



AGCO

Alcohol and Gaming  
Commission of Ontario

Alcohol and Gaming Commission of Ontario

# 2021–2022 Annual Report

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## Chair's Message

It has been a privilege and pleasure to continue to serve as Chair to the Board of Directors of the Alcohol and Gaming Commission of Ontario (AGCO) for the 2021-2022 fiscal year. The agency's achievements have been numerous, amidst a year of changes and challenges.

I'm pleased to point out that this Annual Report is being presented in a new format, which allows us to showcase the year in review, as well as our core business delivery initiatives, strategic direction, and risk management activities. As recommended in the Office of the Auditor General of Ontario's 2020 Value for Money Audit, the AGCO's 2021-2022 Audited Financial Statements are included which further reflects the AGCO's dedication to open, honest, and transparent business practices to the province, our stakeholders, and the clients we serve. New to this year's Annual Report is the inclusion of iGaming Ontario's (iGO) Annual Report (see Appendix 3).

On that note, a major milestone was achieved in July 2021 when the Ontario government announced the creation of iGO under new legislation as a lottery subsidiary of the AGCO. With that in place, the AGCO Board took on the responsibility to oversee iGO's conduct and management of prescribed online lottery schemes.

This fiscal year, the AGCO was focused on releasing the regulatory framework in September 2021 for the new internet gaming line of business ahead of the market opening, which is anticipated for April 4, 2022. The regulatory framework includes operators' standards, eligibility, and compliance requirements that positively impact Ontarians providing more options for consumers to safely, and legally, access internet casino games and sports betting within Ontario.

I would like to acknowledge the committed staff and management teams of both the AGCO and iGO, who embraced the vision and saw the potential of this new line of business and made it a reality! I'd like to make special mention of the leadership and collaboration of the staff at the Ministry of the Attorney General, Ministry of Finance and the Ontario Lottery and Gaming Corporation, without which this successful accomplishment would not have been made possible.

I'd also like to take this moment to congratulate former vice-chair, and current AGCO Board member, Dave Forestell, who was appointed Chair to the interim iGO Board of Directors and will continue to lead the iGO Board with the launch of iGO. I have had the pleasure of working closely with Dave for the last few years and am excited to see iGO's accomplishments during these formative years, under his stewardship.

In terms of board composition, we welcome Heidi Reinhart as the new AGCO vice-chair. Heidi was appointed to the AGCO Board of Directors in the autumn of 2020 and accepted the role of AGCO vice-chair in September 2021.

I would also like to welcome the newest member of the AGCO Board, Paul Stoyan, who was appointed in July 2021 and brings a wealth of knowledge in corporate finance and corporate governance. Prior to his appointment, he lectured on several programs for the Business Law Section of the Ontario Bar Association, including programs in relation to corporate board of

director liability and conflicts. His experience and knowledge will be a huge asset to the AGCO Board.

The AGCO licences and regulates in the public interest, working to provide advice and guidance to support the sectors it regulates. Several notable achievements this past year demonstrated the AGCO's unwavering commitment to its mandate of regulating in accordance with the principles of honesty and integrity, and in the public interest. Of particular note, is that the agency worked with the Ontario government to deliver their priority of liquor modernization by implementing the new *Liquor Licence and Control Act, 2019*, which modernizes the rules for the retail sale and consumption of liquor in Ontario.

Diversity, Inclusion, and Accessibility (DI&A) continues to be a main initiative of the AGCO's Corporate Plan and work is well underway to implement a strong and meaningful multi-year DI&A strategy. The Board continues to encourage, embrace, and support the agency in meeting its DI&A goals and implementing its strategy – one that ensures a culture of inclusion as an employer, and as an engaged and responsive regulator to the people of Ontario.

On behalf of the Board of Directors, I would like to express our deepest gratitude to the hardworking, dedicated executives and staff of the AGCO who have worked tirelessly to achieve all the agency's undertakings and accomplishments in this last fiscal year.

2021-2022 was another transformative year for the agency and the Board of Directors is well-positioned to oversee the challenges and opportunities that lay ahead. We expect that the 2022-2023 year will be another productive one as the AGCO continues to modernize its operations and regulatory frameworks in accordance with the principles of honesty and integrity, and in the public interest.

