



Alcohol and Gaming Commission of Ontario

2016-2017 Annual Report



Ontario

AGCO

Alcohol and Gaming
Commission of Ontario

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**Alcohol and Gaming
Commission of Ontario**

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**Commission des alcools
et des jeux de l'Ontario**

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Alcohol and Gaming Commission of Ontario
2016-2017 Annual Report

Memorandum to: The Honourable Yasir Naqvi
Attorney General

From: S. Grace Kerr
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, 2016 to March 31, 2017.

A handwritten signature in black ink, appearing to read "S. Grace Kerr".

S. Grace Kerr,
Chair

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Foreword

On April 1, 2016, the regulatory responsibilities of the Ontario Racing Commission (ORC) were integrated with the Alcohol and Gaming Commission of Ontario (AGCO). The success of the merger was due in large part to the hard work of AGCO and ORC staff, the cooperation of the racing industry and the support from the Government of Ontario.

All AGCO regulatory activities, including horse racing, are now part of this annual report.



Chair's Message

The AGCO's 2016-2017 Annual Report, which I am very pleased to present, focusses on the important concepts of 'change', 'action' and 'results'. Successful change requires clarity of vision combined with responsible action to obtain powerful results. For, as the modern day technology and business futurist, and best-selling author, Joel A. Barker, said, "Vision without action is merely a dream. Action without vision just passes the time. Vision with action can change the world"—or an organization such as the AGCO.

This Annual Report details the AGCO's many transformative changes, noteworthy actions and significant accomplishments of the past fiscal year. It also identifies its strategic direction and objectives for the coming years. Guided by strong, visionary and responsible leadership, the AGCO's agenda of change is what keeps it a healthy, relevant and responsive regulator. Importantly, the AGCO's goals, achievements and intended future course align with, have supported, and will continue to support key provincial government priorities and objectives as well.

The AGCO's Board of Directors, which is responsible for the agency's oversight and tasked with its overall governance, has adopted best practices in public sector governance to support the agency's transformation agenda. To that end, the Board strives to follow these significant guiding principles, which are to:

- know its roles and responsibilities;
- develop a strategic focus;
- ensure its members' skill sets and expertise are diverse as well as relevant to the Board's work;
- detect and manage significant regulatory risks, both within the agency and the lines of business it regulates;
- monitor the agency's control systems to ensure honesty, integrity and accountability;
- encourage ethical and accountable behavior at all levels within the agency, free from any conflicts of interest; and,
- oversee itself to ensure it achieves its desired outcomes.

This past year the Board said goodbye to several retiring members and welcomed a couple of new additions to its ranks. I sincerely thank outgoing Chair, Eleanor Meslin, and members Brian J. Ford, Beryl Ford and Bruce Miller for their excellent contributions over the years to the Board's work, their commitment to the AGCO and their overall dedication to public service.

Also, I happily introduce the Board's two newest and very accomplished members, Linda J. Nagel, who was appointed in December 2016, and Jane Holmes, who was appointed in January 2017, both for two-year terms.

In closing, I want to emphasize that, as always, the people make the place. The AGCO's executive and staff are extremely competent and ethical people, who are strongly committed to their regulatory responsibilities for the alcohol, gaming and horse racing industries. On behalf of the Board, kudos to all of you for embracing change, taking appropriate action and realizing tremendous results on behalf of the AGCO this past year.

S. Grace Kerr
Acting Chair



Chief Executive Officer's Message

In the regulatory world, change is inevitable and the status quo is not an option.

At the AGCO, we continually strive for engagement and collaboration with all of our industry partners. We do this to ensure regulation keeps pace with the evolving industry trends and to offer a quality service experience to our customers. AGCO staff play a key role in maintaining these relationships.

That is why we have worked very hard to create a work environment that relies on trust, engagement and open communication. I believe that an engaged workforce is critical to the success of our organization, as it enables us not only to maintain these relationships but also to be agile, productive, and innovative.

I am pleased to report that through the 2016-2017 fiscal year, we have made considerable progress in our efforts to keep ahead of trends in the industry sectors we serve. In the performance of our duties, the AGCO has continued to act as an effective regulator, with services that are fair, responsive and in the broader public interest.

Beginning in April 2016, the AGCO embarked upon a transformational initiative to integrate the regulation of horse racing into its mandate. I am pleased to say that through this fiscal year we produced a seamless delivery of regulatory services to horse racing, including a commitment to the review and modernization of the Rules of Racing in Ontario. In addition, the AGCO conducted a series of policy roundtable discussions attended by over 150 participants, and out of these discussions came a comprehensive findings report, which was released to the industry in February 2017. In addition, this constructive dialogue resulted in an initial series of policy reforms and new processes to take effect on April 1, 2017.

Within the gaming industry, a significant milestone was achieved with the implementation of the Registrar's Standards for Gaming for the regulation of the casino sector. This standards-based approach shifts the focus from requiring operators to comply with a specific set of rules or processes, which tend to be prescriptive in nature, towards complying with broader regulatory outcomes. By the end of this fiscal year, a majority of Ontario's casinos were operating under these Standards, earning Ontario a reputation for progressive gaming regulation.

The AGCO also continued to support the government's efforts to modernize the sale and service of alcohol in the province, and to offer more convenience and choice to Ontario consumers. Through 2016-2017, the AGCO authorized additional operators to sell beer, cider and wine in grocery stores, while setting regulations for the responsible sale of these products. These efforts will continue into the next year, as the government has committed to reach a total of 450 authorized grocery stores, including up to 300 that will also sell wine.

The AGCO will continue to offer regulation that is integrated, interactive, and intuitive. We keep this mandate in mind as we move forward with our organization-wide objective of offering digital services to our customers. Over the past year, we made important strides in preparation for the launch of iAGCO, our online service delivery portal set to launch early in the 2017-2018 fiscal year.

The successes we achieved this past year are the direct result of the hard work and dedication of our staff. I am grateful for their ongoing commitment.

Looking to the future, we know that ongoing change is inevitable. We will focus on serving the public interest by advancing consultative, risk-based approaches to regulation that enhance compliance, increase public confidence and support our customers' businesses. In our strategic efforts, we intend to foster a nimble culture that maximizes the use of technology and fosters innovation, collaboration, and exceptional service.

At the AGCO, we not only acknowledge constant change, we embrace it in order to best serve our stakeholders and the people of Ontario.

A handwritten signature in black ink, appearing to read "Jean Major", with a stylized flourish at the end.

Jean Major
Chief Executive Officer



Overview & Key Activities

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OVERVIEW

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

- The sale and service of beverage alcohol;
- Lotteries operated by the Ontario Lottery and Gaming Corporation (OLG) on behalf of the government of Ontario;
- Gaming conducted and managed by the OLG, including casinos, slot machine facilities and internet gaming;
- Charitable bingo halls conducted and managed by OLG;
- Lottery schemes conducted and managed by charitable, not-for-profit and religious organizations;
- The regulation of horse racing, including the licensing of racetracks and racing participants, and officiating at races.

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

- Ensure that alcohol is sold and served responsibly and in the broader public interest;
- Ensure that residents are provided an opportunity to have their interests considered during the licensing process;
- Permit Ontarians and visitors to the province the opportunity to enjoy alcohol within an economically viable hospitality and tourism sector;
- Promote fairness, equity and a level playing field for the industry through a consistent compliance approach to the regulations;
- Conduct compliance activities in alignment with the law and the maintenance of public safety.

The AGCO's main 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 facilities while maintaining the highest standards of operation and regulation;
- Ensure that all games are, in fact and appearance, fair;
- Maintain public confidence in the integrity of the games;
- Establish a safe and secure environment at all gaming facilities;
- Protect the assets of the Crown.

The AGCO's main objectives in regulating horse racing in the province are to:

- Maintain the integrity of racing and to protect the public interest;
- Provide officials to supervise races conducted at Ontario's licensed racetracks;
- Issue licences to individuals and businesses;
- Conduct investigations; and
- Protect the health and welfare of the horse and the safety of participants.

The principles which guide the AGCO's activities are prescribed in governing legislation. They require the AGCO to exercise its powers and duties in the public interest and in accordance with the principles of honesty, integrity, and social responsibility. In fulfilling its regulatory mandate, the AGCO endeavours to be transparent in its operations and achieve a fair and appropriate balance among the interests and perspectives of its stakeholders.

The AGCO aims to ensure its regulatory activities support the economic viability of the alcohol, gaming and horse racing industries, while maintaining public safety and confidence in these industries.

The AGCO strives to uphold its vision and achieve its mandate, as set out below:

Vision

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

Mandate

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

Mission

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, gaming and horse racing 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; and
- Educate customers and stakeholders, and develop partnerships.

KEY ACTIVITIES

The AGCO is responsible for the administration of the:

- *Liquor Licence Act* (LLA)
- *Wine Content and Labelling Act, 2000*
- *Liquor Control Act* [Sections 3(1) b, e. e.1, f, g; 3(2)a; 3.0.1 (1) and (2); 3.0.2 (1) and (2); 3.0.3 (1), (2), (3) and (5); 4.1]
 - Regulation 717 [Subsections 3(1) and (2)]
 - Regulation 232/16 [Sections 5 and 6; Subsection 34(2)]
- *Gaming Control Act, 1992* (GCA)
- Charity Lottery Licensing Order-in-Council, 1413/08 (as amended);
- Part I of the *Alcohol and Gaming Regulation and Public Protection Act, 1996*
- *Horse Racing Licence Act, 2015* (HRA).

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

Regulating the Alcohol, Gaming and Horse Racing Sectors

- Licensing and regulating establishments that sell or serve liquor, liquor delivery services, liquor manufacturers and their representatives, representatives of foreign manufacturers, and ferment-on-premise facilities;
- Administering the Special Occasion Permit program that is delivered through designated Liquor Control Board of Ontario retail stores;
- Authorizing manufacturers' retail stores, which includes on and off-site winery retail stores, on-site distillery retail stores, on-site brewery retail stores and Brewers Retail Inc. (The Beer Store) stores;
- Authorizing grocery stores to retail alcohol to the public;
- Registering commercial suppliers and gaming employees of charitable gaming events, casinos, slot machine facilities and internet gaming (iGaming);
- Registering suppliers and retailers of OLG lottery products;
- Administering, in partnership with municipalities, the regulatory framework governing the issuance of charitable 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 conducted and managed by OLG;
- Excluding persons from accessing gaming premises pursuant to the GCA and its regulations;
- Providing three officials (judges or stewards) to supervise races conducted at Ontario's 15 licensed racetracks;
- Issuing licences to individuals and businesses involved in the horse racing industry.

Investigating, Inspecting and Monitoring

- Inspecting and monitoring liquor sales licensed establishments to ensure compliance with the LLA and its regulations;
- Inspecting/monitoring casinos, slot machine facilities, charitable gaming events/facilities and retail locations where OLG lottery products are sold for compliance with the GCA and its regulations, licensing and registration requirements;
- Conducting eligibility assessments on individuals and companies seeking registration and licensing under the GCA and LLA;
- Providing police presence at casinos and slot machine facilities;
- Developing and implementing the Registrar's Standards for gaming in relation to the conduct, management and operation of gaming sites, lottery schemes or related businesses and services;
- Conducting audits of companies registered and licensed under the GCA and LLA;
- Monitoring internal control, surveillance and security systems, and other operational systems for casinos and slot machine facilities for compliance with regulatory requirements;
- Testing, approving and monitoring gaming equipment such as slot machines, gaming management systems and iGaming platforms;
- Investigating insider wins involving lottery retailers/systems managers or lottery equipment suppliers;
- Conducting due diligence investigations on licence applicants, as well as investigations of horse abuse, race fixing or other racing and rule infractions; and
- Monitoring and enforcing equine medication control programs.

Adjudication

- Arbitrating disputes between two or more claimants for a lottery ticket prize.

Social Responsibility: Evolving Social Attitudes

With a focus on continuing to modernize as a Regulator and to better reflect both the maturity of the industries and evolving societal views, the AGCO continues to refine its role in the promotion of social responsibility in the alcohol, gaming and horse racing sectors. Greater public confidence in the gaming industry in general has led to a focus on responsible gambling, while the changing views of the liquor industry place a greater emphasis on responsible use and enjoyment.

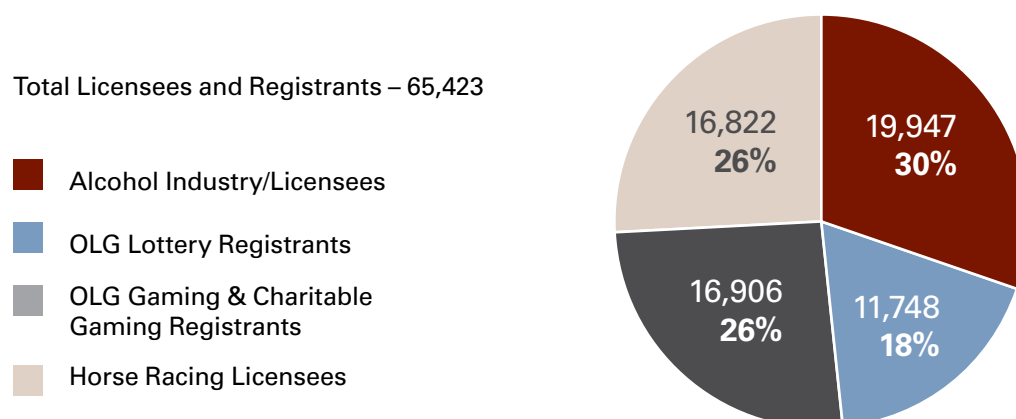
A key component to support social responsibility is the AGCO's enhanced role in the area of responsible gambling, established in 2013 through the Registrar's Standards for Gaming. While the AGCO remains diligent in ensuring that gaming is conducted with honesty, integrity and in the public interest, the agency's regulatory focus has evolved to reflect the maturity of Ontario's gaming industry.

The objective of a standards-based approach is to shift the regulatory focus from requiring registrants to comply with a specific set of rules or processes, which tend to be rigid and inflexible in nature, to one in which the Registrar articulates the broader regulatory objectives and then supports and holds registrants accountable for achieving the expected outcomes. Standards related to responsible gambling include provisions related to advertising and marketing, informed choice, player support, voluntary self-exclusion and game design. Additionally, as part of the regulation of horse racing, the AGCO is working with the industry to determine the best course to promote social responsibility in this new line of business.

In an effort to enhance the AGCO's social responsibility role and programs, the AGCO, in collaboration with the OLG, has established an ongoing Responsible Gambling Policy Roundtable that includes the Responsible Gambling Council, the Centre for Addiction and Mental Health and the Gambling Research Exchange Ontario. The Roundtable serves as a platform to discuss and evaluate the Registrar's Standards related to responsible gambling and provide a forum to discuss areas of shared interest and recent advancements in responsible gambling.

In the alcohol sector, the AGCO continues to modernize the regulation of Ontario's beverage alcohol industry, which is a key component of the Commission's 'modern regulator' objective. To date, the AGCO's Liquor Modernization Project has involved extensive stakeholder engagement including dedicated sessions with industry, public health and social responsibility groups. The AGCO will continue its regulatory modernization of the beverage alcohol industry in a way that supports new investment and innovation while upholding the highest standards of social responsibility.

FIGURE 1 AGCO Licensees and Registrants



* Does not include the +/- 64,000 Special Occasion Permits issued by LCBO on behalf of the AGCO

BOARD OF DIRECTORS

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

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 on Regulatory, Governance and Corporate Governance activities.

The list below reflects the members of the Board who served during the fiscal year ending March 31, 2017, including their original appointment dates.



