

Alcohol and Gaming Commission of Ontario



2013/14 - 2015/16 Business Plan



AGCO

Alcohol and Gaming
Commission of Ontario

CAJO

Commission des alcools
et des jeux de l'Ontario

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Contents

Mandate	4
AGCO Corporate Priorities	5
Environmental Scan and Key Accomplishments 2012/13	5
Corporate Initiatives	7
Proposed Budget	8
Staff Numbers	9
Performance Measures	9
Annual Performance Targets	9

Mandate

The Alcohol and Gaming Commission of Ontario (AGCO) is an arm's length regulatory agency of the provincial government that was established on 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 (MAG).

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

- Sale and service of beverage alcohol
- Lotteries operated by the Ontario Lottery and Gaming Corporation (OLG) on behalf of the government of Ontario
- Commercial gaming, including casinos and slot machine facilities
- Licensed lottery schemes conducted by charitable, not-for-profit and religious organizations (e.g. bingo, raffles and break open tickets)

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

- Ensure that gaming is operated with honesty and integrity and in the broader public interest
- Facilitate a competitive and flexible operational environment for Ontario's gaming sites while maintaining the highest standards of regulation
- Ensure that all games are fair and appear to be fair
- Maintain public confidence in the integrity of the games
- Establish a safe and secure environment at all gaming sites
- Protect the assets of the Crown

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

- Ensure the alcohol sector is operated with honesty and integrity and in the broader public interest
- 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, equity and a level playing field for the industry through effective regulatory assurance activities
- Focus regulatory activities on promoting proactive compliance with the law and maintaining the broader public interest

The principles that 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. In fulfilling its regulatory mandate, the AGCO strives to be transparent in its operations and achieve a fair and appropriate balance among the interests and perspectives of its stakeholders to ensure its regulatory activities support the economic viability of the alcohol and gaming

industries, while maintaining public safety and confidence in these industries.

AGCO Corporate Priorities

For the past several years, the AGCO has been guided by an operating approach that supports the advancement of five corporate objectives:

1. **Build More Effective Communications**
2. **Strengthen Business Processes and Information Technology (I.T.) Management Capabilities**
3. **Modernize the Alcohol and Gaming Regulatory Environment**
4. **Maximize Employee Potential**
5. **Enhance AGCO's Corporate Accountability**

This past year saw a substantial number of initiatives realized in support of these corporate objectives and business plan commitments. Considerable progress was made on a number of fronts and across all divisions of the agency. As it moves forward with the ongoing modernization, the AGCO will capitalize on past successes and continue working towards a strategy of convergence, one that brings together the various change initiatives underway to achieve a new level of integration and alignment of priorities.

With the AGCO's ongoing shift to becoming a more strategy-driven organization, the next planning cycle will be characterized by augmented and robust strategic planning processes, clear strategic prioritization of AGCO resources, and a concerted focus on the current major initiatives underway over any new and/or ad hoc endeavours that are non-essential in nature.

Environmental Scan and Key Accomplishments 2012/13

Liquor Industry

For the past several years, the government has championed an agenda for reform of the *Liquor Licence Act* (LLA) and regulations to support a more risk-based approach to regulation as well as changes that strengthen public safety, improve service delivery and enhance consumer choice. Key programs such as risk-based licensing, risk-based enforcement and monetary penalties were introduced over the last several years as part of a comprehensive re-tooling and modernization of Ontario's liquor laws in support of the government's Open for Business initiative.

Continuing with the fundamental reforms made to the LLA in 2011, the AGCO continued working towards streamlining and simplifying the Special Occasion Permit (SOP) licensing program and the implementation of Phase II of SOP Reform was completed in July 2012. Additionally, changes to Ontario Regulation 718 took effect January 1, 2013 and provided for greater flexibility in business operations of liquor delivery services, manufacturers and other stakeholders. The AGCO is continuing to move forward on modernizing its liquor regulatory framework with a further review of the LLA, its regulations and AGCO policies with respect to liquor manufacturers, liquor delivery and agents/representatives.