## Chief Executive Officer's Message

The 2021–2022 fiscal year saw tremendous change, challenge and opportunity for the AGCO. We modernized existing legislation, added new mandates to our portfolio and, most importantly, maintained our steadfast commitment to protecting the public interest. We also supported our customers by providing the opportunity to adapt and operate flexibly within changing circumstances while maintaining high regulatory standards.

Throughout the COVID-19 pandemic, the AGCO was resolute in ensuring we regulated while protecting the public interest. We also made sure Ontarians had continued access to the goods and services provided by our licensees and registrants. For example, we worked with the Ontario government to establish new rules allowing cannabis retailers to offer delivery and curbside pick-up services permanently beginning in March 2022. These services were first introduced as a temporary measure early in the pandemic and were positively received by cannabis retailers and consumers alike.

For the horse racing sector, we introduced a broad set of rule changes to modernize and reflect current industry practice, while ensuring integrity of the sport was maintained. This included increasing operational and economic flexibility for racing participants and enhancing equine welfare.

A new liquor framework was implemented under the new *Liquor Licence and Control Act, 2019* (LLCA), which came into effect in November 2021. This framework enables the AGCO to modernize the way we regulate the sale, service and delivery of liquor and allows for a more flexible approach to regulation. The LLCA also provides enhanced social responsibility measures in line with our commitment to public protection.

Throughout the year, we continued our work with the Ontario government and the sectors we regulate to address the recommendations in the Auditor General of Ontario's 2020 Value for Money Audit.

We finished the year on the brink of a milestone as we look forward to launching a competitive open market for internet gaming (igaming) in Ontario. We worked collaboratively with the Ontario government and iGaming Ontario (iGO) to establish a regulatory framework that protects consumers, supports market growth and enables business opportunities. With igaming operators registered, information technology systems in place and a robust compliance framework established, we are proud to support the launch of this new regulated sector. In addition, we developed a regulatory framework for single-event sports betting, which the Canadian government legalized in 2021. The AGCO will have a vital role in the regulation of this new mandate as offerings become available in the province.

As a regulatory agency serving the people of Ontario, we strive to integrate Diversity, Inclusion and Accessibility (DI&A) sustainably into our operations. This past year, we began implementing a multi-year DI&A strategy so that we can continue to effectively deliver inclusive, accessible and responsive services to our customers, stakeholders, the public and our employees.



A strong, engaged and motivated workforce is key to ensuring we deliver on our mandate of regulating in the public interest and with a customer focus. Supporting staff has been central to our success. In addition to our DI&A strategy, we introduced flexible work arrangements and new and enhanced employee wellness initiatives, which strengthen our “People First” approach.

It has certainly been a transformative year at the AGCO, and I am extremely proud of the achievements we were able to reach. I would like to express my deep appreciation for the dedication and professionalism shown by all AGCO employees as we eagerly embrace another exciting year to come.

## Board of Directors

The AGCO Board of Directors (the Board) is responsible for the overall governance of the AGCO and meets regularly. In exercising its governance functions, the Board sets goals and develops policy and strategic directions for the Commission to fulfill its mandate; this includes working with the Chief Executive Officer and senior management on regulatory and governance activities.

As part of its governance structure, the Board has two standing committees. These committees are the Finance, Audit and Risk Management Committee and the Strategic Oversight and Governance Committee. The committees are accountable to the Board and provide regular updates at board meetings, highlighting key decision points, areas of substantive discussion and recommendations to the Board.

### Finance, Audit and Risk Management Committee

The Finance, Audit and Risk Management Committee is responsible for providing oversight on matters related to financial performance. This committee also provides oversight on cybersecurity, internal audit activities, risk management and emergency management, including internal control systems and annual risk management and audit plans.

### Strategic Oversight and Governance Committee

The Strategic Oversight and Governance Committee is responsible for ensuring the agency has an effective governance framework and is carrying out its responsibilities and fulfilling its legislative mandate. In particular, this committee is responsible for monitoring and assessing the agency's performance against key strategies and objectives and providing strategic oversight with respect to the AGCO's corporate social responsibility program and human resources strategy.

The list below reflects the members of the Board who served during the fiscal year ending March 31, 2022, including their original appointment dates.

