at registered lottery retailer locations by AGCO Inspectors.

As of January 1, 2008, the OPP Investigation and Enforcement Bureau assigned to the AGCO began investigating OLG-conducted lottery insider wins (retailers or related persons) and suspicious wins. OLG screens all prize claims above \$10,000 and forwards insider claims to either the OPP or the third party investigation firm for investigation. Within the category of “related parties” (or “insiders”) the OPP investigates wins by: (1) registrants (retailers, manufacturers, etc.), (2) key OLG personnel with significant decision-making authority, and (3) retailers’ employees involved in the sale and redemption of tickets. The remaining persons defined as “insiders” (e.g., remaining OLG employees) are investigated by a

third party investigation firm as per procedures approved by the AGCO.

During 2010/11, the OPP carried out a total of **616** lottery-related investigations, comprising **36** insider wins over \$10,000, **88** suspicious wins, and **492** various complaints about possible thefts, frauds, etc.

Of note is the complex investigation of a \$12.5 million “Lotto Super 7” theft/fraud investigation which had been turned over to the Investigation and Enforcement Bureau in October 2008, and which culminated in 2011 with the arrest and criminal charges against three persons. Numerous search warrants were executed and the OPP Asset Forfeiture Unit assisted in the investigation. All three parties are still before the courts awaiting trial. Investigators also identified a group of seven Ontario men who were the rightful owners of the stolen winning ticket and as a result the group received a cheque from OLG for \$14.85 million (including accrued interest).

PUBLIC AFFAIRS AND EDUCATIONAL ACTIVITIES

As part of the AGCO’s goal to be a more compliance-focused regulator, we have increased our efforts in providing relevant information to lottery retailers and lottery retailer managers on their regulatory requirements and how to keep their AGCO registrations in good standing.

In addition to AGCO Inspectors providing one-on-one education to

Total lottery-related investigations carried out by the OPP

616

some 10,000 lottery retailers and lottery retailer managers during the inspection process, the AGCO launched *Lottery Line* in March 2011, a newsletter published in English, French and Korean that provides information on a range of subjects to assist those involved with the sale of OLG lottery products to remain compliant with the law.

The AGCO also hosted booths at the Convenience U / CARWACS tradeshow and the Ontario Korean Businessmen’s Association tradeshow. These two shows provided lottery retailers and break open ticket sellers with an opportunity to access relevant information and ask questions related to their regulatory obligations.

A close-up, angled view of a slot machine reel. The word 'WINNING' is displayed in large, glowing pink letters on a white background. To the left, a grid of glowing yellow circles is visible. To the right, numbers like 16, 31, 46, and 6 are visible on a dark background.

Operational Highlights –
**CHARITABLE GAMING
REGULATION**

CHARITABLE GAMING REGULATION

The AGCO continues to support the charitable gaming industry through **modernization initiatives** designed to **provide opportunities** for the industry to grow its business.

OVERVIEW

As the regulator of charitable gaming in Ontario, the AGCO continues to support the charitable gaming industry through modernization initiatives designed to provide opportunities for the industry to grow its business. The agency worked closely with the Charitable Gaming Strategic Working Group to develop strategies

that will allow the sector to remain viable in a competitive environment.

The AGCO also oversees the licensing of lottery events, including bingo, raffles and the sale of break open tickets, issues licences and registrations to individuals or businesses that wish to provide goods or services to the charitable gaming

sector, and carries out inspection and enforcement activities to ensure that charitable gaming licensees and registrants are operating in accordance with the law and in the public interest. Charitable gaming activities continue to be an important source of funding for charities.

Table 12 – 2010/11 Estimates of Province-Wide Charitable Gaming Revenues

	Gross Wager	Net Revenues	Charity Profit
Bingos *	\$552,000,000	\$128,000,000	\$43,000,000
Break Open Tickets	\$306,000,000	\$102,000,000	\$42,000,000
Raffles	\$271,000,000	\$163,000,000	\$76,000,000
Total	\$1,129,000,000	\$393,000,000	\$161,000,000

** Does not include e-bingo charitable gaming sites*

MODERNIZING THE CHARITABLE GAMING SECTOR

To support the AGCO's broader modernization agenda, staff continued working with stakeholders in this sector to finalize the modernization of the charitable gaming regulatory framework. During 2010/11, the following milestones were achieved:

Charitable Bingo Halls

The Bingo Revenue Model (BRM) was amended by eliminating the Provincial Break Open Ticket Fee. Monies previously remitted for the Fee are now deducted from the Break Open Ticket win and are directed to member organizations of the Hall Charities Association resulting in more charitable revenues.