ELEANOR MESLIN

Chair (Part-time)

First Appointed
November 2000

Appointed Interim Chair
February 2011

Appointed Chair
February 2013

Term Expired
February 2017



S. GRACE KERR

Acting Chair (Part-time)

First Appointed
July 2007

Appointed Interim Vice-Chair (Part-time)
June 2013

Appointed Vice-Chair (Part-time)
December 2013

Appointed Acting Chair (Part-time)
February 2017

Term Expires
July 2017



ELMER BUCHANAN

Member (Part-time)

First Appointed
July 2015

Term Expires
July 2017



BRIAN FORD

Member (Part-time)

First Appointed
September 2004

Term Expired
September 2016



BERYL FORD
Member (Part-time)

First Appointed
September 2004

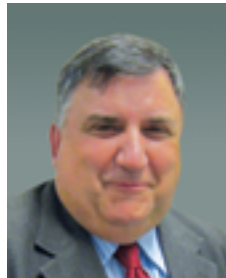
Term Expired
September 2016



JANE HOLMES
Member (Part-time)

First Appointed
January 2017

Term Expires
January 2019



BRUCE MILLER
Member (Part-time)

First Appointed
December 2008

Term Expired
December 2016



LINDA NAGEL
Member (Part-time)

First Appointed
December 2016

Term Expires
December 2018



ERIC ANTHONY CLEAR (TONY) WILLIAMS
Member (Part-time)

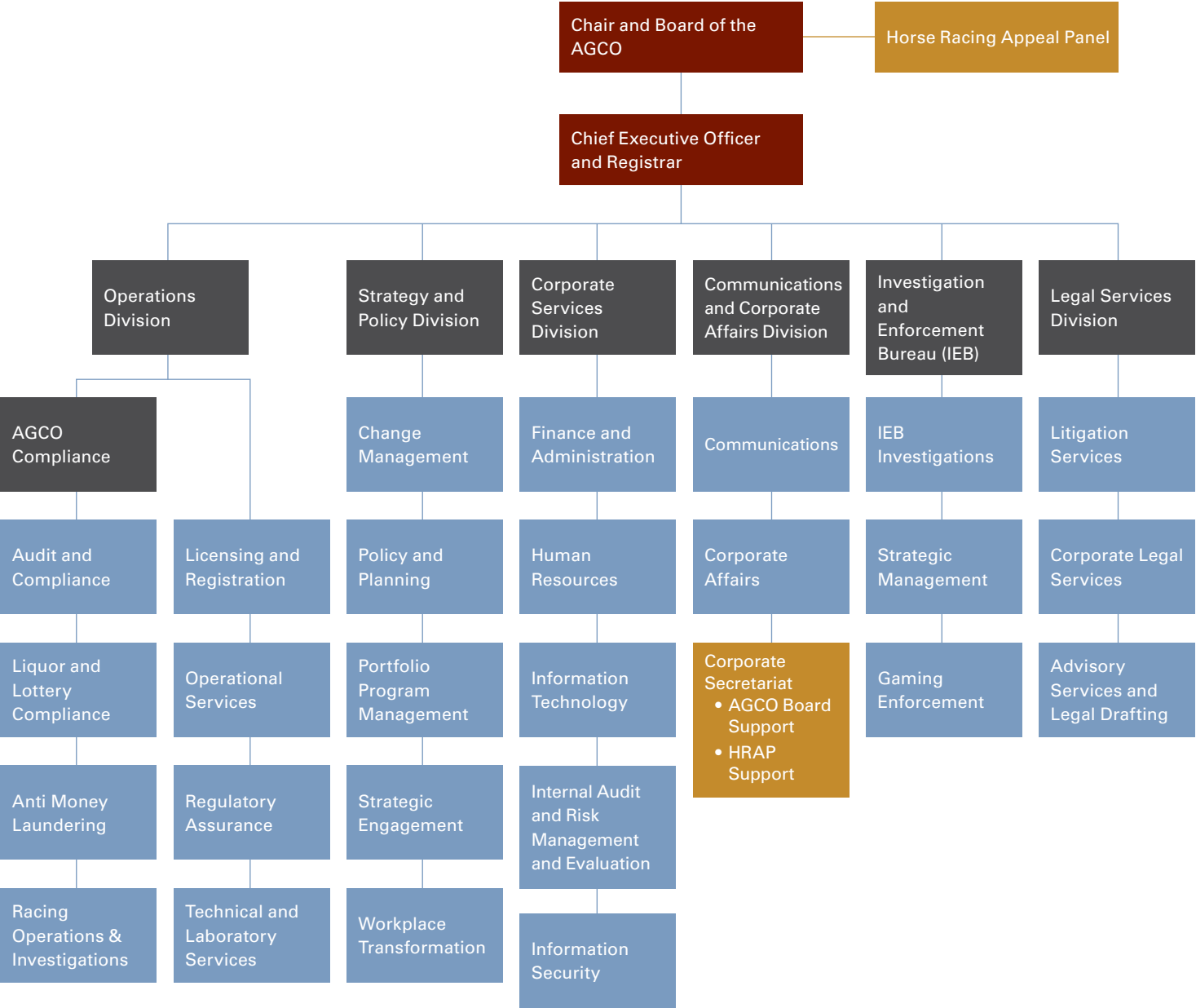
First Appointed
July 2015

Term Expires
July 2017

CORPORATE STRUCTURE

The AGCO’s organizational structure is based on functional responsibilities and consists of six Divisions, each led by a member of the Executive Committee reporting directly to the Chief Executive Officer and Registrar. In June 2016 a new Branch was created to better support the AGCO’s compliance framework. Reporting to the Chief Operating Officer, this branch combines the functions of Audit and Compliance, Liquor and Lottery Compliance, Racing Operations, as well as a new Anti Money Laundering (AML) unit. The Investigation and Enforcement Bureau (IEB) continues to function as a Bureau within the OPP and is headed by a Chief Superintendent of the OPP. The IEB is responsible for various regulatory and criminal investigations, as well as Gaming enforcement and protection.

FIGURE 2 Organizational Structure of the AGCO



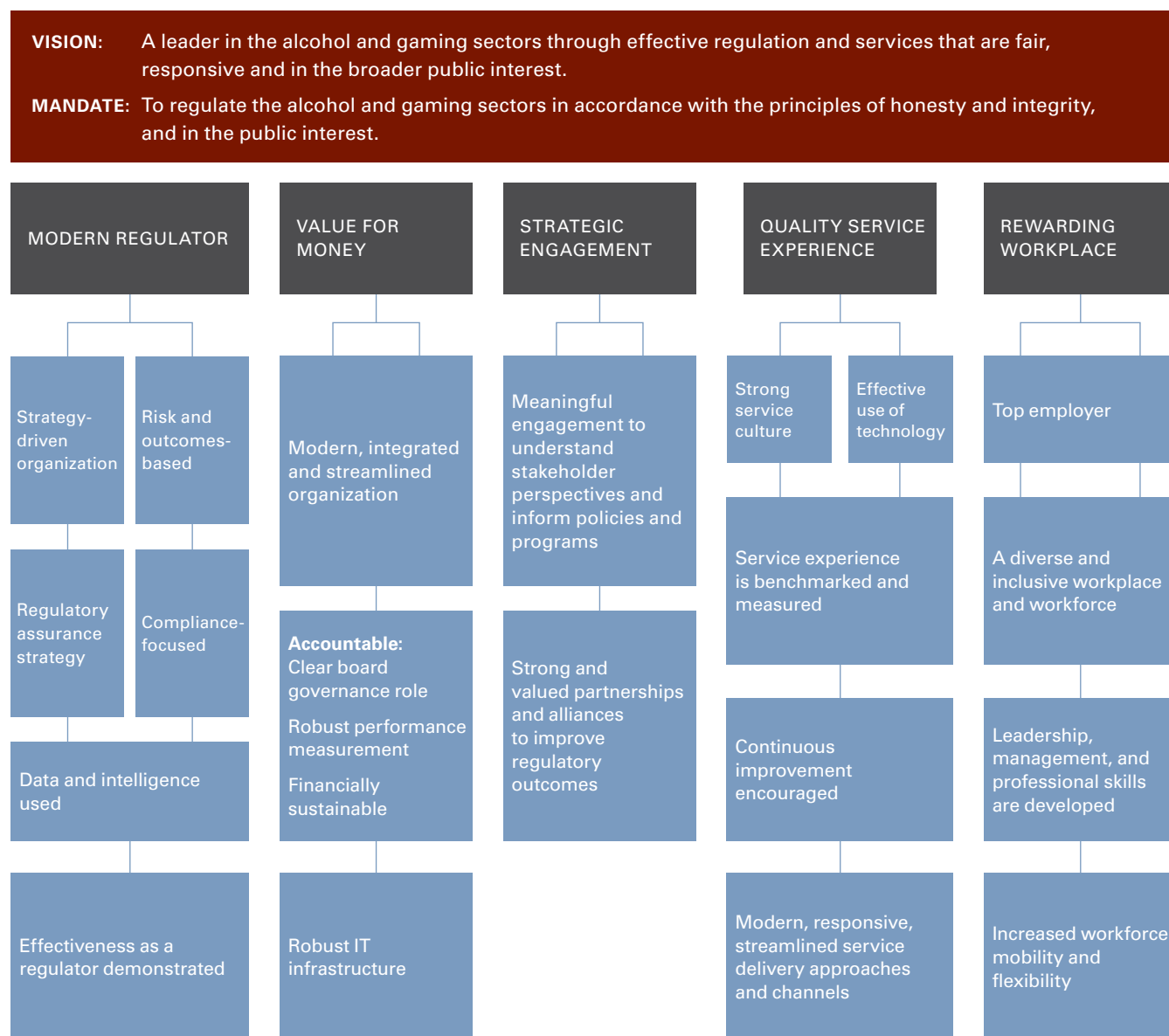
STRATEGIC DIRECTION

To continue to effectively regulate and function as its operating environment becomes increasingly complex, the AGCO has developed a Strategic Plan (2013/14-2017/18). This Plan helps the agency navigate the regulatory challenges and opportunities within the liquor, gaming and horse racing sectors.

The AGCO Strategic Plan identifies the following five strategic goals:

1. Modern Regulator
2. Value for Money
3. Strategic Engagement
4. Quality Service Experience
5. Rewarding Workplace

FIGURE 3 Strategic goals and planning themes



The strategic goals are aligned with and support the achievement of key government objectives for enhanced accountability, efficiency and value for money in the delivery of public services. The goals also support evidence-based decision-making and policy development, and minimizing the administrative burden, where possible, on those regulated by the AGCO.

During 2016-2017, the AGCO continued to make measurable progress towards achieving the goals set out in its Strategic Plan:

1. Modern Regulator

The AGCO continued to modernize its approach to the regulation of the alcohol, gaming and horse racing sectors. To achieve this objective, the AGCO is continuing its ongoing transition towards risk-based, outcomes-based, and compliance-focused regulation. Building on its experience with foundational programs such as Risk-Based Licensing and Registration and Risk-Based Enforcement, and consistent with its strategy of integration and convergence, the AGCO will develop a framework to guide the consistent use of risk-based methodologies and approaches across all lines of business, including horse racing.

GAMING REGULATION

The Registrar's Standards have replaced the prescriptive, rules-based approach taken in the previous regulations.

The AGCO continues to plan and coordinate the key activities needed to ensure the successful implementation of the Registrar's Standards across various gaming sectors. During this fiscal year, 21 casinos transitioned to the Standards regulatory framework and the first new casino in Ontario in over ten years opened in January 2017 in Belleville. The majority of Ontario's casinos are now operating under the standards-based approach.

The Ontario Lottery and Gaming Corporation (OLG) has embarked on a modernization initiative that will transition land-based casino sites from the OLG to private Service Providers (SP). AGCO plays a key regulatory role in this process by:

- Conducting eligibility assessments of the private operators to determine suitability for registration under the *Gaming Control Act, 1992*;
- Being informed by the OLG of key transition events, for example, chip, cards and dice exchange (from OLG brand to new SP brand), accounting and reporting systems tested and operational, employee and customer communication plans developed and implemented, and so forth. The AGCO then monitors these activities so as to provide an assurance of their sites' readiness for transition;
- Approving key items, for example, registration of the new SP including signed terms and conditions, ensuring other required licences are in place (i.e. liquor licence), and the required employee registrations; and
- The development of post-go-live regulatory assurance plans to assess compliance with the Registrar's Standards for Gaming and other regulatory requirements, as well as to obtain assurance that Operators are achieving the desired outcomes and mitigating regulatory risks.

During 2016-2017, the modernization of charitable gaming included a number of initiatives. The AGCO launched a paper-based Catch the Ace (progressive raffle) pilot program in September 2016 for a two year period. Since the pilot was established the AGCO has issued eleven licences (for prize boards over \$50,000), and municipalities have issued approximately 25 licences (prizes under \$50,000).

In addition, an interim regulatory framework was developed that allowed eligible charitable or religious organizations to be licensed to conduct and manage electronic raffles, including electronic 50/50 draws. Under this interim framework, charities are able to use computers in the sale of raffle tickets, selection of raffle winners, and distribution of raffle prizes within the parameters of that framework.

Under the interim framework, Mega Raffle designated charities (prize boards over \$1 million) and the three charitable sports foundations which participated in the OLG's Electronic Raffle 50/50 pilot program were able to participate. The AGCO successfully worked with the Maple Leafs Sports and Entertainment (MLSE), Ottawa Senators and Jays Care charitable foundations to transition these groups to AGCO issued licences for their electronic 50/50 raffles.

ALCOHOL REGULATION

As part of our efforts to modernize the regulation of Ontario's beverage alcohol industry, the AGCO worked closely with the LCBO and Premier's Advisory Committee (PAC) to support the sale of beer, cider and wine in grocery stores. The AGCO undertook extensive policy work, stakeholder engagement, developed training for AGCO inspectors and designed and delivered stakeholder webinars for grocery stores and manufacturers.

As of December 31, 2016, 67 additional grocery stores were authorized to sell beer, wine and cider. In February 2017, the government announced plans to allow for 80 additional authorizations to sell beer and cider bringing the total number to 128 grocery stores across Ontario, of which 70 stores can also sell wine.

HORSE RACING REGULATION

Responsibility for the regulation of horse racing was officially transferred to the AGCO on April 1, 2016 with the proclamation of the *Horse Racing Licence Act, 2015* (HRLA). With this enactment, race operations, including licensing and registration processes, officiating, animal welfare and investigation and enforcement functions were integrated into the AGCO's Operations Division. Notably, there were no service delivery and operational disruptions during the launch.

The AGCO also embarked upon a transformational initiative to integrate the regulation of horse racing into the AGCO's mandate, including a commitment to a review and a modernization of the Rules of Racing in Ontario. (For more information, see ***Regulation Of The Horse Racing Sector***, pg 45)

The Horse Racing Appeal Panel (HRAP) was established on April 1, 2016 and is responsible for hearing appeals of decisions made under the Rules of Racing. HRAP is an institutionally independent and impartial adjudicative body that operates at arm's-length from AGCO. HRAP Members are appointed by and accountable to the Board of the AGCO.

(HRAP activities during fiscal 2016-2017 are reported separately in this report – see page 76).

2. Value for Money

The AGCO remains committed to efficient and effective operations, supported by strong governance and accountability structures.

GOVERNANCE

In support of this commitment, the AGCO has developed and implemented a strategic and integrated approach to performance measurement to target, monitor and validate the extent to which the agency is achieving results. Measures are now firmly integrated into the agency's Strategic Plan and are also built into new and ongoing project initiatives.

A governance structure was also put in place to clarify accountabilities and roles and responsibilities between the AGCO and HRAP, and to ensure the HRAP's compliance and incorporation into AGCO's broader accountability framework. Among the governance mechanisms established to oversee the relationship between the AGCO and HRAP were a Memorandum of Understanding between the AGCO and HRAP Chairs, and a Conflict of Interest Policy and Code of Conduct to provide guidance to Panel members.