Total per diems of all appointees for 2021–2022: \$ **135,787.03**

**Table 1—Board members and per diems**

| <b>Name</b>            | <b>Position as of March 31, 2022</b>  | <b>Original Appointment</b> | <b>Current Term Start Date</b> | <b>Current Term Expiry Date</b> | <b>Fiscal Year 21–22 Per Diem Payments (\$)</b> |
|------------------------|---|-----------------------------|--------------------------------|---------------------------------|---|
| <b>Lalit Aggarwal</b>  | Chair<br>Part-time  | June 6, 2019                | June 6, 2020                   | June 5, 2024                    | 45,739.44                                       |
| <b>Heidi Reinhart</b>  | Vice-Chair and<br>Member<br>Part-time   | October 29,<br>2020         | September 16,<br>2021          | September 15,<br>2023           | 13,580.26                                       |
| <b>Neil Desai</b>      | Member<br>Part-time   | September 17,<br>2020       | September 17,<br>2020          | September 16,<br>2022           | 15,553.19                                       |
| <b>Dave Forestell</b>  | Member<br>Part-time   | December 12,<br>2018        | June 20, 2020                  | June 19, 2024                   | 23,427.94                                       |
| <b>Douglas McLarty</b> | Member<br>Part-time<br><br>Chair, Finance,<br>Audit and Risk<br>Management<br>Committee | February 20,<br>2020        | February 20,<br>2022           | February 19,<br>2024            | 16,497.19                                       |
| <b>Paul Stoyan</b>     | Member Part-<br>Time  | July 29, 2021               | July 29, 2021                  | July 28, 2023                   | 6,600.06  |
| <b>Cara Vaccarino</b>  | Member<br>Part-time<br><br>Chair, Strategic<br>Oversight and<br>Governance<br>Committee | February 14,<br>2020        | February 14,<br>2022           | February 13,<br>2025            | 14,388.95                                       |

## About the AGCO

### Vision

A world-class regulator that is innovative, proactive, inclusive and socially responsible.

### Mandate

To regulate in accordance with the principles of honesty and integrity and in the public interest.

### Governing Legislation

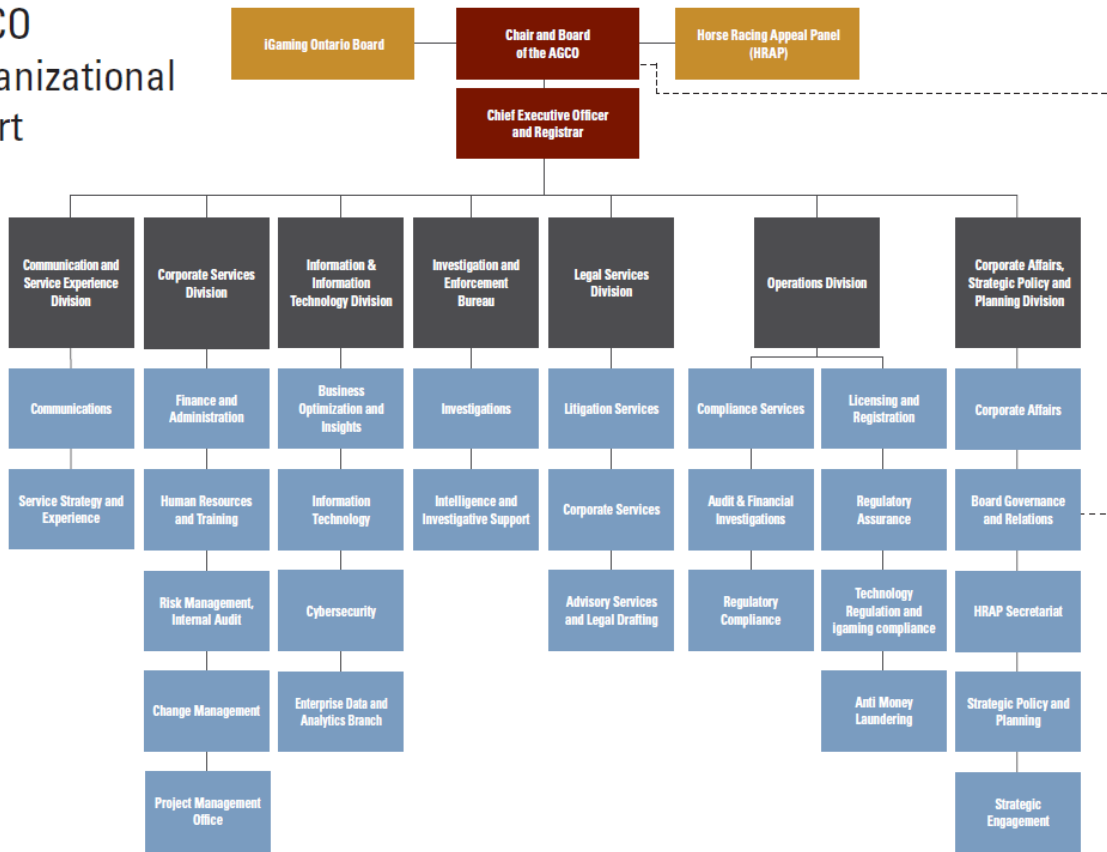
The AGCO is an arms-length regulatory agency of the provincial government, reporting to the Ministry of the Attorney General (MAG). It was established on February 23, 1998, under the *Alcohol, Cannabis and Gaming Regulation and Public Protection Act, 1996 (ACGRPPA)*. The AGCO continues as a corporation under a new corporate governance statute, the *Alcohol and Gaming Commission of Ontario Act, 2019 (AGCO Act)*.