The Ontario Bingo Development Fund (OBDF) continued its work on establishing marketing and advertising campaigns for pooling bingo halls across the province. This year, the OBDF's focus has been on extending the Gametime Bingo brand, created in 2009. To heighten brand awareness, the OBDF designed, developed and promoted a new monthly bingo game held simultaneously between all participating OBDF bingo halls. This game, "Gametime Big Win Bingo", is held on the first Saturday of each month with a grand prize of \$100,000.00. Consolation prizes are also awarded in each participating hall.

Break Open Ticket Program

Significant changes to the Break Open Ticket (BOT) program were introduced in July 2010. Licensees are now permitted to sell multiple ticket types under one licence, carry over partially sold deals from one licence period to the next, provide flexibility on the issuance of licences reducing administrative burden for municipalities and charities, and provide additional flexibility on the types of prizes, prize payouts, and promotions of BOTs. For example, licensees have been given the flexibility to retail BOTs with prize board percentage payouts that range from 50% to 70%; external sponsors are permitted to place their branding on BOT products (although the tickets must clearly convey that they are charitable products); in addition to cash prizes, merchandise prizes may be offered; and other promotions can be offered that have additional value not included in the prize board, such as a ticket redeemed for a discount coupon. These improvements to the BOT program will complement earlier changes such as opening the market to additional manufacturers, introducing new types of BOT games, suspending the BOT retailer registration fee, and deeming registered lottery retailers to be BOT sellers without the need for an additional registration.

In addition to these changes the AGCO also introduced a new

revenue model for BOTs based on "win" which resulted in a more equitable distribution of proceeds. At the same time, and to assist the BOT industry in developing greater economic viability and growth, the Registrar reduced the amount of the Provincial BOT Fee paid by licensees conducting BOT sales through registered BOT sellers in third party locations and premises owned by the licensee. The fee was reduced from 5% of gross wager to 4.46% of gross wager.

High Value Raffles ("Mega Raffles")

High value raffles are lotteries conducted by charities where the prizes are one million dollars (\$1,000,000) or more. The AGCO continued to work with the stakeholders in this segment of the industry in order to identify opportunities to further enhance charitable fundraising opportunities. During 2009/10, a pilot project was put into place to allow licensees more options to communicate the details of the operation of their raffle, including allowing the use of internet technology to promote tickets sales, solicit ticket orders, and accept ticket order information. For example, online ordering is permitted, however this must be just one of a variety of channels to take orders, and online submission of payment information is permitted however payment fulfillment of ticket orders is not permitted and licensees must process payment

CHARITABLE GAMING REGULATION

in the same manner for existing sales channels (batch orders processed every 24-48 hours). The AGCO is evaluating data provided by the pilot participants to determine next steps for this sector of the industry, and whether on-line opportunities made available under the pilot will be made permanent and whether they will be permitted for use by a larger sector of the raffle licensee community. To date, licensees appear to be operating within the guidelines of the pilot and there have not been any significant compliance concerns.

On April 21, 2010, the Registrar reduced the fees for provincially-issued raffle licences with a prize value of \$50,000 or more to 1% of the prize board from 3% of the prize board. This was to ensure that a greater proportion of raffle monies collected could be used by the licensee organizations for charitable purposes.

CHARITABLE LOTTERY LICENCES

The issuance of charitable lottery licences continues to be a two-tiered approach, with the AGCO and local municipalities both having a role in this program.

The AGCO is the licensing authority for:

- Charitable gaming events in pooling bingo halls;
- Bingo events (i.e., Special Bingo, Monster Bingo) with prize boards over \$5,500;

- Super jackpot bingo events;
- Progressive bingo game events and loonie progressive games;
- Social gaming events (i.e., table game event held in conjunction with a social event);
- Raffle lotteries for total prizes over \$50,000;
- Break open tickets sold by organizations with a provincial mandate;
- Lotteries held in conjunction with another gaming event, including break open tickets at bingo events;
- All lottery schemes conducted in unorganized territories; and
- Lottery schemes at designated fairs or exhibitions.