The AGCO Board continued the development and implementation of a framework to support its governance and accountability requirements, which is aligned with government direction. As part of this framework, an AGCO Board Charter was established.

REGULATORY INTELLIGENCE

The implementation of the Regulatory Intelligence Solution (RIS) was successfully completed in 2016-2017, enabling the AGCO to begin to utilize data to inform regulatory activities and ensure decisions are made based on actionable and meaningful information. The AGCO business user community was introduced to the RIS tools and can now leverage these tools to query, share, visualize and analyze liquor data in a more efficient and effective manner.

Work is underway to continue exploring and analyzing both internal and external data sources in order to generate deliverables in liquor, iGaming and horse racing. These emerging projects will enable data driven, evidence-based policy and program development and a deeper understanding of the AGCO's business needs while bolstering the organization's analytical capabilities.

3. Strategic Engagement

The AGCO has a long standing commitment to strategic outreach to key partners and stakeholders. This outreach has involved exploring formal partnerships with other regulators, as well as monitoring and assessing domestic and international trends in the alcohol, gaming and horse racing sectors.

At the national and international level, the AGCO is furthering partnerships and currently has Memorandum of Understandings in place with 30 regulatory and law enforcement agencies around the world.

In 2016-2017, there were a number of direct consultations with stakeholders within the AGCO lines of business, as well as educational events:

- The first AGCO Stakeholder Summit was held in December 2016. This inaugural event was well attended, with over 150 stakeholders from across the liquor, gaming and horse racing industries, as well as AGCO government partners, public health and social responsibility groups. The summit was an opportunity to bring stakeholders up-to-date on recent and planned changes in all three of the industries that AGCO regulates and to foster critical thinking and discussion about emerging trends and issues.
- The AGCO held a number of educational events, including four sessions on winery audits with the Vintners Quality Alliance Ontario (VQAO) and the LCBO. Four information sessions/webinars were conducted throughout the year, including an 'Introduction to Catch the Ace' and three on topics related to 'Beer and Wine in Grocery Stores'.
- There was a marked increase in the number of priority projects and programs that incorporated a formal stakeholder engagement plan, including:
 - i. A series of roundtable sessions with charitable gaming stakeholders were conducted to generate input into the new regulatory framework for electronic raffles;
 - ii. The iAGCO Team delivered a series of consultation sessions for liquor stakeholders to generate input and evaluate the design of the online service delivery portal.
 - iii. The AGCO Horse Racing Team used stakeholder consultations and outreach activities to build the findings report which will help support future work within the horse racing industry.

4. Quality Service Experience

The AGCO is continuing to support this Strategic Plan goal of creating a system of service delivery that is modern, streamlined, inclusive, responsive, and digital by default.

Central to this commitment was the creation of the AGCO's Regulatory Assurance Solution (RAS) project, the large transformational project that will modernize the way in which the AGCO conducts business, and includes the introduction of online service delivery. Considerable progress was achieved in 2016-2017, including the groundwork to prepare for the launch of iAGCO, which is the name of the online portal through which the public will access AGCO's electronic services and through which staff will access technology that supports our regulatory assurance activities.

When fully deployed, those who are regulated by the AGCO will be able to apply for and manage their licences, registrations and permits anytime, from anywhere, through the iAGCO portal using their iAGCO account. Ontarians will also be able to submit liquor, gaming and horse racing-related inquiries and complaints online through the iAGCO portal.

One of the first services the AGCO will be offering in Phase One of iAGCO is the ability to apply for a Special Occasion Permit (SOP) online. The LCBO currently administers the SOP program on behalf of the AGCO, but the goal is that in Spring 2017, the AGCO will begin assuming operational responsibility for the program.

5. Rewarding Workplace

So much of AGCO's work depends on employees who feel valued, engaged and appreciated. That is why this strategic goal is particularly important, and why the AGCO has continued coaching programs for both individuals and teams, as well as increased training and development, and has improved internal communication.

In 2016-2017 the AGCO placed in the top six from a field of over 50 submissions to The Institute of Public Administration of Canada (IPAC) Innovation Management award for its coaching approach to leadership. IPAC is an association of public servants, academics, and others interested in public administration, and is committed to practice and promote the highest standards of service for members and government partners. IPAC principles and values help to ensure high levels of accountability, neutrality, confidentiality and protection from conflicts of interest, discrimination and harassment.

To ensure employees have accessible, current and timely information, a redesigned Intranet was successfully launched last year. The site features regular news from the CEO, quick access to important program resources, and a user-friendly platform to learn about and share information with other employees.

GOVERNMENT INITIATIVES AND PRIORITIES

As an agency of the provincial government, the AGCO supports the Ontario government's public policy priorities and fiscal objectives. Over the past year, the AGCO continued to review its priorities and its operations in order to remain consistent with government direction and to ensure cost-effective service delivery. Examples of government initiatives which have had an impact on AGCO internal operations from strategic, structural and financial perspectives include:

PREMIER'S ADVISORY COUNCIL ON GOVERNMENT ASSETS

In April 2014, the government appointed the Premier's Advisory Council on Government Assets to provide recommendations for maximizing the value of key provincial assets.

As part of its review, the council examined Ontario's liquor distribution system including the roles of the Liquor Control Board of Ontario (LCBO), The Beer Store, and off-site winery retail stores.

Following the Council's initial findings and report, the government introduced the sale of beer in grocery stores. Sixty locations across Ontario are currently authorized to sell beer, with beer sales commencing in December 2015. Up to 130 grocery stores will be authorized to sell beer by May 1, 2017, and up to 450 stores could eventually be approved to do so. In addition to these changes, the government instructed the Council to move into the second phase of its review, which included consultations with multiple stakeholders.

As a result, the Council released its final recommendations for the wine and spirits sector in February 2016, where it proposed two substantive changes to the existing retail system for wine - sale of wine in grocery stores and the introduction of wine boutiques - as well as several policy changes to support Ontario's beverage alcohol industry.

In its 2016 Spring Budget, the Government confirmed that it would accept the recommendations of the Council and directed that several changes, including establishing a new retail channel for wine that is separate from the LCBO and the existing Wine Retail Stores (WRS) network and offering greater convenience and choice to consumers in the off-site WRS channel be implemented.

In alignment with government direction, the AGCO began to implement wine sales in grocery stores and wine boutiques. Up to 70 grocery stores across Ontario will be authorized to sell wine and beer together through newly issued authorizations. By 2025, it is expected that up to 150 grocery stores will be authorized to sell wine from Ontario, across Canada and around the world. In addition, up to 70 of the province's off-site WRS outlets now located at grocery stores will have the opportunity to operate their store at a wine boutique inside the grocery space.

The Government also announced that, in addition to Vintners Quality Alliance (VQA) wine, fruit wine, including cider, would be eligible for sale at farmers' markets. Cider and fruit wine will also be eligible for sale in some grocery stores.

The AGCO will continue to be responsible for the authorization and ongoing regulatory oversight of grocery store operators selling beer and wine.

Open For Business

This ongoing government-wide initiative supports economic growth and fosters simpler, better, and faster interaction between government and business. It is designed to minimize the burden of regulation on Ontario businesses, foster competitiveness and welcome new business to the province.

Internally, the AGCO continued to work on a number of projects that support these goals by reducing administrative burdens and using a regulatory approach to support responsible economic development. The shift towards a standards-based regulatory framework in the gaming sector, for example, is intended to allow operators and businesses more flexibility to adapt to marketplace changes and ultimately to increase their competitiveness without compromising the AGCO's regulatory work. The achievement of these goals is also enhanced through the AGCO's continued efforts to build strategic partnerships and share information with government ministries and agencies including the Ministry of the Attorney General, Ministry of Finance, OLG and the LCBO.

The AGCO continued work on its Regulatory Modernization in Ontario's Beverage Alcohol Industry which launched in August 2013. The focus was to review the AGCO's approach to the regulation of wine, beer, and spirits manufacturers, manufacturers' representatives, ferment-on-premise operators and liquor delivery services, and explore opportunities to modernize the Commission's regulatory approach. Since launching this initiative, several policy reforms have been implemented which were intended to support new investment and innovation, maintain strong protection of the public interest, and respond to shifting economic and social realities. The AGCO continued to work with stakeholders on a number of initiatives in 2016-2017 as part of this project (see *Liquor Regulatory Framework Reform*, page 41).

OLG Modernization

In March 2012, the OLG initiated a plan to modernize lottery and gaming in Ontario which included three key priorities:

- Becoming more customer-focused;
- Securing qualified service providers for the day-to-day operation of lottery and gaming;
- Renewing OLG's role in the conduct, management and oversight of lottery and gaming.

As the OLG's plan has a significant impact on the AGCO operations and its regulatory mandate, the two organizations continue to work together to implement the modernization strategy.

For example, technological advances continue to drive changes in OLG customer preferences and product offerings, which informed government policy considerations related to provincial delivery of charitable bingo games and new commercial gaming products which are regulated by the AGCO. The OLG has also begun to integrate horse racing into its gaming strategy; horse racing was integrated with AGCO's other regulatory responsibilities beginning April 1, 2016.

Open Government

The Open Government initiative was launched in October 2013 to increase transparency and accountability in: Open Dialogue, Open Data, and Open Information.

The AGCO is continuing to modernize Ontario's liquor regulatory framework as well as the horse racing regulatory framework using an Open Government approach including a commitment to ongoing consultations with stakeholder representatives. As part of the Agency's commitments under the Open Data Directive, 2016, the Agency has published on its website an inventory listing data sets under its custody and control that identifies whether a data set is currently open, in the process of being opened or exempt from being released as open data due to legal, security, privacy, confidentiality or commercially-sensitive reasons. The Agency has also prioritized the data sets to be released, and in the coming year will commence making these available to the public on its website under an open-by-default approach.

The Legalization of Cannabis

As the federal government works to fulfill its commitment to legalize recreational cannabis, the Premier has mandated the Attorney General to develop an Ontario regulatory framework for recreational cannabis which would align with the federal legislation.

The Attorney General has requested that the AGCO support MAG in the development of a regulatory framework for cannabis in Ontario.

The AGCO has been coordinating internally to provide support and advice to MAG where needed, leveraging its expertise in regulating the alcohol, gaming and horse racing sectors. Efforts have been limited to an advisory role into government pending a decision about the structure of the regulation of cannabis in Ontario.

GOVERNMENT OVERSIGHT AND AGENCY ACCOUNTABILITY

Accountability and transparency in the agency sector have been key government priorities over the last several years, with the government taking steps to strengthen its oversight of arm's-length agencies. New and enhanced accountability mechanisms continue to be implemented, including new procurement directives, enhanced agency accountability directives and the disclosure of expenses incurred by Board members and senior executives.

For 2016-2017, the AGCO confirmed to the government that it was in substantial compliance with all applicable legislation, regulations, directive and policies. It also assured government that it had established and maintained a system of internal controls that supports the integrity and reliability of the AGCO's financial reports.

In 2014, the government introduced legislation (the *Broader Public Sector Executive Compensation Act, 2014*), requiring the AGCO to submit compensation information upon request, and within the timelines specified. This includes information relating to compensation that designated executives and other employees and office holders may be entitled, such as compensation policies, plans, guidelines, programs, studies, and any agreements between an employer and employees. The AGCO is currently working to address the legislative requirements in the required time frame.

Mandate Letter

Each year, the provincial government issues a "mandate letter" to all ministries requiring that they work collaboratively across government and with stakeholders, and to focus on specific priority actions. The 2016 mandate letter to the Ministry of the Attorney General included the mandate to continue to expand innovative online service delivery at ministry agencies to provide Ontarians with services that are more accessible, responsive and easy to use. This included online Special Occasion Permits for the sale and service of alcohol, for which the AGCO is responsible and aims to launch in May 2017.

Additionally, new requirements were introduced in 2016-17 that required provincial government ministers to issue mandate letters to all board-governed provincial Agencies. The AGCO mandate letter for 2016-2017 recognizes the critical role the agency plays in public service delivery, and outlines high-level expectations for priority actions and agency performance.

The letter recommended the AGCO consider key priorities, including: supporting the expansion of alcohol sales in grocery stores; implementing progressive reforms to modernize the horse racing regulatory framework; modernizing the charitable gaming industry by enhancing fundraising opportunities for charities; and supporting Open Government and Open Data initiatives. The AGCO has met, or is in the process of meeting, all of the priorities identified in the 2016-2017 mandate letter. The AGCO will continue to work with the Ministry in a constructive and collaborative fashion to ensure strong fiscal management, modern and accessible service delivery and protection of the public interest.

PERFORMANCE MEASURES

The AGCO's approach to performance measurement enables the agency to improve program effectiveness by promoting a focus on results, service quality and value for money through continued targeting, monitoring and evaluation of results.

Performance measures are an integral component of the AGCO's strategic planning process. Effective strategic planning requires continuous feedback on progress towards achieving stated objectives, through performance measures based on the five Strategic Goals identified in the AGCO Strategic Plan.

In keeping with the principle of a 'critical few' performance measures, the selected measures are intended to provide a broad overview of the AGCO's activities, but are not intended to measure all facets of the agency's operations. As part of the enhanced planning framework, performance measures will continue to be developed for the corporate and divisional plans which are intended to be more granular and project-specific in nature.

The AGCO is committed to ensuring that agency-wide performance measures support the goals outlined in its Strategic Plan. To meet this commitment, the AGCO will continue to engage in multi-year goal setting and continue to refine its approach to linking resource planning and performance measurement to support a results-oriented organization.

TABLE 1 AGCO Performance Measures 2016-2017

STRATEGIC GOAL SUPPORTED	PERFORMANCE MEASURES	FIVE YEAR PLANNING CYCLE TARGET	2016-17 RESULTS
Modern Regulator	Percentage of compliance matters resolved through the Letter of Incident (LOI) process without a request for hearing.	Maintain the ratio of compliance matters resolved through LOI process without request for hearing at an average of 90%.	87%
	Percentage of high-risk infractions following transition to a compliance-based operating model.	Maintain an average 30% decrease in infractions compared to benchmark data.	55% decrease compared to benchmark
Value for Money	Average gaming and liquor application turnaround time.	Average turnaround time meets or is lower than AGCO Standard (30 days).	Liquor: 31 days Gaming: 11 days
	Average electronic gaming lab testing turnaround time.	Average turnaround time meets or is better than comparable jurisdictions (New Jersey = 53 days, Michigan = 52 days, and Nevada = 35 days).	34 days
Strategic Engagement	Current number of Memorandums of Understanding (MOUs) with external law enforcement and regulatory agencies to advance AGCO's regulatory interests.	Increase number of MOUs by 20% over five years (2013-14 to 2017-18).	14% increase as of 2016-17
	Percentage of stakeholders indicating a high level of engagement following AGCO consultations using a Stakeholder Engagement Plan.	Percentage stakeholders reported feeling engaged/ highly engaged during stakeholder consultations averages 80%.	95%
	Number of national and international committees and working groups with AGCO representation.	Increase AGCO participation by 5%.	8.6% increase over 2015-16
Quality Service Experience	Percentage of gaming suppliers indicating very good/excellent level of service provided by AGCO testing and lab services.	Increase percentage of gaming suppliers indicating very good/excellent level of service to 75%.	86%
Rewarding Workplace	Time to Fill Vacancies	Average time to fill vacancies meets or is better than AGCO internal target (9 weeks).	7.8 weeks
	Number of Training Hours Per Employee per year	Average number of training hours taken per employee meets or exceeds AGCO target (15.75 hours).	14.66 hours

INTERNAL OPERATIONS AND FISCAL ENVIRONMENT

The AGCO's internal operating environment continued to evolve due to various factors, including demographic shifts affecting the agency's workforce, new and streamlined service delivery methods, and the implementation of the agency's Strategic Plan, all within the context of the AGCO's expanding regulatory mandate. In order to effectively address the challenges and opportunities the AGCO continued to proactively monitor and anticipate environmental changes in both its external and internal operating environment.