The AGCO is responsible for the administration of:

- *Alcohol and Gaming Commission of Ontario Act, 2019*
- *Liquor Licence and Control Act, 2019*
- *Gaming Control Act, 1992*
- *Order-in-Council 1413/08 (as amended)*
- *Cannabis Licence Act, 2018*
- *Horse Racing Licence Act, 2015*

# Corporate Structure

## AGCO Organizational Chart



### Communications and Service Experience Division

The Communications and Service Experience Division provides strategic communications advice and services, manages media relations and the AGCO’s public reputation and oversees the development of internal and external communication materials and publications. It builds understanding and acceptance of organizational objectives and policy priorities through regular communication with staff and stakeholders.

The Service Strategy and Experience Branch delivers on the AGCO’s Service Excellence strategic objective by working with partners across the organization to strengthen its service culture and competencies and ensuring customer needs are the “organizing principle” around policy development, service design and delivery. The branch includes the AGCO’s Contact Centre, which handles over 100,000 customer interactions yearly across a range of channels. It also provides oversight of the agency’s inquiries and complaints handling policy and practices and ensures the customer experience is monitored, measured and managed.

### Corporate Services Division

The Corporate Services Division provides advice and guidance on all aspects of the AGCO’s day-to-day administration and client services and plays a strategic role as a proactive facilitator of the agency’s major change initiatives.

The Human Resources and Training Branch is responsible for supporting the People First strategic goal. The strategic goal includes full-cycle human resources operational services, wellness, employee engagement, coaching, management/labour relations, talent management and succession planning, talent data analytics/reporting and internal and external training. The Human Resources and Training Branch oversees the DI&A framework.

The Finance and Administration Branch provides financial planning and reporting, accounting, payroll, procurement (including oversight of vendor management), facilities management and mail and courier services.

The Risk Management and Internal Audit Branch undertakes internal audits, which provide reasonable assurance that the AGCO's risk management, governance and internal control processes are operating effectively. The Branch also supports the agency's Enterprise Risk Management framework and coordinates the Emergency Management Enterprise System, which includes the Business Continuity Plan.

The Project Management Office manages the AGCO's priority projects. It ensures major projects stay on track, outcomes are aligned to strategic goals and the right resources are in the right place based on corporate needs.

The Change Management Office implements a change management framework for the agency by applying structured processes and tools to lead people through organizational change and helping individuals transition by engaging, adopting and implementing change.

### **Information and Information Technology Division**

In partnership with each business area, the Information and Information Technology (I&IT) Division provides strategic advice and technology to support the AGCO's Digital First mindset and Future of Work project. This division oversees information and information technology investment and makes it easier for people and businesses to interact and engage within the agency.