Municipalities issue lottery licences for the following:

- Bingo events with prize boards of up to \$5,500;
- Media bingo events with prizes up to \$5,500;
- Break open tickets for local organizations;
- Raffle lotteries for total prizes of \$50,000 and under; and
- Bazaar lotteries which include: wheels of fortune with a maximum bet of \$2.00, raffles not exceeding \$500, and bingo events up to \$500.

A municipality may attach terms and conditions to a licence, in addition to those established by the province, provided that they do not conflict with provincial terms and conditions or policies.

Overall, the charitable gaming industry has remained stable in 2010/11 over 2009/10. The variance in figures indicated in the table on the next page reflects a shift in charitable gaming initiatives and administrative relief measures put in place to streamline processes, create efficiencies and provide better customer service for licensees.

Table 13 – Lottery Licences Issued

For Fiscal Years	2009/10	2010/11
Bingo	157	165
Charitable Gaming (Bingo Hall) *	8,326	7,871
Break Open Ticket (BOT) **	299	233
Raffle	193	201
Social Gaming Events ***	48	36
Other	8	6
Total	9,031	8,512

* Decrease is due to bingo halls exploring other forms of gaming (i.e. e-bingo). Two bingo halls in Windsor converted to e-bingo; as such AGCO is no longer licensing the charitable gaming events for the charities that operate out of these halls.

** Under the Break Open Ticket Modernization program, a longer licence period and the ability to extend licence periods equates to fewer licences issued per year.

*** There is a decrease in the number of registered gaming service and gaming equipment suppliers that provide equipment and services for this type of gaming event.

GAMING REGISTRATION

Any person or business wishing to provide goods or services to charitable or religious organizations to assist with the conduct and management of their licensed lottery event, or any business that manufactures bingo paper or break open tickets, must be registered under the GCA.

Table 14 – Charitable Gaming Registrations Issued

For Fiscal Years	2009/10	2010/11
Bingo Hall Operators	74	74
Gaming Services/Equipment Suppliers & Manufacturers	95	93
Break Open Ticket Sellers *	474	409
Gaming Assistants	3,049	2,895
Total	3,692	3,471
Orders of Monetary Penalty	0	1
Notices of Proposed Order	10	13

* This figure represents the number of sites that only sell break open tickets (no OLG lottery products). It does not denote the total number of sites that currently sell break open tickets. All lottery retailer registrants may sell break open tickets in addition to OLG lottery products.

CHARITABLE GAMING REGULATION

INVESTIGATION, ENFORCEMENT AND COMPLIANCE

AGCO Inspectors are trained to conduct inspections at Break Open Ticket seller locations across Ontario, and have also been cross-trained to inspect bingo facilities to ensure compliance with the GCA. In 2010/11, **1,577** Charitable Gaming inspections were conducted by AGCO Inspectors.

CHARITABLE GAMING AND PARTNERSHIPS WITH OLG

Since opportunities for expansion of the charitable gaming sector are limited, the industry has been working with government to establish a partnership to raise funds through electronic gaming activities such as e-bingo and the introduction of other electronic games in bingo halls.

To that end, OLG has been working with the Ontario Charitable Gaming Association and Commercial Gaming Association Ontario to launch the Charitable Bingo and Gaming Revitalization Initiative which is planning to introduce new electronic and paper games in bingo halls across Ontario.

In order for any supplier to sell equipment or services to OLG, including for its Charitable Gaming business, that supplier must obtain a Gaming Related Supplier registration from the AGCO. The AGCO has been working closely with OLG and the bingo industry to develop a regulatory framework and inspection/compliance regime for this program.



APPENDIX I: 2010/11 PERFORMANCE MEASURES

The 2010/11 year-end results for performance measures established for the AGCO were effectively on target.