Marketplace evolution within the liquor and gaming sectors, along with government initiatives and legal and regulatory reforms, have continued to expand the AGCO's regulatory mandate, including the merger of Ontario Racing Commission (ORC) regulatory functions effective April 1, 2016 and the regulation of beer and wine sales in grocery stores. To help manage the operational and financial pressures related to this expanded mandate, the AGCO continues to implement its long-term direction through its Strategic Plan. This Plan is accompanied by an enhanced business planning process and integrated performance measurement approach to ensure current and future initiatives support the agency's five Strategic Goals (see page 19) and better position the AGCO to respond to expanded responsibilities in both the liquor and gaming sectors. The process this year integrated ORC planning outputs and major initiatives into the AGCO planning approach.

The AGCO has also been proactively implementing changes to improve efficiencies in its operations, demonstrating its commitment to Value for Money. Recent initiatives include implementation of an Enterprise Risk Management framework, as well as numerous program audits to assess effectiveness and improve efficiencies. Additionally, the AGCO's shift to risk-based regulatory approaches has ensured agency resources are allocated with greater emphasis on effectiveness and efficiency.

Service expectations have also changed in recent years and will continue to challenge the AGCO's capacity to respond in timely and effective ways. In response, the AGCO must offer a Quality Service Experience by making effective use of new technology to enhance and streamline delivery approaches and channels that are sensitive to stakeholder needs and expectations. Investments in technology will be made through the Regulatory Assurance Solution project, enabling electronic service delivery so that stakeholders will be able to apply for their AGCO licences, permits or registrations online.

OPERATING BUDGET – 2016-2017 FISCAL YEAR REVENUE AND EXPENDITURES

As a regulatory agency with a governing board reporting to the Ministry of the Attorney General, the AGCO receives its annual spending authority from the Ministry's printed estimates, as approved by the Legislature. The AGCO is funded from a combination of revenue from the Consolidated Revenue Fund and recoveries.

Effective April 1, 2016, the Ontario Racing Commission (ORC) ceased to exist and the regulation of horse racing fell under the AGCO's mandate. Additionally within the fiscal year, the number of grocery store authorizations more than doubled. Increases to the AGCO's spending authority and integration funding was provided to support the expanded mandate.

TABLE 2 2016-2017 fiscal year revenue and expenditures

Revenues	2015-16	2016-17
Fees and Levies ⁽¹⁾	\$25,033,772	\$25,608,003
Total	\$25,033,772	\$25,608,003

Expenditures	2015-16	2016-17
Salaries and Benefits ⁽²⁾	\$63,337,273	\$71,070,380
Other Direct Operating Expenses ⁽³⁾	\$10,643,676	\$12,060,827
Total Program Expenditures	\$73,980,949	\$83,131,207
Less Recoveries ⁽⁴⁾	(\$43,578,154)	(\$53,305,512)
Total	\$30,402,795	\$29,825,695

(1) Fees and Levies include 76 new authorizations to sell beer, cider and wine in grocery stores.

(2) Salaries and Benefits include additional employees to support the regulation of horse racing and beer, cider and wine sales in grocery stores.

(3) Other Direct Operating Expenses include horse racing regulation expenses, gaming eligibility assessment costs and iGaming expenditures needed to support ongoing gaming modernization activities, which are all recoverable.

(4) Recoveries include levies and fees from the horse racing industry, gaming eligibility assessments from external suppliers (including the testing of gaming equipment), as well as the registration and regulation of casinos, slot machine facilities, OLG lotteries, iGaming, and other gaming modernization initiatives paid for by the OLG.

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INFORMATION TECHNOLOGY

The Information Technology (IT) Department ensures that each system, application and service helps the AGCO to not only operate but also improve day-to-day business delivery, and plans for future opportunities. IT works closely with all departments to provide leading-edge innovations and technology solutions to help the organization achieve its strategic goals more effectively.

The Information Security Office works in conjunction with IT to safeguard the confidentiality, integrity and availability of AGCO's internal information through the development of information security policies, processes and procedures and identifying and managing Information Security Risks.

Some of the most recent accomplishments from Information Technology and Information Security include:

- Implementation of an Enterprise solution for Electronic Document and Records Management Solution (EDRMS), a key milestone ensuring digitized document retention, enhancing authorized user access to information and moving towards a paper-free environment;
- Establishment of a Data Governance (DG) program for the AGCO. This included defining the DG roles and responsibilities, identifying data owners for corporate datasets, and establishing high level goals and objectives. The DG program will be a key support for important corporate initiatives such as the iAGCO modernization and the Open Data initiative, as well as many aspects of data management and policy compliance requirements.

Other accomplishments include:

- Creation of a special portal which allows two divisions of the Toronto Police Services to access information on certain liquor licensed establishments within these divisions;
- Providing IT support to Licensing and Registration for the next phase of Wine and Beer implementation in Grocery Stores;
- Piloting and Migrating to Blackberry Cloud to support Android smartphones for better access to iAGCO;
- Transitioning 22 of 26 AGCO regional sites to the new OPS Network;
- Implementation of a program that monitors AGCO servers for vulnerabilities; and
- Assisting AGCO's Technical and Laboratory Services (T&LS) Branch with the implementation of a new application development and testing program.

CORPORATE COMMUNICATIONS

AGCO's corporate communications function plays an important role in supporting the services the agency provides to the citizens of Ontario and to the industries it regulates. Specifically, it is responsible for developing corporate programs, establishing channels for communication and enabling the two-way exchange of information between the agency and its many external and internal stakeholders.

Effective and timely communications with licensees, registrants, the public and the provincial and municipal governments are crucial for the effective regulation of the alcohol, gaming and horse racing sectors. Internal communication is also critical. AGCO staff are located in over thirty offices and gaming sites across Ontario. Clear and consistent information exchanges with its staff helps the agency manage the significant change that comes with the transformational corporate projects that are part of its strategic plan.

A number of important communication activities were undertaken over the past fiscal year, as summarized below.

New Website

The AGCO's public website is a key tool for providing one centralized repository for all information relevant to the AGCO and the customers it serves. This includes information about legislation and regulations, application processes and procedures as well as regulatory fees and helpful tools to advance educational initiatives that support regulatory compliance. In the 2016-17 fiscal year, the AGCO integrated much of the information that had previously been available on the Ontario Racing Commission's website when it assumed the regulation of the horse racing sector. This turned the AGCO website into the one-stop shop for information about all of the lines of business it regulates. Throughout the year, work was undertaken to renew the website to improve its navigation and structure, to update its functionality and to refresh its interface and improve the user experience. The site was also further developed to become compliant with the *Accessibility for Ontarians with Disabilities Act* (AODA). The renewed AGCO website was prepared to be launched early in the 2017-2018 fiscal year.

In 2016-2017 there were 516,474 visits to the website, an increase of more than 21,000 visits from the year before.

iAGCO

In January 2017, the portal through which those online services are to be offered was officially named iAGCO. Communication plans were established in preparation for the launch. These included the preparation of general information products for the website and for distribution among stakeholder associations, promotional items for relevant industry group conferences, as well as direct communication products for Ontario's liquor manufacturers.

Information products were also developed in collaboration with the LCBO to support the transition of Special Occasion Permit applications from LCBO paper-based and in-store applications to online applications directly from the AGCO through the iAGCO portal.

Media Relations

A key aspect of the agency's work is to respond to local, provincial and national media inquiries related to the AGCO's role in the lines of business it regulates. Key activities in this area include responding to requests for interviews or information related to relevant legislation, regulations and policy.

The agency strives to provide timely and transparent information to all media outlets throughout the year. In 2016-2017, AGCO responded to 91 media inquiries from news outlets of every size, 35 fewer than the previous year. The wealth of readily available information on the AGCO website, as well as the increased use of social media, has reduced some of the direct contact with media.

Social Media:

The AGCO continued building its social media communities and online engagement through its @Ont_AGCO and @Ont_CAJO Twitter accounts. The agency continues to look for opportunities to expand its use of this social platform to engage with stakeholders and to share important updates and information within its communities.

More than 400 social media stories related to the AGCO were tracked over this fiscal year. Over 90% of those interactions were driven by the agency's horse racing reform project and that engagement will likely increase even further next fiscal year, as the agency continues its use of social media with that sector to explore ideas such as the live tweeting from officials during horse races.

Newsletters, Bulletins and Notices

The AGCO regularly publishes materials to provide licensing/registration, educational and compliance information to stakeholders and the public.

Licence Line, which is published at least four times per year, is a newsletter provided by the AGCO to all liquor sales licensees. Covering a variety of issues important to licensees, Licence Line focuses on providing information on recent changes to liquor legislation and regulations and is an important source of industry news and tips for stakeholders.

Lottery Line is a newsletter produced for lottery retailers and lottery retailer managers. Issued three times per year, Lottery Line provides information and tips to help educate lottery retailers on the laws and regulations governing the sale of Ontario Lottery and Gaming Corporation (OLG) lottery products and break open tickets.

The first edition of Race Line, a newsletter for horse racing participants, will be published in Spring 2017. This newsletter is intended to provide horse racing participants and interested parties with useful information on horse racing rules and regulation, as well as equine health and safety tips.

In addition to its newsletters, the AGCO also issues Information Bulletins to liquor, gaming and horse racing stakeholders, in order to inform them of the decisions of the Registrar and relevant changes to the regulatory frameworks governing these industries. A variety of channels are used to distribute bulletins including the website, social media and by sharing these bulletins with industry associations.

The AGCO also publishes Liquor Enforcement in Ontario: A Guide for Police Officers, which is distributed to front-line police officers to help them better understand their role in liquor enforcement and how they can work cooperatively to reduce alcohol-related harm in their communities.

Enhanced Internal Communications

AGCO's internal communications function is designed to support the needs of all offices and divisions of the organization. Over this past fiscal year, the internal website for employees was revamped to enhance internal communications. The new intranet site has become an indispensable source of news and information about projects, initiatives, and corporate developments for the more than 550 AGCO employees.

Enhanced internal communications were needed throughout the year as the agency prepared for the transformational project to offer online services. An agency-wide effort, staff were kept informed through regular information updates, meeting presentations and case studies.

Customer Service

The AGCO Customer Service department strives to provide the public with a “one-stop shopping” approach. During 2016-17, the department responded to a total of 155,710 customer contacts, providing help and guidance on licensing and registration issues, including enquiries and complaints for all AGCO business areas. This included:

- 102,788 customer contacts received via telephone;
- 16,422 walk-in customers at the head office Customer Service Desk;
- 26,619 customers who received information via AGCO’s automated voice messaging system; and
- 9881 email enquiries.

HUMAN RESOURCES

The AGCO recognizes that capable and motivated employees are critical to achieving its business goals and to increasing its capacity to better deliver services, ensuring an environment where:

- Employees understand and believe their contributions are valued;
- There is opportunity for career development and growth at the AGCO; and
- The AGCO is committed to continuing to train and develop staff and leaders.

Employee Wellness

The AGCO continues to explore programs that recognize the importance of employee wellness in achieving a positive work environment. In addition to the numerous training and educational seminars focused on wellness offered throughout the year, the AGCO introduced several new programs demonstrating a commitment to providing employees with a safe and healthy workplace.

A certification program focused on workplace mental health was completed by several employees. The Total Health Index includes curriculum that facilitates an awareness to the importance of a mentally healthy workplace and builds the capacity and leadership skills for managing performance and promoting mental health.

An online assessment tool was also made available to all employees to help them better understand their current health status across four pillars – mental, physical, life, and workplace. The assessment provides employees with a personalized health report and valuable insight about their current health status and offers resources and recommendations on the steps needed to improve their overall well being. The aggregate results also provides the AGCO with information to focus wellness and workplace initiatives where there is a need.

The Staff Engagement, Wellness and Diversity Committee continues to work on initiatives that support the health and well being of employees including the Lions’ Lair innovation award, the implementation of the multi-year Diversity Plan, and an Annual Wellness Fair.

The AGCO is piloting a flexible work arrangement program in an effort to support a healthy work/life balance.

The “Winning Spirit” recognition program continues to thrive with 306 staff members recognized by their peers during the year.

Learning and Development

The AGCO continues to experience significant transformation that requires strong leadership and change-management skills. Our organization continues to invest in management by focusing on leadership development and coaching programs in order to build leadership capacity. Internal skills and capacity are being utilized to enhance management skills by introducing 1:1 mentor coaching and group coaching for all people leaders. The AGCO's continued commitment to maintain a "coaching culture" at all levels of the organization includes "Coaching and You" training sessions and "Skip Level Meetings". The focus is on constructing and fostering a strong rapport at each level, opening lines of communication and enhancing overall business agility by demonstrating a commitment to learning and development and investing in training programs in the areas of management and leadership development, business skills and wellness and personal growth.

Secondment and development opportunities are provided to staff and management as part of the AGCO's recruitment, retention, and staff development strategy. During the 2016-2017 fiscal year, nearly half of all vacancies were filled by internal candidates with the AGCO providing 37 secondment opportunities in addition to 31 promotions.

All AGCO staff members undergo a Performance Development Review on an annual basis to reflect on the achievements of the previous year, plan for the next year and to identify learning and development needs along with their career goals and aspirations.

The Evolve Job Shadowing program provides employees with an opportunity to shadow another employee to learn about other jobs in the AGCO for career development purposes or to improve understanding for their current job. In 2016-2017, sixty-five job shadowing experiences were completed.

Human Resources Strategy

The Human Resources strategy has been developed to address the AGCO's talent needs, challenges, and opportunities that are required to meet our business priorities in a constantly changing environment. The primary focus in this fiscal year is to make improvements by putting in place employment practices and programs in areas such as talent acquisition, learning and development, diversity and strategic workforce planning.

The strategy is supported by workforce metrics and performance measures that have been developed to measure effectiveness in areas of recruitment efficiency, investment in training, and turnover rates. A quarterly and annual report is provided to the C-Suite and the Board to report on the measures. This is used to help make informed decisions for HR planning and workplace activities.

Addressing all of the challenges that lie ahead will require the AGCO to recruit individuals with the right technical and professional skills to continue to effectively regulate both new and existing lines of business. To meet these challenges, the AGCO continues to work on developing programs that will strengthen its position as an employer of choice and develop robust recruitment and succession strategies to attract and retain the high quality staff and expertise necessary to effectively carry out its mandate.

Workforce and Labour Relations

The AGCO continues to work closely with OPSEU Local 565 five times per year, through the Joint Consultation Committee, on matters of mutual interest.

Diversity and Inclusion

The AGCO has developed a comprehensive Diversity and Inclusion Plan and continues to explore ways to build diversity and inclusion into its operations and activities.

The AGCO focused on four key elements in developing its Diversity and Inclusion Plan: People, Processes, Services and Results, with each aspect playing an integral role in the overall program. “People” refers to the investment made in the continuous learning of staff and management to build their cultural competencies and responsiveness. “Processes” focuses on examining organizational processes, policies and practices for barriers that prevent full participation in all aspects of society, including physical barriers, communications barriers, attitudinal barriers, economic barriers and technological barriers. The “Services” component speaks to improving current service delivery to better ensure inclusiveness, fairness and responsiveness. Finally, “Results” is about what will actually be measured and reported in terms of progress year after year.

Accessibility for Ontarians with Disabilities Act, 2005

The *Accessibility for Ontarians with Disabilities Act, 2005* (AODA) was created with the goal of developing standards that would improve accessibility for people with disabilities across the province. To date, accessibility standards have been developed in the areas of customer service, employment, information and communications, transportation, and the built environment.