Gaming Industry

In June 2012, statutory and regulatory amendments under the GCA came into force to support the Government's initiative to modernize gaming and enhance the flexibility of gaming operations in the province.

A component of these amendments saw the introduction of a new regulation that covers all gaming sectors regulated by the AGCO as well, as internet gaming (iGaming) and the charitable gaming (cGaming) products developed by OLG. The new regulation, O. Reg. 78/12, supports the government's Open for Business initiative and benefits Ontario's gaming industry and the broader public interest in several ways, including:

- Increased consistency and efficiencies between gaming sectors;
- Regulation of new lines of gaming business not contemplated by previous regulations, such as iGaming and OLG's partnership with the charitable gaming sector with the introduction of electronic products;
- Permitting the Registrar of Alcohol and Gaming (Registrar) to set standards and assume an oversight responsibility in the area of responsible gaming; and,
- Establishing a standards-based approach to gaming regulation, and permitting a more risk-based approach to gaming regulation in Ontario by providing the Registrar with the authority to put in place standards to address key areas of concern.

Standards-Based Regulatory Model

In response to the government's overall gaming modernization initiative, the AGCO has been working to establish a comprehensive framework to regulate gaming 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.

Under the AGCO's standards-based regulatory model, the regulatory focus shifts from requiring operators to comply with a prescriptive set of rules and regulations to providing standards or outcomes (and in some cases, requirements) that operators must achieve. This is a fundamental change that delivers a modernized approach to gaming regulation that allows the AGCO to focus its resources on key risks and maintaining game integrity, while providing a degree of business flexibility and efficiencies for the industry.

The collaborative efforts of the AGCO and the industry over the past several years have built a foundation for the implementation of standards-based regulation in casino gaming, iGaming and OLG's new cGaming products. A governance structure has also been established within the AGCO to plan and coordinate the key activities needed to successfully implement these standards across the targeted gaming segments in the coming year. The AGCO will also be developing a standards-based approach for OLG lotteries in 2013/14.

OLG Modernization

In March 2012, OLG released a report outlining its proposal for modernizing gaming in Ontario and identified three key recommendations: Become more customer-focused; Expand regulated private sector delivery of lottery and gaming; and Renew OLG role in oversight of lottery and gaming.

OLG modernization will result in an increased role for the private sector in casino and lottery operations. As OLG modernization progresses, a strong and effective regulatory presence will be required to ensure that gaming facilities continue to operate with honesty, integrity and in a manner that ensures crown assets are protected. This emerging enhanced role will mean that the AGCO will need to adopt a more sophisticated regulatory approach, requiring enhanced internal expertise, capacity and skill sets to respond to the rapidly changing environment.

Charitable Gaming

The AGCO continues to support the charitable gaming industry through its modernization initiatives and its work with the Charitable Gaming Strategic Working Group and Mega Raffle Working Group. Initiatives such as the

bingo revenue model as well as changes to the break open ticket regulatory framework, which include a revenue model for break open tickets, continue to be supported by the AGCO as a means of providing opportunities for the industry to grow its business.

Following direction from the provincial government in 2010, OLG, in collaboration with the Ontario Charitable Gaming Association and the Commercial Gaming Association Ontario, embarked on a multi-year initiative to revitalize bingo in the province by expanding electronic products into existing and future facilities. New gaming products, such as electronic break open ticket dispensers, e-shutterboard and rapid draw bingo, have been developed by the charitable industry and OLG.

As the regulator of charitable gaming, the AGCO plays a key role in this revitalization effort and has worked along with the industry and OLG to develop processes, policies and a regulatory assurance structure that is aligned with the AGCO's risk-based, standards-based and compliance-focused approach, and includes review and testing of all gaming products and equipment. This role will continue as OLG develops new electronic products and further expands operations to future sites.

Internet Gaming (iGaming)

The Ontario Government's decision to launch iGaming in Ontario has added another line of business to the AGCO's mandate. The AGCO continues to develop and implement a robust regulatory framework that will ensure an international 'Gold Standard' for responsible gambling, game integrity and system security.