Table 15 – 2010/11 Performance Measures

Details	Output Measures	Outcome Measures
Goal: Satisfied Customers		
To provide appropriate, fair and courteous customer service to all licensees, registrants and the general public.	Implementation of newly developed feedback/complaint process.	Increase in the number of channels and/or ease which licensees, registrants and the public can provide feedback/complaints.
Goal: Effective and Efficient Resource Management		
To ensure business processes are operating as efficiently and effectively as possible.	Improved turnaround time for issuance of low risk applications. Increase use of compliance tools recently enacted to achieve licensee/registrant compliance.	Greater resource focus placed on assessing impact of high risk applications on public safety and public interest. Reallocation of AGCO enforcement resources to more serious public safety and integrity issues.
Goal: Internal Staff Development and Satisfaction		
To provide an environment that promotes open and free communication for staff.	Complete and analyze the output information garnered through the communication audit.	Implement the significant recommendations resulting from the communications audit.
To provide an environment that promotes key learning and development opportunities for staff.	A strong commitment to focused learning and development opportunities.	Implementation of development plan to increase middle management's strategic leadership capacity and capability.
Goal: Business/Operational Excellence		
Risk Management strategies employed across the AGCO.	Implementation of Enterprise Risk Management Strategy (corporate, branch and initiative specific strategies).	Risks strategies are employed by all areas to reduce organizational exposures and improve decision-making (consistency/process).
Internal Control strategies employed across the organization.	Development of Internal Controls strategies.	Internal Controls activities and strategies are employed across the organization to increase corporate accountability and governance.

Target For 2 010/11**Results**

100% of complaints investigated and resolved/closed.

100% of feedback used to improve customer services and training initiatives.

Target met. The 523 complaints received were handled within the 72 hour standard.

Target met. 100% of feedback was shared with staff to effect service improvements.

Consistent application of meaningful criteria based on assessed risk level, used to promote licensee compliance and mitigate risk.

A significant increase in the resolution of compliance matters through the use of new compliance tools.

Target met. Through RBL, we have implemented a meaningful, transparent and consistent approach to managing liquor sales licence applications, issuing 9,483 licences with an average turnaround time of 42 days.

Target met. 90% of all non-compliance matters are being managed through these initiatives (LOI process, risk-based licensing and monetary penalties).

A 20% (or significant) increase in staff satisfaction determined through an organizational satisfaction review.

An increase in new management development opportunities for middle management staff.

Target partially met. Recommendations from communications audit largely completed. As part of the development of a staff wellness program recommended by the results of a staff engagement survey conducted in 2010, a program for ongoing measurement of staff satisfaction to be developed and implemented.

Target met. Opportunities to manage significant projects were provided to four individuals. Secondment, development and training opportunities have also increased from 2009/10 fiscal year.

All major organizational initiatives are reviewed/audited for effectiveness of implementation and risk mitigation.

Recommendations from Internal Controls Audit implemented.

All significant internal controls are reviewed/audited on a 4 year rotational basis.

Target met. While some audits are in progress and/or multi year initiatives, risk management practices which set the foundation for future audit work have been established for the implementation of major project initiatives such as risk-based licensing and ISO accreditation for the Gaming Lab.

Target met. Audit planning and performance benchmarking conducted/developed for all new initiatives (e.g. risk-based licensing). In 2010/11, audit recommendations to update policy manuals and process maps for risk-based licensing were completed.

Target met. A risk-based and rotational approach has been implemented.

APPENDIX II: LEGAL FRAMEWORK – ALCOHOL

LIQUOR LICENCE ACT

The *Liquor Licence Act* (LLA) establishes the licensing and regulatory regime for the sale and service of beverage alcohol in Ontario, except for retail sale to the public by the Liquor Control Board of Ontario (LCBO).

Various classes of licences and permits are established including:

- Licence to sell beverage alcohol;
- Licence for ferment-on-premise facilities;
- Licence for liquor delivery service;
- Manufacturer's licence;
- Licence to represent a manufacturer of beverage alcohol; and
- Special occasion permits for the sale and service of beverage alcohol on special occasions (for example, cash bars at fundraising events, weddings and receptions).

The LLA also establishes the rules for sale and service of beverage alcohol, including:

- No sale or service to persons under the age of 19;
- No sale or service to persons who appear to be intoxicated;
- No sale of beverage alcohol before 11:00 a.m. or after 2:00 a.m. (unless otherwise stipulated);
- No sale of illegal beverage alcohol; and
- Where beverage alcohol may be consumed (residence, licensed premises, private place).

The LLA and regulations provide for an inspection and enforcement regime to ensure that licensees and permit holders are in compliance with the law and regulations relating to the sale and service of beverage alcohol.