The AODA requires all provincial agencies to provide updates to their Accessibility Plan and policies on an annual basis. The AGCO is committed to meeting the needs of persons with disabilities in a timely manner, and will do so by preventing and removing barriers to accessibility and meeting accessibility requirements under the AODA. The AGCO has implemented the requirements outlined in the plan and participated in various activities to gain further insight and inform its plan and policies. For example, the AGCO reviewed and updated a number of its practices, most notably in the areas of training, information and communication, and employment. This included training all AGCO employees on the requirements of Ontario’s accessibility laws, including the Integrated Accessibility Standards Regulation (IASR), and the Ontario Human Rights Code as it pertains to persons with disabilities. This accessibility training has now been built in to the employee orientation process to ensure that all new AGCO employees, as well as the Board of Directors and members of the Horse Racing Appeal Panel, have a better understanding of accessibility and have the necessary skills and resources to effectively perform their duties and provide services to the AGCO’s diverse stakeholders.

The AGCO maintains a commitment to meeting all requirements under the AODA and the IASR. The AGCO will continue to work on refining its accessibility plan with a focus on ensuring that its policies and practices remain accessible and meet the needs of all stakeholders, including persons with disabilities.



Regulating the Alcohol, Gaming, and Horse Racing Sectors

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THE AGCO'S REGULATORY APPROACH

Since 2007, the AGCO has been shifting towards a regulatory strategy which is risk-based, outcomes-based and compliance-focused, rather than focusing solely on enforcement after an infraction has been committed. The following programs form a multi-pronged approach to support this strategy:

- Risk-based enforcement – the AGCO focuses more resources on those licensed establishments with a higher risk profile and/or previous compliance issues;
- Risk-based licensing and risk-based registration – applications for liquor sales licences and gaming registrations are reviewed and assessed with a view to identifying and mitigating risks, including the use of conditions, where appropriate;
- Monetary penalties – an administrative sanction where a licensee or registrant pays a certain amount as a consequence of a breach of the LLA or GCA, and where a more severe sanction is not warranted under the circumstances;
- Standards-Based regulation of casino, cGaming and iGaming in Ontario – shift the focus from requiring registrants to comply with a specific set of rules or processes, which tend to be prescriptive in nature, towards the broader regulatory outcomes or objectives they are expected to achieve; and
- Education – increased focus and emphasis on education and training for external stakeholders as a means of fostering a compliance-focused culture within the industries the AGCO regulates. The idea is to help prevent licensees and registrants from committing infractions by helping them to better understand the AGCO's regulatory framework and how best to comply with their legal and regulatory obligations.

REGULATION OF THE ALCOHOL SECTOR

Liquor Regulatory Framework Reform

Over the past several years, the government and the AGCO have taken a series of important steps to modernize the regulation of Ontario's beverage alcohol industry, to promote responsible economic development, improve service delivery, enhance consumer choice and strengthen social responsibility. To support the government's modernization agenda and the ongoing work of the Premier's Advisory Council on Government Assets in 2016-2017, the AGCO further reviewed its policies and practices to reduce administrative burdens and minimize unnecessary barriers to responsible economic growth.

As part of the ongoing Regulatory Modernization in Ontario's Beverage Alcohol Industry initiative, the Registrar approved a series of policy reforms in 2016-2017. This included changes to the policies regarding on-site retail stores for Ontario breweries, wineries and distilleries, which allow manufacturers greater opportunities to operate retail stores at their eligible production sites.

These reforms stemmed from extensive stakeholder consultations in which affected parties had the opportunity to be heard, but also to take an active role in the policy development process.

VQA Wine Sales at Farmers' Markets

As of March 31, 2017 there were 99 wineries (including 14 fruit wineries) selling their VQA wine at 253 Ontario Farmers' Markets. Looking ahead, the AGCO will continue to administer the pilot program as it expands to include fruit wines, including cider, across the province.

REGULATION OF THE GAMING SECTOR

The AGCO continues to modernize its approach to the regulation of Ontario's gaming sector by moving towards a more standards-based (or outcomes-based) approach.

Standards-Based Regulation

Under the *Gaming Control Act, 1992*, the Registrar of Alcohol, Gaming and Racing is authorized to establish risk-based standards to regulate Ontario's gaming sector. The objective of a standards-based regulatory model is to shift the focus from requiring registrants to comply with a specific set of rules or processes, which tend to be prescriptive in nature, towards the broader regulatory outcomes or objectives they are expected to achieve. These regulatory outcomes are reflected in the *Registrar's Standards for Gaming* and the up coming *Registrar's Standards for Gaming – Lottery Sector*.

Throughout 2016-2017, the AGCO continued to phase in the Registrar's Standards to the various lines of business in the gaming sector, including casinos, lotteries and c-Gaming. The AGCO has worked with stakeholders in each of these sectors to coordinate an appropriate and practical implementation plan. At present, the Registrar's Standards apply to OLG conducted and managed charitable gaming (or cGaming) sites, internet gaming and to most casinos in the province. In fiscal year 2016-2017 the AGCO made significant strides in the implementation of the Standards-Based Approach in casinos. With the execution of Phase II and Phase III of our Casino Standards Implementation Strategy complete, 24 of 25 casinos in Ontario are now operating under the Registrar's Standards for Gaming, with the final casino (Great Blue Heron) expected to implement in summer 2017. Over the course of 2016-2017, the AGCO made efforts to transition the OLG Lottery line of business to a standards-based approach, with implementation expected to occur on June 30, 2017.

As part of this, the AGCO also implemented the Standards Interpretation Protocol, which acts as a single point of contact for the gaming industry to manage inquiries pertaining to the interpretation of the Standards. In order to promote transparency and a better understanding of Standards amongst registrants, applicable interpretations are posted on the AGCO's website.

Anti Money Laundering

The AGCO has a long standing Memorandum of Understanding (MOU) with the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), and since the AGCO's inception, it has been involved in Anti Money Laundering (AML) compliance and enforcement. In July 2016, the Anti Money Laundering Unit was formally created to coordinate AGCO efforts. Some of the unit's initiatives include:

- Liaising with other provincial and federal regulatory agencies on AML matters, including working within the MOU with FINTRAC;
- Chairing a provincial AML working group consisting of representatives from AGCO, OLG, casino operators and law enforcement agencies in Ontario; and
- Instituting AML best practices and acting as a resource within each industry regulated by the AGCO.

OLG Gaming Activities

Regulatory Modernization in Casinos

In the 2016-2017 fiscal year, the AGCO made significant strides in the implementation of the standards-based approach in casinos. Across the province, 24 of 25 casinos in Ontario are now operating under the Registrar's Standards for Gaming, with the final casino (Great Blue Heron) expected to implement in summer 2017.

With the implementation of a Standards-Based Approach in casinos nearly complete, the AGCO is well positioned to continue effectively regulating an ever evolving casino gaming sector. As the OLG continues its Modernization Plan, the AGCO looks forward to engaging with newly selected Service Providers (casino Operators selected by OLG) under this modernized regulatory framework.

In the past year the AGCO worked closely with Ontario Gaming East Limited Partnership (OGELP) on the opening of Shorelines Casino Belleville. The first casino to open under the Standards-Based Approach, Shorelines Casino Belleville demonstrated that this approach provides casino operators with reduced regulatory burden and increased operational flexibility while still maintaining the highest standards of honesty and integrity in operations.

This fiscal year also saw the selection of Gateway Casino Limited (Gateway) as the successful Service Provider for the Southwest and North bundle of casinos, with the possibility of building two new casinos and relocating another four. The AGCO has already engaged Gateway in a proactive stakeholder education strategy aimed at ushering new casino operators with an effective understanding of its regulatory expectations. As the OLG Modernization continues, the AGCO looks forward to further engagement with OGELP, Gateway and other newly selected Service Providers under the Standards-Based Approach in the 2017-2018 fiscal year.

Internet Gaming (iGaming)

The AGCO continues to refine and adapt its regulatory approach to iGaming to ensure integrity of the OLG product while allowing appropriate business flexibility. This includes the application of a risk-based approach to its eligibility assessment and registration process; technical assessment and approval of updates to the OLG iGaming solution and new games; and the application of regulatory assurance activities to assess compliance with the Registrar's Standards for Gaming. As part of its regulatory assurance activities, the AGCO conducts audits, compliance monitoring and reviews, technical monitoring of the iGaming platform and investigations of suspicious behaviour within the province's PlayOLG.ca gaming platform. Over the next year, the AGCO will continue to advance its data analytics capabilities to leverage and analyze large data sets to develop a better understanding of trends, patterns and relationships, to target regulatory oversight where it is most effective.

Charitable Gaming (cGaming)

The OLG, in partnership with the Ontario Charitable Gaming Association and the Commercial Gaming Association of Ontario, embarked on a multi-year initiative to revitalize charitable bingos in the province by introducing electronic products into existing and future charitable gaming facilities. These products currently include electronic bingo, Play on Demand games (POD), electronic Break Open Ticket dispensers (TapTix), and Turbo Challenge.

Over the past year, the AGCO has continued to work with the OLG and industry partners to facilitate the introduction of electronic games conducted and managed by OLG in cGaming centres. There are a total of 31 cGaming centres that are now regulated under the Registrar's Standards for Gaming.

Charitable Gaming

In addition to cGaming operated by the OLG in partnership with charities, traditional paper-based bingo events conducted and managed by licensed charitable organizations continue to operate in Ontario. Charitable gaming revenues, including those which come from traditional bingos, are an essential source of funding for a large number of not-for-profit organizations. The AGCO continues to support the charitable gaming industry by supporting fundraising opportunities for charities and providing suppliers with opportunities for business growth through modernization initiatives, such as the bingo revenue model, changes to the break open ticket regulatory framework, launch of a progressive raffle pilot called Catch the Ace as well as its work with the Charitable Gaming Strategic Working Group and Mega Raffle Working Group.

Changes to the Criminal Code

In 2014, the Government of Canada amended the *Criminal Code of Canada*, adding subsection (4.1) to s. 207, allowing for the use of a computer for the sale of a ticket, selection of a winner, and the distribution of a prize in a licensed charity raffle, including a 50/50 draw.

Since then, the AGCO has begun work to develop a regulatory framework for Ontario that will allow eligible organizations to be licensed to conduct and manage electronic charitable raffles, including electronic 50/50 draws. Once complete, charities licensed under this new framework will be able to use computers in the sale of raffle tickets, selection of raffle winners, and distribution of raffle prizes within the parameters of that framework.

The AGCO will continue to develop this framework through its 'modern regulator' goal.

The AGCO's regulatory framework for electronic raffles in Ontario will be launched in 2017.

The AGCO will be conducting stakeholder consultations with charitable organizations, municipal and First Nations partners, electronic gaming manufacturers and suppliers and the responsible gambling community throughout the process.

REGULATION OF THE HORSE RACING SECTOR

AGCO Role in Horse Racing

The AGCO is responsible for the regulation of horse racing in all its forms in Ontario, the operation of racetracks, and the licensing of racetracks and racing participants. It provides three officials (Judges or Stewards) to supervise races conducted at Ontario's licensed racetracks, and these officials are responsible for the enforcement of the Rules of Racing. Officials conduct investigations into alleged rule violations, issue penalties or suspend licensees for violations and conduct reviews of regulatory matters as required.

The AGCO also issues over 16,000 licences to individuals and businesses involved in the horse racing industry, including owners, teletheatre locations and individuals involved in the industry, such as grooms, trainers, veterinarians, jockeys and drivers.

As required under the CPMA Regulations, the AGCO oversees the province's racetracks and teletheatres at which any form of horse racing is carried on or televised, all forms of licensing (including conditions put on licences), and the appointment of racetrack officials and other persons whose duties relate to the actual running of horse races. It also establishes and enforces the Rules of Racing.

Outreach to Racing Stakeholders

The AGCO is committed to ensuring integrity, safety and public interest in horse racing, while also supporting the government's ongoing effort to support the commercial sustainability of horse racing industry in Ontario.

In the Spring of 2016, the AGCO launched Moving Ahead: Horse Racing Regulation in Ontario, a project directed at identifying and implementing the reforms to the regulatory rules that govern horse racing. The AGCO conducted 17 Horse Racing policy roundtables attended by 150 industry participants and received 64 written submissions to the project's consultation paper.

Input was used for initial policy reforms, which have been developed in conjunction with industry stakeholders and internal experts. A comprehensive findings report was also developed capturing this feedback and was released publicly in February 2017. In addition, this constructive dialogue resulted in an initial series of policy reforms and new processes which will take effect on April 1, 2017.

The AGCO also announced that it would be establishing three Working Groups to help make recommendations for future policy reform.



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LICENSING AND REGISTRATION

Liquor Licensing

The *Liquor Licence Act* and its Regulations provide the Registrar with the authority for regulating and licensing the following: liquor sales licences, ferment-on-premise facility licences, liquor delivery service licences, manufacturer's licences and manufacturer's representative licences.

The AGCO is also responsible for overseeing the administration of Special Occasion Permits (SOPs). The Liquor Control Board of Ontario, which is responsible for the retail sale of beverage alcohol, currently issues SOPs on behalf of the AGCO. SOPs are required for occasional private events such as weddings and receptions or public events, such as community festivals, where beverage alcohol will be served and/or sold to the public.

TABLE 3 TOTAL NUMBER OF LIQUOR LICENCES AND SPECIAL OCCASION PERMITS

	2015-16	2016-17
Liquor Sales Licensed Establishments	17,431	17,637
Ferment-on-Premise Facilities	538	528
Liquor Delivery Services	295	312
Manufacturers	482	559
Manufacturers' Representatives	855	911
Total Grocery Stores authorized to sell beer, wine or cider	60	128
Total liquor licences	19,661	20,075
Special Occasion Permits issued	62,472	64,643

Gaming Registrations

Gaming registrations must be obtained by 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;
- Sell lottery products on behalf of OLG, or provide goods or services to OLG related to lottery products; or
- Provide goods or services to, or work for a casino, slot machine facility, or cGaming site.

In reviewing applications for registration, an eligibility assessment is carried out by the Registrar concerning the character, integrity, financial responsibility and competence of those persons or businesses and their suitability for registration.

Table 4 below indicates the number of registrations issued by the AGCO by category from April 1, 2016 to March 31, 2017, under the corresponding registration classes.

TABLE 4 NUMBER OF GAMING REGISTRATIONS ISSUED

REGISTRATION CLASS	LINE OF BUSINESS	2015-16	2016-17
Operators	Commercial Sector	32	34
	Charitable Sector	71	69
Sellers	Charitable Sector *	192	176
	OLG Lottery Sector	9,731	9,831
Gaming-Related Suppliers	Commercial Sector	52	59
	Charitable Sector	64	63
	OLG Lottery Sector	16	14
Non-Gaming-Related Suppliers	Commercial Sector	289	287
Trade Unions	Commercial Sector	18	17
Category 1 Gaming Assistants	Commercial Sector	2,679	2,748
	Charitable Sector	535	536
	OLG Lottery Sector	1,862	1,903
Category 2 Gaming Assistants	Commercial Sector	11,030	11,072
	Charitable Sector	1,852	1,845
Total		28,423	28,654

* This figure represents the number of sites that only sell charitable break open tickets (no OLG lottery products). It does not include Sellers that also sell OLG lottery products. All registrants who are Sellers may sell break open tickets in addition to OLG lottery products.

Charitable Gaming Licences

The AGCO administers the charitable lottery licensing program in Ontario. This includes lottery events conducted and managed by charitable or religious organizations, for example bingo, raffles and the sale of break open tickets. The agency also issues registrations to individuals or businesses that wish to provide goods or services to the charitable gaming sector, and carries out inspection and compliance assurance activities to ensure that charitable gaming licensees and registrants are operating in accordance with the law and in the public interest.