The new regulatory structure incorporates the various regulatory improvements and elements that are being implemented elsewhere across the agency, including applying a risk-based approach to the eligibility assessment and registration process, testing of the iGaming solution and games and employing a standards-based approach to the regulatory framework.

Extensive research of other jurisdictions has been completed to identify best practices for iGaming regulation. The AGCO has also established a new governance structure for a team-based approach to eligibility assessments. Registrar's Standards for iGaming have been developed and streamlined with a common set of standards developed as part of the AGCO's broader initiative to implement a standards-based approach.

The AGCO will continue to develop its regulatory assurance plan, and, in cooperation with OLG and its suppliers, develop control activities and ensure compliance with the iGaming standards.

Corporate Initiatives

Communications Strategy

In the coming year, comprehensive communications plans and strategies, both external and internal, will be implemented to provide stakeholders and AGCO staff with information about the progress and operational impacts of various projects. For example, the AGCO will use a variety of communications channels such as its website, intranet site, Information Bulletins, Important Notices and stakeholder consultation, as appropriate, to provide updates and information to staff, stakeholders and the public about its regulatory initiatives with respect to iGaming and OLG modernization.

Information Technology (I.T.) Plan

The AGCO continues to implement its multi-year "I.T. Roadmap" to enable the AGCO to meet its technology goals. One aspect of the I.T. Roadmap, a comprehensive I.T. governance model, was recently introduced to ensure projects meet OPS requirements, and to ensure that projects can be tracked and audited.

The AGCO is also currently taking steps to procure a new regulatory assurance system (RAS) which will include numerous components such as case management and electronic document and records management. As part of the RAS, to effectively target regulatory oversight and resources in the data-rich environment of iGaming, the AGCO will procure data analytics capabilities in 2012/13 – 2013/14.

Proposed Budget

As an agency reporting to MAG, the AGCO's annual spending authority comes from the Ministry's printed estimates, as approved by the Legislature, and all revenues are remitted to the Consolidated Revenue Fund (CRF). The AGCO Board reviews the annual AGCO budget.

Alcohol and Gaming Commission of Ontario – Revenue – (\$ thousands)

	2012-2013 Accrued Projections	2013-2014 Accrued Projections	2014-2015 Accrued Projections	2015-2016 Accrued Projections	2016-2017 Accrued Projections
Fees					
Liquor - related	8,845.00	9,144.40	9,247.60	8,984.40	9,144.40
Gaming - related	12,292.30	11,938.10	12,187.20	12,187.20	12,187.20
Sub-Total	21,137.30	21,082.50	21,434.80	21,171.60	21,331.60
Levies					
Liquor – related	4.5	4.5	4.5	4.5	
Gaming – related (Provincial Fee on Break Open Tickets)	7,164.40	7,100.00	7,100.00	7,100.00	7,100.00
Sub-Total	7,168.90	7,104.50	7,104.50	7,104.50	7,100.00
Total Fees and Levies ⁽¹⁾	28,306.20	28,187.00	28,539.30	28,276.10	28,431.60

Alcohol and Gaming Commission of Ontario – Expenditures – (\$ thousands)

	2012-2013 Accrued Projections	2013-2014 Accrued Projections	2014-2015 Accrued Projections	2015-2016 Accrued Projections	2016-2017 Accrued Projections
Salaries and Benefits	58,234.60	64,126.10	66,810.60	68,452.20	68,452.20
ODOE (Other Direct Operating Expenses) ⁽²⁾	12,010.10	33,784.30	27,559.20	12,877.30	12,877.30
Recoveries	-39,500.00	-66,575.00	-63,034.40	-49,994.10	-49,994.10
Total	30,744.70	31,335.40	31,335.40	31,335.40	31,335.40
Funded Positions ⁽³⁾	600	600	600	600	600

Note:

⁽¹⁾ AGCO fees 13/14 and out years may be included in any broader government fee review and subject to change.

⁽²⁾ Effective 12/13 ODOE accommodation expense and corresponding budget allocation transferred to Ministry.