LIQUOR CONTROL ACT [SECTION 3(1)B, E, F, G AND 3(2)A]

Effective July 3, 2001, the AGCO assumed responsibility from the LCBO for the following:

- To control the delivery of liquor to the public;
- To authorize manufacturers of beer and spirits and wineries that manufacture Ontario wine to sell their spirits, beer or Ontario wine in stores owned and operated by the manufacturer or winery and to authorize The Beer Store to operate stores for the sale of beer to the public;
- To control and supervise the marketing methods and procedures in stores owned and operated by manufacturers and wineries;
- To determine, subject to the LLA, the municipalities within which stores owned and operated by manufacturers and wineries referred to in bullet 2 shall be established or authorized and the location of such stores in municipalities;
- To establish conditions, subject to any regulation, with respect to authorizations for stores owned and operated by

manufacturers and wineries referred to in bullet 2; and

- To establish conditions, subject to any regulations, with respect to authorizations granted with respect to the delivery of liquor to the public.

WINE CONTENT AND LABELLING ACT, 2000

The *Wine Content and Labelling Act, 2000* specifies that an Ontario winery may manufacture and sell wine in the province using imported grape or grape products. If an Ontario winery uses imported grapes or grape products in manufacturing its wine, the content of each bottle of wine manufactured by the winery must be no less than 30% Ontario grapes or grape product. Changes to the regulation filed in November 2009 and effective September 1, 2010, require that the content of each bottle of wine manufactured by the winery must be no less than 25% per bottle with an average of 40% domestic content in blended wines.

APPENDIX III: LEGAL FRAMEWORK – GAMING

CRIMINAL CODE OF CANADA

The *Criminal Code* (Canada) (the Code) establishes what types of gaming activities are legal, and the provinces are assigned responsibility for operating, licensing and regulating legal forms of gaming.

Part VII of the Code prohibits gaming in general, while Section 207 (1) allows for a number of exceptions to the general prohibition. Specifically, it permits “lottery schemes” provided that they are:

- “Conducted and managed” by the province in accordance with any law enacted by that province;
- “Conducted and managed” by a licensed charitable or religious organization provided that the proceeds of the lottery scheme are used for a charitable or religious purpose; and
- “Conducted and managed” by a licensed board of a fair or exhibition or by an operator of a concession leased by that board.

“Lottery schemes” are defined under the Code but do not include: three-card monte, punch board or coin table; book-making, pool selling or the making or recording of bets; and games operated through a computer, video device or slot machine, unless the lottery scheme is managed and conducted by the province (Sec. 207(4)).

Only the government of a province can conduct and manage a lottery scheme involving dice, slot machines or other computer devices.

GAMING CONTROL ACT, 1992

The *Gaming Control Act, 1992* provides for the regulation of gaming operations, suppliers and gaming assistants/employees of casinos, charity casinos, slot machine facilities, charitable gaming events, and registration of OLG lottery retailers, lottery retailer managers, and lottery suppliers.

ORDER-IN-COUNCIL 1413/08

Order-in-Council 1413/08 clarifies the rules and responsibilities of the AGCO and municipalities in lottery licensing. Additional changes were made to take into account the new bingo revenue model. The OIC provides that charitable organizations may be licensed to conduct and manage lottery events by either the Registrar appointed under the *Gaming Control Act, 1992* (the Registrar) or, depending on the type of charitable gaming event and the value of prizes to be awarded, by a municipal council. The OIC outlines terms and conditions that apply to lottery licences. The OIC also provides that the Registrar may attach additional terms and conditions to any licences he or she issues, and that municipal councils