The issuance of charitable lottery licences continues to be a shared responsibility, with the AGCO and local municipalities both having a role in administering this program.

The AGCO is the licensing authority for:

- Charitable gaming events in pooling bingo halls;
- Bingo events 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 charitable lottery licences for the following:

- Bingo events with prize boards 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, 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.

TABLE 5 LOTTERY LICENCES ISSUED

	2015-16	2016-17
Bingo	129	124
Charitable Gaming (Bingo Hall)	2,813	2,952
Break Open Ticket (BOT) *	50	57
Raffle	185	281
Social Gaming Events	22	31
Other	6	4
Total	3,205	3,449

Horse Race Licensing

In 2016-2017, the AGCO continued its efforts to implement a regulatory framework that supports a modern, efficient, and consumer-focused racing industry. AGCO Licensing Agents work at racetracks and through head office in Toronto. The AGCO licenses participants in horse racing industry (jockeys, trainers, drivers, veterinarians, etc.), racetracks (associations) and teletheatres.

TABLE 6 LICENSING (# OF LICENSES ISSUED)

	2015-16	2016-17
Thoroughbred	6198	6,105
Quarter Horse	587	582
Standardbred	10,983	10,135
Total	17,768	16,822

Ontario Racetracks

Thoroughbred

Fort Erie Racetrack, Fort Erie
Woodbine Racetrack, Toronto

Standardbred

Clinton Raceway, Clinton
Dresden Raceway, Dresden
Flamboro Downs, Dundas
Georgian Downs, Innisfil
Grand River Raceway, Elora
Hanover Raceway, Hanover
Hiawatha Horse Park, Sarnia
Kawartha Downs, Fraserville
Lakeshore Racing, Leamington
Mohawk Racetrack, Campbellville
Rideau Carleton Raceway, Ottawa
The Raceway at Western Fair, London
Woodbine Racetrack, Toronto

Quarterhorse

Ajax Downs, Ajax

INVESTIGATION AND ENFORCEMENT BUREAU (IEB)

To better support the AGCO's compliance framework, some of the IEB inspection functions were incorporated to a new branch, created in June 2016. The functions of Liquor and Lottery Compliance, as well as a new Anti Money Laundering unit, were moved to this branch.

The Investigation and Enforcement Bureau is an OPP Bureau assigned to the AGCO and is responsible for various regulatory and criminal investigations, as well as gaming enforcement and protection.

IEB Investigation Branch

The IEB Investigation Branch, comprised of OPP Officers, responds to criminal and regulatory investigations involving the liquor, lottery, iGaming, charitable gaming and horse racing sectors. This is an important and unique structure that supports the Registrar's regulatory mandate.

For example, the Branch investigates suspicious or "insider" lottery wins. A suspicious win is one that may have perceived or apparent criminal activity – for example: fraud; theft; or dishonesty. Insider wins are prize claims over \$10K of tickets held by lottery retailers or members of their family which are automatically escalated to the Branch for investigation.

There are 30 Detective Constables organized into 3 teams (North, East, West) supervised by Detective Sergeants. The positions are provincially deployed with members assigned to Ottawa, Toronto, London, Niagara Falls, Sudbury, Sault Ste Marie, Thunder Bay, Windsor and Orillia. The Investigation Branch has an Officer trained in Proceeds of Crime investigations who acts as a Bureau Liaison with the Provincial Asset Forfeiture Unit as well as a specially trained Internet Gaming Investigator.

The Bureau also has an Intelligence Unit responsible for the coordination, collection and dissemination of relevant information within the industries. In addition, the Unit also provides investigative expertise and effective information collection, evaluation and dissemination to external law enforcement, regulatory and industry stakeholder agencies, to ensure integrity and public safety within our regulated industries.

Occurrences

During 2016-2017, IEB Investigation Branch conducted 41 iGaming investigations, 31 Charitable Gaming investigations and 93 investigations into liquor licence holders and applicants. During the same period IEB Investigations conducted a total of 286 lottery investigations: 45 insider wins, 85 suspicious wins and 156 other lottery regulatory investigations. An additional 152 investigations were reviewed and referred to AGCO Liquor & Lottery Compliance Branch for follow up.

Gaming Enforcement Branch

Gaming Investigation Units

The Gaming Investigation Units (GIU) are comprised of OPP Officers assigned to the AGCO's Investigation and Enforcement Bureau. Each unit comprises members specially trained to conduct regulatory and criminal investigations in order to respond effectively to any threats to the integrity of the gaming activity. The specialized training ranges from detecting cheat at play, information gathering and anti-money laundering.

Through advanced detection capabilities and enhanced investigative techniques the Gaming Investigation Units provide investigative expertise in the area of criminal, due diligence and financial investigations to the AGCO.

As Ontario is currently experiencing a significant expansion in the number of gaming sites in the province that are intended to be operated by Private Service Providers, the Bureau has developed a new investigative model designed to effectively fulfill its mandate while making the best and most efficient use of Bureau resources. Members are more strategically deployed in a hub model to be able to respond in a more efficient and effective manner. Bureau resources are now invested toward specific activities rather than a broader general policing or security function. This allows for a response that leverages traditional policing methods, regulatory tools, operator relationships and effective intelligence gathering to significantly impact unwanted activity within the Ontario gaming industry.

The police units perform regulatory functions such as assisting with eligibility assessments on individuals and companies seeking registration to conduct business with the Ontario gaming industry and liaising with internal stakeholders such as AGCO's Audit & Gaming Compliance Branch as required supporting the standards-based regulatory approach.

Occurrences at Casinos and Slot Machine Facilities

During 2016-2017, the AGCO's Gaming Investigation Units responded to approximately 7,602 occurrences at casinos and slot machine facilities. Of these, 1,440 were Criminal Code offences, including 205 alleged incidents of cheat-at-play (31 cheat-at-play charges laid). Other Criminal Code related occurrences included fraud, theft and assault investigations. There were a total of 1,068 other calls for police assistance, including calls for medical emergencies, police information and abandoned children.

There were an additional 3,405 non-Criminal Code related occurrences. These occurrences involved provincial statute investigations or violations, 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 information gathering, requests for information or general inquiries/assistance for an outside investigation.

The 3,405 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 to be reportable occurrences by the AGCO's Investigation and Enforcement Bureau.

Eligibility Investigations Unit

The EIU conducts background eligibility assessment investigations. Unit Investigators will conduct background investigations on all prospective gaming, lottery and racing operators, officers, directors, key employees of applicant companies, and on all officers and directors wishing to do business with the Ontario Gaming, Lottery and Racing industries. All investigations are performed within the parameters of the Criminal Code of Canada, *Gaming Control Act*, Regulations and the Alcohol and Gaming Commission of Ontario policies. All completed investigations enable the Registrar of the AGCO to make a determination on suitability for registration.

The EIU has conducted a total of 616 investigations during the past fiscal year. These investigations include files on gaming related and non-gaming related suppliers, racing teletheater investigations, investigations on gaming site employees, and lottery retailer investigations. The EIU has also conducted 600 outside agency assist checks – providing investigative assistance to external law enforcement agencies.

Game Protection & Training Unit

The Game Protection & Training Unit consists of specially trained Gaming Specialists who are recognized as gaming experts in casino gaming across Canada. The unit provides the only police accredited, gaming related training in North America, which is administered through the OPP Academy.

The course provides law enforcement professionals with information on the legislative structure behind gaming in Canada, along with the ability to understand basic game play and rules for them to conduct gaming investigations and to identify cheat-at-play techniques and schemes.

In addition, the Gaming Specialist reviews and assesses proposals for new games and rule changes for fairness, game integrity and overall game protection issues and provides a comprehensive review to the responsible AGCO departments.

STRATEGIC PARTNERSHIPS

Working collaboratively and with increasingly sophisticated coordination, these partnerships promote compliance with Ontario's liquor laws and provide insight into potential risks to public safety. In 2016-2017 more than 1,714 joint inspections were completed by AGCO Inspectors partnered with local police officers.

The IEB works in partnership with local municipal officials. For example, in Toronto, the AGCO has been working with the City to identify establishments that pose the greatest risk to communities and to coordinate methodologies to bring these entities into compliance with municipal and provincial laws. This type of information sharing also supports better decision making at both the provincial and municipal levels.

Best Bar None

Best Bar None (BBN) is an industry-led international accreditation and awards program that rewards excellence amongst responsible liquor sales licensees. BBN encourages licensed establishments to implement the highest standards for the responsible service of liquor, reducing the potential for alcohol-related issues, and making the safety of the patrons and the community top-of-mind. Now in its fourth year, nearly 100 establishments have received accreditation in Toronto and Ottawa combined. The Ontario Restaurant Hotel Motel Association (ORHMA) runs Ontario's BBN program with the support of the AGCO and industry partners, such as the LCBO, Labatt, Ontario Craft Brewers and the Wine Council of Ontario. Mothers Against Drunk Drivers and local resident and business associations are also key partners.

Last Drink Program

The Last Drink Program endeavors to improve public safety and reduce alcohol-related driving offences on Ontario's roadways. Under this program, police services inform the AGCO of alcohol-related driving offences where drivers name a licensed establishment as the location where they last consumed alcohol. This information allows the AGCO to identify educational opportunities to work with licensees to better meet their regulatory obligations.

Over 230 last drink inspections were conducted during the 2016-2017 fiscal year. Each of these inspections were the result of our policing partners alerting the AGCO to an alcohol-related impaired driving incident connected to a liquor licensed establishment. Presently, all OPP detachments and 28 municipal policing services are participating in this program.

Police Reports Program

Under this program, Ontario's police services provide the AGCO with information about occurrences related to licensed establishments or SOP events. This information allows the AGCO to build a more fulsome compliance history of an establishment.

Presently, all OPP detachments and 35 municipal policing services participate in the program. During fiscal year 2016-2017, over 1,950 police occurrences were reported. Approximately 42 resulted in escalation to Deputy Registrar Review process, through which the Registrar may impose an administrative sanction, including a monetary penalty, or a suspension or revocation of a licence.

Awards for Outstanding Liquor Enforcement

The Ontario Association of Chiefs of Police (OACP) presents annual awards relating to liquor enforcement. These awards are presented to police agencies that demonstrate excellence and innovation in liquor enforcement. The 2016 “OACP Outstanding Liquor Enforcement Award” for a police agency with fewer than 500 officers was presented to the Kingston Police Service. The award for a police agency with more than 500 officers was presented to the Ontario Provincial Police – Central Region. These awards are sponsored by the AGCO.

Education, Training and Awareness Initiatives for Licensees and Registrants

In keeping with the AGCO’s education, training and awareness initiative, which support AGCO’s compliance-focused regulatory approach, AGCO provides ongoing guidance and support to front-line police officers regarding the enforcement of Ontario’s liquor laws. This mandate is achieved through in-person seminars and the distribution of educational brochures summarizing the role of police and the laws governing licensees and permit holders.

In 2016-2017, the AGCO revised its ETA strategy with the goal of refreshing, enhancing and reinforcing the AGCO’s approach to education across all our lines of business. ETA activities are aimed at helping licensees, authorized retailers and registrants comply with the laws and regulations administered by the AGCO.

The overarching objectives of the ETA strategy are to:

- ensure that existing and new initiatives are anchored in AGCO priorities;
- benefit from a greater emphasis on internal coordination and improvement; and
- support improved regulatory compliance and outcomes.

A core element of the ETA strategy is to conduct a comprehensive gap and needs analysis to identify potential options, opportunities and priorities from an educational perspective. As a result of this analysis, the AGCO has identified, and will continue to identify new programs to support stakeholder education and understanding of the laws that apply to them.

Funding for ETA programs, in whole or in part, may come from monies generated through the assessment of Orders of Monetary Penalty (OMP). By virtue of the *Alcohol and Gaming Regulation and Public Protection Act, 1996*, money received from monetary penalties must be directed by the AGCO towards either awareness programs for the general public or education and training programs.

In February 2016, the AGCO Board approved a new policy and framework for the approval and expenditure of monies collected through the assessment of OMPs. The AGCO has begun using OMP funds to create and advance AGCO-developed programs and to support funding requests from external stakeholder organizations for educational initiatives which support AGCO’s overall ETA program objectives.

THE LIQUOR & LOTTERY COMPLIANCE BRANCH

Alcohol

The Liquor and Lottery Compliance Branch conducted more than 25,379 inspections of licensed premises and continued to measure an improvement in licensee compliance across the province. In 2016-2017 approximately 8,430 contraventions of Ontario's liquor laws were cited during inspections. Additionally, 351 of the most serious occurrences were escalated for further review to determine whether an administrative sanction would be appropriate.

Where evidence exists to support allegations of breaches of the *Liquor Licence Act* (LLA) and its Regulations by a licensee, the Registrar may impose/propose an administrative sanction, which can include a warning letter, monetary penalty, suspension or revocation of the licence.

OLG Lotteries

During 2016-2017, AGCO Inspectors conducted over 1,693 Lottery Compliance Inspections at registered lottery retailer locations. As a result, approximately 624 infractions were cited and 350 warnings issued. Educating retailers on compliance and their responsibilities as registrants under the *Gaming Control Act, 1992*, is a key component of the overall inspection process.

Where a seller of OLG lottery products has breached the GCA, the Registrar may impose/propose an administrative sanction, including a monetary penalty, or a suspension or a revocation of the registration.

Charitable Gaming

AGCO Inspectors also conduct inspections at Break Open Ticket (BOT) seller locations across Ontario, and have also been cross-trained to inspect bingo facilities to ensure compliance with the GCA. In 2016-2017, more than 1,650 BOT and traditional bingo hall inspections were conducted by AGCO Inspectors.

Where there is evidence that a charitable gaming registrant has breached the GCA, the Registrar may impose an administrative sanction where appropriate. This may include assessing a monetary penalty, or proposing a suspension or revocation of the registration.

Electronic Gaming Inspections

The Audit and Compliance Branch of the AGCO has Electronic Gaming Inspectors on-site at casinos and slot machine facilities who are responsible for inspecting new gaming supplies and gaming systems, conducting targeted risk-based inspections on approved electronic gaming equipment, and performing inspections on applicable changes to gaming supplies/systems (e.g., slot machines, slot management systems, progressives games, etc.).

In 2016-2017, Electronic Gaming Inspectors inspected 28,613 gaming machines with minimum disruption to patron play and of these inspections, 542 infractions of non-compliance were discovered as follows:

- 314 critical deficiencies were found in games which were being inspected prior to approving their availability for patron play (i.e. incorrect software installed, unapproved pay tables enabled, etc.). These games were not allowed for play until corrective action was taken by the site and the games passed inspection; and
- 228 other non-compliance deficiencies were discovered during inspections 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.

The Electronic Gaming Inspectors also completed 5,055 reviews/audits to ensure the Operators were in compliance with the Registrar's Standards, Technical Standards, etc. and of these inspections, 140 infractions of non-compliance Corrective Action Report (CAR) were generated.