⁽³⁾ 12/13 Additional FTE's approved for the iGaming initiative.

Staff Numbers

Staff Numbers <i>at October 31, 2012</i>				
	Management	Union	Non-Union	TOTAL
Permanent:	46	247	17	310
Part-time Permanent:	0	8	20	28
Contract:	4	21	4	29
Temporary:			5	5
Seconded from other agencies (OLG, MAG)			4	4
TOTAL	50	276	50	376
OPP			153	153
OIC (Board) Members			6	6

Bargaining Unit staff of the AGCO are represented by OPSEU Local 565. The current collective agreement came into effect on January 1, 2011 and expires on December 31, 2014.

Performance Measures

To aid in on-going evaluation against its mandate, the AGCO establishes key performance measures in order to continually assess operations and ensure government and agency objectives are being met. The AGCO uses a balanced scorecard approach to measurement in which agency effectiveness is measured in four key areas: financial, customers/stakeholders, operations and workforce metrics. A prototype of a performance measurement dashboard is being further refined and has been expanded beyond its initial focus on casino gaming to also include information on liquor.

In support of its objectives of using best practices approaches and being able to demonstrate, with evidence, that the AGCO is an effective top regulator, the AGCO works to continually improve its approach to performance measurement. Applied learning and staff training sessions held in 2012 focused on how to apply performance measurement to decision-making in the public sector, and in particular, the special considerations relating to regulatory agencies. Participants in these sessions, led by an expert in the field, were introduced to a structured and systematic approach of how to develop meaningful and useful performance measures, and how performance measures can be used for a variety of management processes. A comprehensive performance measurement framework will be developed in the coming year using this methodology.

A robust performance measurement framework will serve to enhance the AGCO's approach to performance measurement, and help build the foundation for effective application of data analytics capabilities to the evaluation and measurement of AGCO policies, programs and performance.

Annual Performance Targets

As the AGCO works to develop a more comprehensive performance measurement framework, it will be reviewing current measures, targets and tools used to assess performance for their value and utility.

For example, the AGCO currently uses a prototype of a performance measurement dashboard as a performance

management tracking and bench-marking tool. The dashboard is used to report on the overall performance of the Commission against key indicators, including registration and renewal processing times. Benchmarks for the performance indicators have been established, and when targets are not met, management investigates the causes and makes operational adjustments as required. This tool is being further refined and expanded to capture additional information for more comprehensive use and analysis.

In addition to the operational performance targets set and reported through the dashboard, some further examples of high-level performance measures and targets established for the AGCO are outlined below.

AGCO Performance Measures – 2013/14 to 2016/17

Satisfied Customers

Goal	Output Measures	Outcome Measures	Target for 2013/14
To provide appropriate, fair and courteous customer service to all licensees, registrants and the general public	Implementation of newly developed feedback/complaints process	Increase in the number of channels and/or ease which licensees, registrants and the public can provide feedback/complaints	100% of complaints investigated and resolved/closed 100% of feedback used to improve customer services and training initiatives

Effective and Efficient Resource Management

Goal	Output Measures	Outcome Measures	Target for 2013/14
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	Consistent application of meaningful criteria based on assessed risk level, used to promote licensee compliance and mitigate risk Significant increase in the resolution of compliance matters through the use of new compliance tools

Internal Staff Development and Satisfaction

Goal	Output Measures	Outcome Measures	Target for 2013/14
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	A significant increase in staff satisfaction determined through a staff engagement survey
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	An increase in new management development opportunities for middle management staff

Business/Operational Excellence

Goal	Output Measures	Outcome Measures	Target for 2013/14
Risk Management strategies employed across the AGCO	Implementation of Enterprise Risk Management Strategy (corporate, divisional and initiative specific strategies)	Risk strategies are employed by all areas to reduce organizational exposures and improve decision making (consistency/process)	All major organizational initiatives are reviewed/audited for effectiveness of implementation and risk mitigation
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.	Recommendations from Internal Controls Audit implemented All significant internal controls reviewed/audited on a 4 year rotational basis.