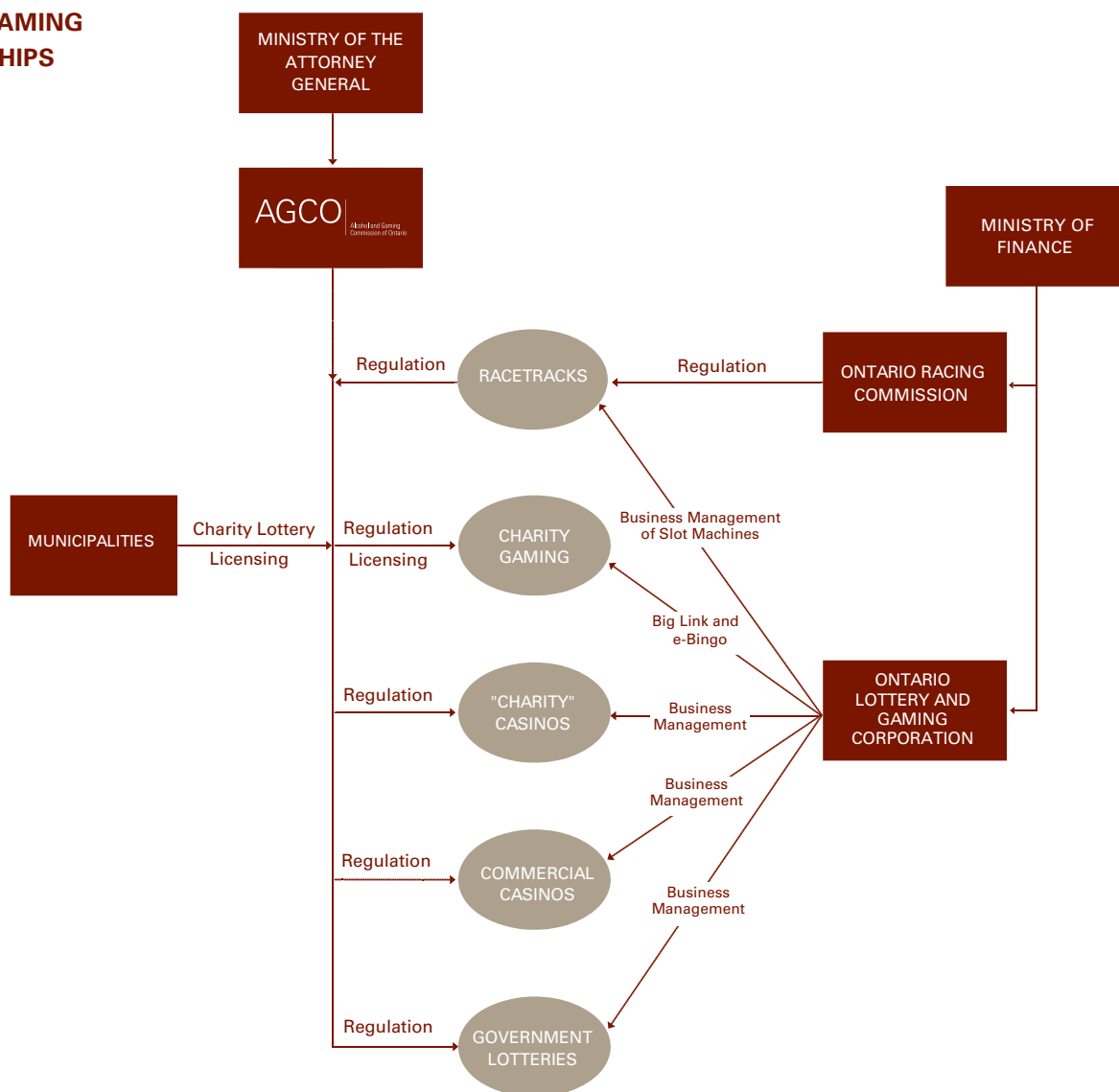
may attach terms and conditions to licences they issue provided they do not conflict with those of the Registrar. A number of First Nations have been designated by the OIC to issue lottery licences for charitable organizations.

In order to qualify for a lottery licence, an organization must have a “charitable object or purpose”. Charitable object or purpose is defined at common law and under the OIC as any object or purpose relating to:

- The relief of poverty;
- The advancement of education;
- The advancement of religion; or
- Any other purpose beneficial to the community.

The AGCO estimates money spent annually by the public on charitable gaming province-wide at approximately \$1.13 billion. Licensed charitable gaming in Ontario benefits thousands of local community charitable organizations. The AGCO estimates that charitable organizations in Ontario raised approximately \$161 million by holding licensed lottery events.

ONTARIO GAMING RELATIONSHIPS



The AGCO is responsible for the regulation of commercial casinos, OLG casinos, slot machine facilities at racetracks, and lotteries conducted by OLG.

In accordance with the Code and the *Ontario Lottery and Gaming Corporation Act, 1999*, OLG is responsible for the “management and conduct” of the gaming operations at commercial casinos, charity casinos, slot machine facilities, the linked “Big Link

Bingo” game played at charity bingo halls and e-bingo pilots. OLG is also responsible for the business management of all traditional lottery games such as “Lotto Max”, “Lotto 6/49” and scratch-and-win type tickets. Municipalities and the AGCO have responsibility for issuing lottery licences, primarily to religious and charitable organizations for bingo and break open ticket licences. The majority of lottery licences are issued by municipalities in the province.