TABLE 7 Number of slot machines and table games in gaming facilities

CASINOS	# OF SLOT MACHINES	# OF TABLE GAMES	LOCATION	OPEN TO PUBLIC
OLG Casino Brantford	566	59	Brantford	November 19, 1999
Great Blue Heron Charity Casino	527	60	Port Perry	May 5, 2000
OLG Casino Point Edward	452	21	Point Edward	April 20, 2000
OLG Casino Sault Ste. Marie	436	11	Sault Ste. Marie	May 23, 1999
OLG Casino Thousand Islands (New Ownership – Great Canadian Gaming Corporation – January 11, 2016 – Shorelines Casino Thousand Islands)	551	24	Gananoque	June 22, 2002
OLG Casino Thunder Bay	450	11	Thunder Bay	August 30, 2000
Shorelines Belleville Casino (Great Canadian Gaming Corporation)	466	18	Belleville	January 11, 2017
Casino Niagara	1,414	39	Niagara Falls	December 9, 1996
Niagara Fallsview Casino Resort	3,137	135	Niagara Falls	June 8, 2004
Casino Rama	2,788	110	Orillia	July 31, 1996
Caesars Windsor	2,305	93	Windsor	Interim: May 1994 Permanent: July 29, 1998

SLOT FACILITIES AT RACETRACKS	# OF SLOT MACHINES	LOCATION	OPEN TO PUBLIC
Ajax Downs	880	Ajax	March 2, 2006
OLG Slots at Clinton Raceway	121	Clinton	August 26, 2000
OLG Slots at Dresden Raceway	148	Dresden	April 20, 2001
Flamboro Downs	808	Dundas	October 13, 2000
Georgian Downs	969	Barrie	November 29, 2001
Grand River Raceway	263	Elora	December 6, 2003
OLG Slots at Hanover Raceway	210	Hanover	February 21, 2001
Kawartha Downs Raceway (New Ownership – Great Canadian Gaming Corporation – January 11, 2016 - Shorelines Slots at Kawartha Downs)	507	Peterborough	November 24, 1999
Mohawk Raceway	932	Milton	August 12, 1999
Rideau Carleton Raceway	1,239	Ottawa	February 18, 2000
Sudbury Downs Raceway	413	Sudbury	November 28, 1999
OLG Slots at Western Fair	745	London	September 30, 1999
Woodbine Raceway	3,007	Toronto	March 29, 2000
Woodstock Raceway	245	Woodstock	June 22, 2001

cGaming

In 2016-2017, the AGCO conducted 1,612 inspections at cGaming sites, with 276 Regulatory Assurance Activities completed. As of March 31, 2017, the following 31 sites (managed by OLG), have eBingo and eBOTS (TapTix machines):

TABLE 8 cGaming SITES CONDUCTED AND MANAGED BY OLG

SITE NAME	MUNICIPALITY	eBINGO LAUNCH DATE
Boardwalk Gaming Centre	Sudbury	2005-2006 - Pilot Program Site
PenDelta	Peterborough	2005-2006 - Pilot Program Site
Treasure Chest	Kingston	2005-2006 - Pilot Program Site
Boardwalk Gaming Centre	Barrie	Sep-05 - Pilot Program Site
Boardwalk Gaming Centre – Val Caron	Sudbury	28-Aug-12
Community Spirit	Kingston	18-Sep-12
Boardwalk Gaming Centre	Penetanguishene	9-Oct-12
Delta Bingo	Pickering	20-Nov-12
Paradise Gaming Centre	Windsor	Oct-10 - Pilot Program Site
Breakaway Gaming Centre	Windsor	Nov-09 - Pilot Program Site
Boardwalk Gaming Centre	Pembroke	26-Feb-13
Delta Bingo	Niagara Falls	22-May-13
Delta	Oakville	18-Jun-13
Delta Bingo	Brampton	16-Jul-13
Rama Charitable Gaming Center	Mississauga	13-Aug-13
Cambridge Bingo	Cambridge	10-Sep-13
Bingo World GTA	Newmarket	9-Oct-13
Jackpot City	St. Thomas	4-Dec-13
Golden Nugget	Fort Erie	29-Jan-14
Long Sault Bingo	Hawkesbury	19-Mar-14
Main Street Bingo	Welland	16-Apr-14
Chances	Leamington	14-May-14
Delta Bingo St. Clair	Toronto	18-Jun-14
Riverview Bingo	Chatham	6-Aug-14
Delta Bingo Uncle Sam's	Fort Erie	8-Oct-14
Superior Shores Gaming Centre	Thunder Bay	17-Dec-14
Timmins City Bingo	Timmins	4-Feb-15
Delta Bingo	St. Catharines	25-Mar-15
Dolphin Bingo	Toronto	22-Apr-15
Bingo World GTA	Richmond Hill	08-May-15
Jackpot City	Sarnia	07-Oct-15

ELECTRONIC GAMING EQUIPMENT AND SYSTEM APPROVALS

Technical and Laboratory Services (T&LS) Branch

Ontario's public confidence in gaming is largely based upon the integrity and fairness of the games and gaming systems in play. The T&LS branch's mandate is to provide expert technical assessments, services and approvals to support the regulation of gaming technology in accordance with the principles of honesty, integrity and in the public interest. T&LS achieves its mandate by continually innovating to stay abreast of rapidly advancing technology and game designs; developing and maintaining the Registrar's Technical Standards; performing technical assessments of games and gaming systems against these technical standards; approving games and gaming systems based upon the results of the assessments; and acting as a Centre of Technical Excellence by offering technical expertise in support of other AGCO branches and departments.

The games and technology that T&LS assesses and approves are played throughout the province in all gaming sectors regulated by the AGCO: casino gaming, charitable/raffle gaming, lotteries and internet gaming (iGaming).

Gaming Laboratory

The AGCO Gaming Laboratory (The Gaming Lab) is composed of a team of highly qualified and experienced experts in an in-house lab that is equipped with the same gaming systems used in gaming sites in Ontario. It has state-of-the-art test equipment that allows the team to thoroughly analyze and examine all aspects of the gaming systems.

Assessing gaming systems involves many diverse and complex activities, such as reviewing system architectures and game designs to identify areas of technical and regulatory risk; assessing the impact of game designs on player fairness; developing custom computer programs to perform mathematical simulations that verify game designs, theoretical payback and award odds; conducting statistical analyses to verify the random number generators which are central to the integrity of the games; and interrupting computer programs during game play and modifying the results to quickly achieve all game outcomes and verify the accuracy of all game rules and prize payouts.

The Gaming Lab and personnel are accredited to the international standard ISO 17025:2005 for testing laboratories. The ISO 17025:2005 standard is considered as the international benchmark for excellence in testing laboratories, and this achievement sets the AGCO apart as the only known gaming regulator with an in-house accredited gaming lab. The Gaming Lab's accreditation status is reconfirmed annually through internal and external audits that validate the ongoing quality of the testing.

AGCO AUDITS

Audits of Casinos and Slot Machine Facilities

In 2016-2017, the Audit and Compliance Branch carried out 2,063 gaming-related compliance inspections, 28,613 electronic gaming-related inspections and 40 liquor inspections at gaming sites. Findings related to gaming compliance are tracked on a Correctivaction Report (CAR). For electronic gaming, the Slot History System (SHS) is also used to track non-compliance to the technical standards. A number of CARs relate to internal control procedural errors and are generally resolved at the time of the incident. When areas of non-compliance are identified, the department works with gaming sites to address the concerns. There are a number of options available in addressing incidents which include verbal warnings or orders, verbal or written direction, written warnings, compliance plans and monetary penalties. In 2016-2017, 1,693 gaming and 47 liquor-related CARs were created. In 2016-2017, of the 28,613 electronic gaming-related inspections, 542 incidents of non-compliance with the technical standards and directives were identified. Most of these incidents were detected prior to electronic gaming equipment being cleared for patron play.

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. The collaboration between the organizations continues to be enhanced in an effort to increase information sharing in appropriate circumstances and to enable the AGCO and FINTRAC to meet their regulatory mandates. The AGCO also works very closely with other stakeholders such as the OLG and gaming operators to ensure appropriate measures are in place.

In carrying out an audit at a commercial gaming facility, the AGCO auditor assesses the site's compliance with its Internal Control Manual 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 2016-17, all remaining sites with the exception of the Great Blue Heron (planned for July 17, 2017) transitioned to standards-based regulation. Audits for such sites assess compliance with the Registrar's Standards for Gaming, April 2017. In 2016-2017, four audits were conducted at Ontario's gaming facilities. In addition to audits, the Gaming Compliance Department carried out inspections throughout the year, including 26 detailed Anti Money Laundering reviews.

Audits of Wineries

The Branch oversees the winery audit program. LCBO acts as a contractor and conducts the audits on behalf of the Commission. These audits assess wine manufacturers' compliance with the *Wine Content and Labelling Act, 2000*. During 2016-2017, 213 audits were carried out by the LCBO. These audits identified 38 instances of non-compliance. These issues were reviewed and appropriate regulatory tools were utilized to address the issues.

Audits and Inspections of OLG Lotteries

The AGCO approves and monitors applicable internal control measures, security policies and procedures to protect the honesty and integrity of lottery operations, thus ensuring continued public confidence in lottery operations in Ontario.

AGCO Auditors conduct OLG lottery audits to ensure that the OLG fulfils its requirements under the GCA and all other related regulations. In 2016-2017, one lottery audit was completed. During the same period, Gaming Compliance conducted 22 lottery retailer inspections.

Audits and Inspections of OLG cGaming

In 2016-2017, audits and inspections were conducted at 31 cGaming sites including inspections of 990 Tap-Tix machines to assess compliance with the *Registrar's Standards for Gaming*. The OLG cGaming business unit and cGaming sites developed action plans to address issues identified. The AGCO reviewed the implementation of these plans. In 2016-2017, the AGCO carried over 240 gaming-related compliance inspections and three site audits. In the last year, over 100 site visits of various cGaming sites across Ontario were conducted where 990 Tap-Tix machines were inspected.

In addition, Electronic Gaming carried out 40 gaming-related compliance inspections on the cGaming system. The majority of these projects are set across several days/weeks of return inspections to complete. One project could encompass software upgrades at multiple halls and venues across Ontario

iGaming Audits

During fiscal year 2016-2017, AGCO conducted regulatory assurance activities to ensure ongoing compliance with the Registrar's Standards for Gaming. These regulatory assurance activities included audits and compliance reviews, reviewing and responding to incident notifications, investigation of player complaints, data analysis for compliance insights, and reviews of system upgrades.

Audits and Inspections - Electronic Raffles (50/50)

In 2016-2017 the pilot continued for another season at the Air Canada Centre (MLSE Foundation) for basketball, hockey and lacrosse, the Rogers Centre (Jays' Care Foundation) for baseball, BMO field (MLSE Foundation) for soccer and Canadian Tire Centre (Sens Foundation) for hockey events. The AGCO carried out a combined 34 gaming-related inspections at these venues. In addition, AGCO Auditors reviewed I.T. infrastructure to ensure operator readiness for the pilot.

ALCOHOL

TABLE 9 Notices of proposal and orders of monetary penalty (alcohol)

	2015-16	2016-17
Notices of Proposal		
<ul style="list-style-type: none"> • Applications (new, change, transfer) • Disciplinary (suspend and/or add conditions, revoke) • Premises closed (revoke licence) • Other 	474	468
Orders of Monetary Penalty	158	136

TABLE 10 Alcohol advertising complaints reviewed

	2015-17	2016-17
Alcohol advertising complaints reviewed	9	10

GAMING

Gaming Registrations

Where there is evidence that a gaming registrant has breached the GCA, the Registrar may impose an administrative sanction where appropriate. This may include a monetary penalty, or a proposal to suspend or revoke a registration.

TABLE 11 ORDERS OF MONETARY PENALTY AND NOTICES OF PROPOSED ORDER ISSUED TO REGISTRANTS IN CASINOS AND SLOT MACHINE FACILITIES

	2015-16	2016-17
Orders of Monetary Penalty	0	0
Notices of Proposed Order	14	12

TABLE 12 ORDERS OF MONETARY PENALTY AND NOTICES OF PROPOSED ORDER ISSUED TO SELLERS OF OLG LOTTERY PRODUCTS

	2015-16	2016-17
Orders of Monetary Penalty	6	5
Notices of Proposed Order	21	28

TABLE 13 ORDERS OF MONETARY PENALTY AND NOTICES OF PROPOSED ORDER ISSUED TO CHARITABLE GAMING REGISTRANTS

	2015-16	2016-17
Orders of Monetary Penalty	0	2
Notices of Proposed Order	5	0

HORSE RACING

Investigations

The following are AGCO Racing Operations – Investigations activities (ORC – 2015)

TABLE 14 Investigations Unit Statistics

	2015	2016
Compliance Activities	288	193
Due-Diligence Activities	1,457	1505
Medication Control Activities	199	248
Regulatory Activities	93	173

Rulings

Rulings are written decisions by AGCO Judges and Stewards that relate to violations of the *Rules of Racing, 2016* (ORC 2015)

TABLE 15 Rulings by Breed

Thoroughbred	2015	2016
Stewards Rulings	151	205
Live Race Dates	173	173
Rulings per Race Date	.87	1.18

Standardbred	2015	2016
Judges Rulings	438	443
Live Race Dates	748	773
Rulings per Race Date	.59	.57

Quarter Horse	2015	2016
Stewards Rulings	41	21
Live Race Dates	27	29
Rulings per Race Date	1.52	.72

Notices

Number of Notices of Proposed Order or Immediate Suspension (ORC 2015)

TABLE 16 Notices of Proposed Order for Racing

	2015	2016
Notice of Proposed Order	7	4

HEARINGS, APPEALS, DISPUTE RESOLUTION AND SETTLEMENTS

The Licence Appeal Tribunal (LAT) is independent of the AGCO and is an adjudicative tribunal that is part of Safety, Licensing Appeals and Standards Tribunals Ontario. LAT is responsible for adjudicating appeals regarding decisions on licensing and registration matters made by different regulators. If a person who receives a Notice of Proposal about a liquor matter, a Notice of Proposed Order about a gaming or horse racing matter or who is assessed an Order of Monetary Penalty by the Registrar of Alcohol, Gaming and Racing wishes to request a hearing, it will be held by LAT.

LAT hearings are related to:

- Registrar's refusal to licence or register under the LLA, GCA and *Horse Racing Licence Act, 2015* (HRLA);
- Other proposed actions by the Registrar under the LLA, GCA and HRLA;
- Public interest hearings to determine eligibility for a liquor licence, or additions to liquor licensed premises; and
- Conducting appeals of orders of monetary penalty assessed by the Registrar.

The following settlements were reached without a LAT hearing:

TABLE 17 ALCOHOL-RELATED SETTLEMENTS WITHOUT A HEARING*

	2015-16	2016-17
Number of Settlements agreed to without a hearing (Notice of Proposals and Orders of Monetary Penalty)	177	113

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

TABLE 18 ALCOHOL-RELATED PUBLIC MEETING CONFERENCE CALLS**

	2015-16	2016-17
Number of Public Meeting Conference Calls	15	7

**This is an alternative dispute resolution process.

TABLE 19 GAMING-RELATED SETTLEMENTS WITHOUT A HEARING***

	2015-16	2016-17
Number of Settlements agreed to without a hearing (Notice of Proposed Orders and Orders of Monetary Penalty)	12	10

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



Appendix I

67 Legal Framework - Alcohol

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) and at manufacturers' stores, which is governed by the *Liquor Control Act*.

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 and regulations also establish 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 a.m. or after 2 a.m. (unless otherwise stipulated);
- No overcrowding at licenced establishments; and
- No possession or sale of illegal drugs at a licenced establishment.

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

Sale of VQA Wine at Farmers' Markets

On December 16, 2013, the Ontario government announced that VQA wine would be sold at Farmers' Markets in Ontario. Subsequently, the new regulation under the LLA was made on March 26, 2014 that amended Ontario Regulation 720 in respect of manufacturers' licences. The amendments permit manufacturers operating an on-site winery retail store under authorization from the Registrar of Alcohol and Gaming to sell their VQA wine at qualifying Farmers' Markets subject to conditions in the regulations. Other conditions in respect of sales at Farmers' Markets are imposed by the Registrar on the retail store authorizations. The amendment to the regulation came into effect on May 1, 2014. Up until 2016, this had been a two-year pilot project. The Government determined that the program will continue beyond the two-year pilot project period.

An amendment to the LLA regulation made on February 17, 2016, which took effect on May 1, 2016, provides that cider and fruit wine made from 100% Ontario fruit may be sold at Farmers' Markets.