FIRST NATIONS LOTTERY LICENSING

In 1998, the government approved a First Nations lottery licensing framework, which delegates authority comparable to that of municipalities to individual First Nations. An Order-in-Council (OIC) is issued to each participating First Nation. The OIC provides First Nations with authority to issue licences to religious and charitable organizations to conduct lottery schemes.

APPENDIX IV: AMENDMENTS TO REGULATORY FRAMEWORK 2010/11

MODERNIZATION OF LEGISLATIVE AND REGULATORY FRAMEWORK – UPDATES

In 2010/11, the following legislative and regulatory changes related to the legislation administered by the AGCO were approved by government:

Open for Business Act, 2010 – An Act to promote Ontario as Open for Business by Amending or Repealing Certain Acts

- Changes to various sections of the *Liquor Licence Act* in order to clarify the grounds under which the Registrar will approve the transfers of liquor licences.
- New Section 19.1(1) allowing the Board of the AGCO to establish criteria for the holders of Special Occasion Permits and for premises in respect of which a permit is issued based on factors related to the risk to the public, public safety, the public interest and the risk of non-compliance with the Act and the regulations by the holder of a permit.
- New Section 19.1(2) allowing the Board of the AGCO to specify conditions that may be imposed on a Special Occasion Permit and on the premises in respect of which the permit is issued.
- New Section 19.1(3) allowing the Registrar, based on the Registrar's assessment of risk of a Special Occasion Permit, to impose on the permit one or more conditions from among those specified by the Board.

Good Government Act, 2011

- Changes to the following Acts to enable the transfer of the adjudication of alcohol and gaming related matters from the Board of the AGCO to the Licence Appeal Tribunal, and giving the Registrar various powers previously held by the Board:
 - *Alcohol and Gaming Regulation and Public Protection Act, 1996* (AGRPPA) [1, 4, 10-12, 14, 14.1(1), 14.1(4)2, 14.1(5)-(7), 15, 17(1)]
 - *Licence Appeal Tribunal Act, 1999* [5.1, 6(1)(b), 11, 12(1)]
 - *Liquor Licence Act* [1(1), 8(4), 8.1(1), 9(2)-(7), 12(1), 12(2), 12(4), 14(2), 14(3), 15(7)-(10), 17(6), 17(7), 19(6), 19(7), 19(9), 19(10), 20(2), 20(3), 20.1(2), 20.1(3), 21(1), 21(4), 21(5), 23(5), 23(10)-(12), 23, 24, 38(4), 38(6)-(8), 62(1)16, 62.1(3)]
 - *Vintners Quality Alliance Act, 1999* [11(1)]
 - *Gaming Control Act, 1992* [1(1), 3.6(1)-(3),(5), 7(1), 13(2),(3),(5),(6) (8)-(12), 14(4),(5), 15(c), 17(3),(4), 39(3),(4), 40(3)-(5), 41(4)-(8)]

Ontario Lottery and Gaming Corporation Act, 1999 (OLGCA)

New definition of "gaming site" was added to the OLGCA to encompass both physical premises and electronic channels where lottery schemes are played or operated.

- Section 13 was repealed. As indicated above, these prohibitions are now found in the GCA.

Better Tomorrow for Ontario Act (Budget Measures), 2011

- [Following sections of GCA: 1(1), 3.6(1),(4),(6), 3.7,3.8, 3.9, 4(1.1), 4(1.2),(2),(5),(6),5(1), 5(5), 9(1.1), 10(c), 11(b), 19-22, 22.1, 26(1),(2), 30, 33(1)(a),(c),(d), 46(2),(4),(5),(5.1), 48(1), 48(1)(h),(i),(m),(m.1),(m.2), 48(2)]
 - Changes to the GCA so that it regulates the playing of lottery schemes at a gaming site, which can include not only physical premises but also an electronic gaming channel.
 - The addition of prohibitions previously found in section 13 of the OLGCA in the GCA including the prohibition against selling a lottery ticket to a person under 18 years of age, entering or remaining in a gaming site if under 19 years of age, or permitting a person under 19 years of age to play a lottery scheme in a gaming site.
 - Changes to the GCA to allow the Registrar of Alcohol and Gaming to establish certain standards and requirements for the conduct, management and operation of gaming sites, lottery schemes or businesses related to a gaming site or a lottery scheme for goods or services related to that conduct, management or operation if the regulations made under the Act have not prescribed them.