Changes to Regulations under the *Liquor Licence Act* Enhance the Visitor Experience at Manufacturing Sites and Reduce Administrative Burden for Ontario Businesses

Changes to a number of regulations under the *Liquor Licence Act*, made in February 2016, took effect on July 1, 2016 (except as noted below), resulting in the following:

- Permitting Manufacturers to Hold More Than One Tied House Licence - Ontario manufacturers will now be permitted to apply for a liquor sales licence to operate a tied house at each manufacturing site operated by the manufacturer;
- Permitting “Take Home” Sales in Tied Houses – Tied house patrons may purchase liquor from the manufacturer’s on-site retail store at their table to take home with them and to pay from the “take home” liquor on their restaurant bill;
- A More Seamless Visitor Experience at Manufacturing Sites – A manufacturer with both a tied house and by-the-glass licence may allow customers to move freely between these licenced areas with their beverages;
- Indoor/Outdoor Capacity Limits at Tied Houses – The maximum capacities imposed in the regulation on tied houses has been removed, allowing capacities for tied houses to be set in the same manner as other licenced establishments;
- Catering Endorsements at Tied Houses – Tied house licence holders will be permitted, as other liquor licence holders, to apply for a caterer’s endorsement to produce events at any eligible location;
- Administrative changes to decrease regulatory burden for manufacturers’ representatives, ferment-on-premises facilities and liquor delivery service licensees;
- Allowing family-made beer and wine at more family events under special occasion permits;
- Allowing auctions of liquor at licenced establishments and permitted events; and
- Requiring mandatory server training for manufacturers’ representative and staff at retail outlets authorized by the Registrar and a requirement for the completion of such server training at all places that it is required before the server commences work. This requirement comes into effect for liquor delivery services and liquor sales licences on July 1, 2017.

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 above 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 above; 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 grapes or grape products. If an Ontario winery uses imported grapes or grape products in manufacturing it may keep for sale or sell the wine to, or under the control of, the Liquor Control Board of Ontario.

Expansion of Beer Sales to Grocery Stores

Ontario Regulation 232/16 provides for the sale of beer, cider and wine at selected grocery stores in Ontario. The Registrar may issue authorizations to grocery stores to sell beer and cider, or to sell beer and wine. In addition, the regulation provides for wine boutiques in selected grocery stores which will be operated by wineries under agreements between the wineries and grocery stores and under authorizations of the grocery stores and wineries issued by the Registrar.

The Registrar's authorizations to grocery stores for the sale of beer and cider or for the sale of beer and wine will follow a competitive process run by the LCBO to select grocery stores that may enter supply agreements with the LCBO.

The regulation imposes conditions upon the sale of beer and cider, the sale of beer and wine and the sale of wine in a wine boutique that will be administered by the Registrar. These conditions include permitted hours of sale, display of the liquor, required server training for grocery store employees and minimum age requirements for grocery store employees handling the liquor.

The regulation provides for a maximum of 138 beer and cider authorizations and a maximum of 140 beer and wine authorizations, which are allocated to prescribed regions of Ontario by the regulation.



Appendix II

- 71 Legal Framework - Gaming
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LEGAL FRAMEWORK – GAMING

Criminal Code of Canada

The *Criminal Code of 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 or by an agent of the Province, which in Ontario is the Ontario Lottery and Gaming Corporation;
- 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 or by a person at a public place of amusement where the prizes and wagers are limited to small amounts set out in the Code.

“Lottery schemes” are broadly defined under the Code but exclude a number of specific schemes, including single sports events, thereby making betting or wagering on such schemes illegal in Canada, and pari-mutuel betting on races, which is permitted for horse racing elsewhere in the Code. The definition also effectively reserves the conduct and management of lottery schemes using electronic devices or computers to the Provinces or their agents, subject to a recent exception. In December 2014, the Code was amended to allow the use of computers for the sale of a ticket, selection of a winner or the distribution of a prize in a raffle, including a 50/50 draw, if the raffle is conducted and managed by a charitable or religious organization in accordance with other requirements in the Code. In consultation with stakeholders, the AGCO will be developing standards and requirements in respect of the use of computers for raffles. (Sec. 207(4)).

Gaming Control Act, 1992

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

Ontario Regulation 78/12 applies to all the gaming sectors under the AGCO’s responsibility (i.e. charitable gaming, casinos, slot machine facilities and lotteries conducted and managed by the Ontario Lottery and Gaming Corporation (OLG), as well as the new internet and electronic charitable gaming products that are being developed by OLG).

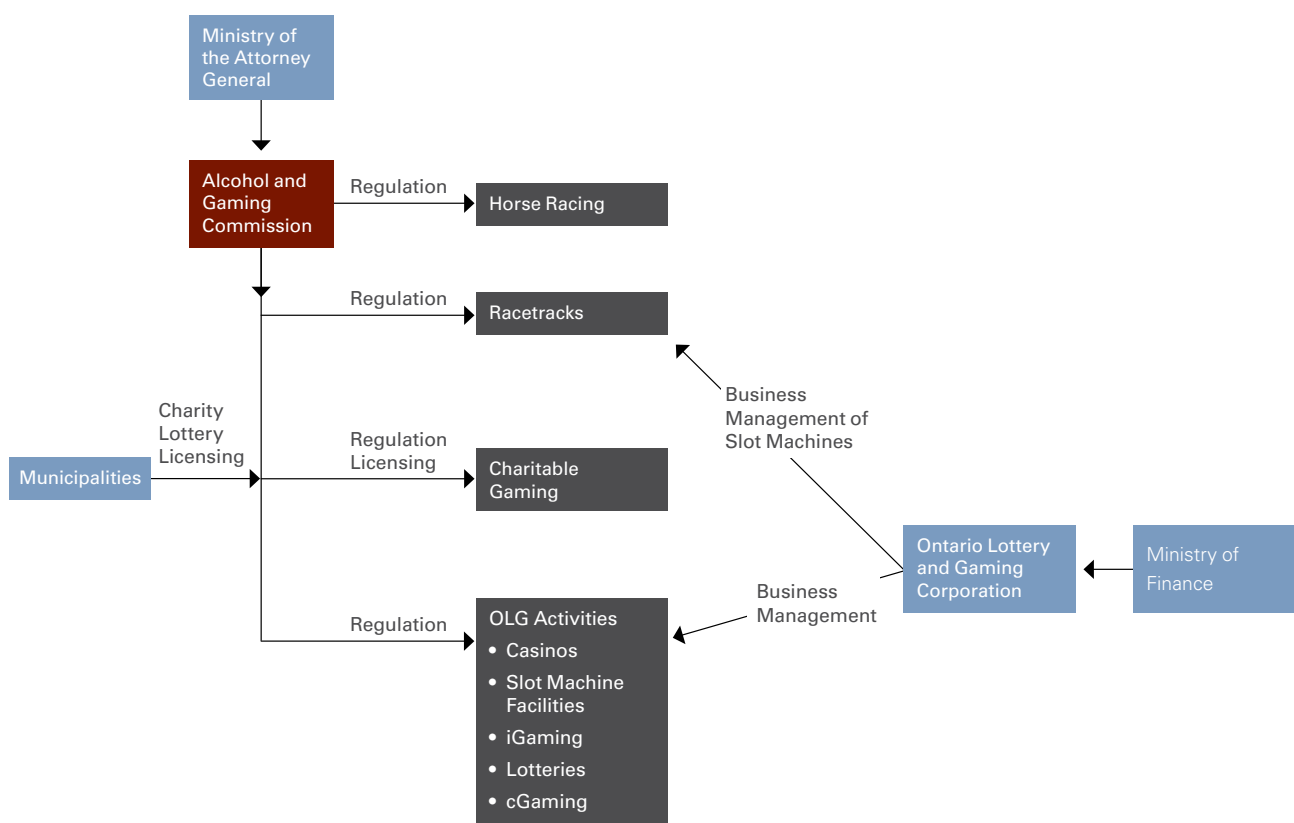
Registrar's Standards for Gaming

In April 2013, the Registrar of Alcohol and Gaming established new standards and requirements applicable to casino gaming, charitable gaming sites and lottery games conducted and managed by the Ontario Lottery and Gaming Corporation and internet gaming. The Registrar's Standards for Gaming were updated in 2015.

The Registrar's Standards will replace the prescriptive, rules-based approach taken in the previous regulations. The new standards were drafted at a high level of generality so as to capture the purpose behind the rules. This offers greater flexibility to regulated entities to design their own control environments and determine the most efficient and effective way of fulfilling their regulatory obligations, while at the same time ensuring that the integrity of gaming is preserved. Ultimately, the goal is to strengthen regulatory outcomes in a way that does not unnecessarily burden regulated entities.

The Registrar's Standards for Gaming were implemented at all casino and slot facilities conducted and managed by OLG in 2016. The Standards have been implemented in the iGaming lottery scheme and charitable gaming sites where the OLG conducts and manages the lottery schemes. The AGCO will continue to work with the OLG on the implementation of standards for lottery gaming as part of OLG's modernization initiative.

FIGURE 4 ONTARIO GAMING RELATIONSHIPS



Note: In December, 2015, the Ontario government passed the *Horse Racing Licence Act*. On April 1st, 2016 the AGCO became responsible for regulating horse racing in Ontario.

Order-in-Council 1413/08

Order-in-Council 1413/08 (OIC) 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* 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 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.

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.

LEGAL FRAMEWORK – HORSE RACING

Horse Racing Licence Act, 2015

The Government of Ontario announced as part of the 2015 Ontario Budget that the racing regulatory operations of the Ontario Racing Commission (ORC) would be merged with the AGCO. The industry support activities of the ORC would be transferred to the OLG.

The *Horse Racing Licence Act, 2015*, and Schedule 9 to the *Budget Measures Act, 2015*, were given Royal Assent on December 10, 2015. On February 20, 2016, the Lieutenant Governor proclaimed that the *Horse Racing Licence Act, 2015* would come into force on April 1, 2016.

The *Horse Racing Licence Act, 2015* grants to the renamed Registrar of Alcohol, Gaming and Racing the authority to govern, direct and regulate horse racing in Ontario, including the making of rules of racing. It provides that notices issued by the Registrar proposing to suspend or revoke licences may be appealed to the Licence Appeal Tribunal. Appeals from the rulings of judges or stewards under the rules of racing would be appealed to a newly created appellate body called the Horse Racing Appeal Panel.

The Act provides for inspection and investigative authority and creates offences for cruelty to race horses, benefitting from cheating at races, adversely affecting the integrity of racing and contravening the Act.



Horse Racing Appeal Panel

76 Horse Racing Appeal Panel

HORSE RACING APPEAL PANEL

On April 1, 2016, legislation came into effect establishing the Horse Racing Appeal Panel (HRAP or Panel) as the new adjudicative body responsible for hearing appeals of decisions made under the Rules of Racing.

The HRAP was established as an institutionally independent and impartial adjudicative body that operates at arm's-length from the Alcohol and Gaming Commission of Ontario (AGCO). Members are appointed to the HRAP by the Board of the AGCO. The HRAP is also provided operational and administrative support by the HRAP Secretariat, which is a unit housed within the Communications and Corporate Affairs Division of the AGCO. The HRAP Corporate Secretariat is operated as a standalone unit, and is segregated from other parts of the AGCO organization to support the institutional independence of the HRAP. Furthermore, although the HRAP Chair and Panel members are appointed by the AGCO Board, the AGCO has no oversight role nor involvement in adjudicative matters overseen by the Panel and has no authority or jurisdiction to intervene in individual cases.

Panel Members

All HRAP appointments are made through a competitive, merit-based process, with the intent to employ a broad cross-section of individuals with horse racing experience and ideally with one or more of the following qualifications: legal experience; scientific or medical/pharmacological expertise; governance background; experience in sport disputes; and knowledge of administrative justice principles.

The appointments process helps to ensure that the HRAP operates and conducts appeals with integrity, and that the parties before it have confidence that they will be treated fairly and by an impartial panel.



STANLEY SADINSKY
Chair

First Appointed
April 1, 2016

Term Expires
March 31, 2019



SANDRA MEYRICK
Vice Chair

First Appointed
April 1, 2016

Term Expires
March 31, 2018



JOHN CHARALAMBOUS
Member

First Appointed
April 1, 2016

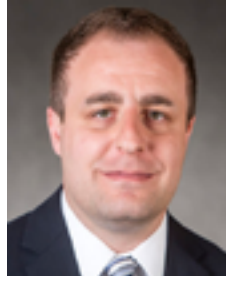
Term Expires
March 31, 2018



DR. JOHN HAYES
Member

First Appointed
April 1, 2016

Term Expires
March 31, 2018



BRIAN NEWTON
Member

First Appointed
April 1, 2016

Term Expires
March 31, 2018



JOHN UNGER
Member

First Appointed
April 1, 2016

Term Expires
March 31, 2018



BRUCE MURRAY
Member

First Appointed
April 1, 2016

Term Expires
March 31, 2018



**DR. BERND
KRETZSCHMAR**
Member

First Appointed
March 6, 2017

Term Expires
March 5, 2019



JULIE JAMIESON
Bilingual Member

First Appointed
March 6, 2017

Term Expires
March 5, 2019



DALE DOWNEY
Member

First Appointed
March 6, 2017

Term Expires
March 5, 2019

Year in Review

With the creation and launch of the HRAP on April 1, 2016, an entirely new adjudicative framework was developed and put in place. First and foremost, this included recruiting and formally appointing a Panel Chair, Vice-Chair and five Members (later expanded to eight Members) to oversee the operation of the tribunal and preside over hearings. It also required establishing a new unit within the AGCO to administer and provide operational support to the Panel. New Rules of Procedure were developed together with new appeal forms, policies and processes to govern hearings and the administration of the Panel, and new governance mechanisms established to oversee the relationship between the AGCO and HRAP, including an MOU between the AGCO and HRAP Chairs and a Conflict of Interest Policy and Code of Conduct to provide guidance on appropriate behaviours of Panel Members.

Ongoing enhancements and improvements continued to be made following the launch, both to the Panel's procedural rules and processes and to help parties understand and become more accustomed to the new adjudicative framework. For instance, a new plain language guide, information sheets and notices to the industry were developed to provide more clarity around the HRAP's rules, in particular as they relate to stays and disclosure and filing of evidence before the Panel. There was also a focus on improving transparency and the public's access to information. In October 2016, the HRAP began posting its case docket on its website, as well as links to all the Panel's decisions.

Education and training for the Panel Members was also a high priority during the past year. In addition to the in-depth orientation and training provided to members upon being appointed to the Panel, Members have also attended conferences and workshops offered by the Society of Ontario Adjudicators and Regulators. Recurring meetings of the Panel are held to discuss emerging issues and support information sharing and professional development among the Panel Members. Going forward, a performance review process and continuing education and learning plan will be implemented to ensure Panel Members remain engaged, up-to-date and capable of fulfilling their duties as adjudicators.

Although there was some adjustment initially by all parties to the new adjudicative structure, by the end of its first year the Panel was operating smoothly and effectively. As a new adjudicative body, the HRAP will continue to be focused on providing a fair, open and accessible process for parties to appeals under the Rules of Racing, and ensuring that it has procedural rules in place to support an efficient and responsive appeal process.

Statistical Report for 2016-17

APPEALS

Appeals transferred from the ORC to the HRAP	Number of Notices of Appeal filed with HRAP
10	45

Appeals broken down by type of infraction	
Interference	15
Human Alcohol or Drug	2
Equine Drug or Medication	14
Urging	2
Other Racing Violation	12

HEARINGS

Number of in-person hearings	Total hearing days
40	23

Appeal hearings	Motion hearings
29	11

MOTIONS

Number of motions
38

Stay Motions	Other Types of Motions
27	11



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