The Enterprise Data and Analytics Branch provides data analytics solutions to inform regulatory policy and operations. It optimizes service delivery and resource efficiencies to ensure alignment with the two strategic pillars of Data Analytics and Data Governance.

The Business Optimization and Insights Branch brings an enterprise-wide business lens to key optimization initiatives resulting in continuous process and business improvements across the organization. Built on continuous innovation and a framework of improvement with a digital transformation and automation mindset, this branch works with all regulated sectors to identify optimization opportunities and liaise with system and data teams.

The Cybersecurity Branch focuses on matters related to the AGCO's regulated sectors and corporate solutions such as iAGCO, the Data Analytic platform, Enterprise Document Management and human resources and financial systems.

The IT Branch provides IT planning and roadmaps, innovative business solutions, robust technology platforms, enterprise architecture and design, AGCO system development and configuration, data management/governance and end-user solutions and operates the help desk.

## Investigation and Enforcement Bureau

The Ontario Provincial Police (OPP) Investigation and Enforcement Bureau (IEB or Bureau) is assigned to the AGCO. It employs approximately 135 sworn and civilian members, fully integrated within the AGCO. The Chief Superintendent reports to an OPP Deputy Commissioner. The Bureau's branches conduct investigations across all sectors regulated by the AGCO. The Bureau also provides investigative expertise to, and shares information with, other law enforcement services and regulatory and industry stakeholder agencies to ensure integrity and public safety within these regulated industries and sectors.

## Legal Services Division

The Legal Services Division provides legal advice and services to the AGCO. This includes providing advice on the application of legislation, regulations and standards administered by the AGCO, advice and assistance in developing and drafting legislation, contracts and policies strategic direction as well as providing advice and opinions on corporate issues and initiatives. It also provides legal advice on licensee and registrant eligibility and compliance matters within the regulatory mandate and represents the Registrar at hearings of appeals before the Licence Appeal Tribunal, the Horse Racing Appeal Panel, the Divisional Court and the Court of Appeal.

## Operations Division

The Operations Division has a broad mandate covering the AGCO's daily and strategic operational activities.

The Licensing and Registration Branch (L&R), within the Operations Division, is responsible for reviewing and processing all application types, including licences, permits, authorizations and registrations, across all the sectors regulated by the AGCO. L&R also works with municipalities and First Nations overseeing the licensing of charitable lottery schemes.

The Operations Division also includes the Compliance Services Department (CS), which consists of the Audit and Financial Investigations Branch (AFI) and the Regulatory Compliance Branch (RCB). These branches conduct regulatory compliance activities, including education, inspections and compliance reviews, along with audits and financial investigations across all regulated sectors. Equipping frontline staff with the knowledge and skills to deliver regulatory services across all industries and sectors, CS deploys regional, cross-functional teams who take a comprehensive risk- and outcomes-based approach to regulatory compliance.

Inspectors and Auditors within CS respond to and proactively address compliance concerns when and where they occur, taking a multi-sector approach to reach desired regulatory outcomes. In addition, the financial investigations team in AFI conduct due diligence in support of L&R processes and financial investigations regarding allegations of fraud.

RCB includes the Racing Officials (Judges and Stewards), who supervise and officiate horse races conducted at Ontario's licensed racetracks, as well as Veterinary Services, which oversees the health and welfare of horses during racing. Veterinary Services works with the Official Veterinarians, who are employed by the racetracks but supervised by the AGCO.

The Equine Drug Unit (EDU) is composed of inspectors from RCB and OPP investigators from IEB, who work together to conduct inspections and investigations into violations related to equine medication control. Their primary focus is to reduce the use and distribution of

performance enhancing drugs within the sport through a combination of inspections and investigative techniques.

The Technology Regulation and iGaming Compliance Branch assesses, tests and approves electronic games, systems and equipment against Ontario Minimum Technical Standards, while maintaining independently confirmed accreditation against ISO 17025:2017, the general requirements for the competence of testing and calibration laboratories. Please note that with the launch of an open competitive market in internet gaming anticipated for April 2022, all testing in internet gaming will be conducted by AGCO registered Independent Testing Laboratories under the oversight of the TRC branch.

The Regulatory Assurance Branch (RAB) leads the development and implementation of tools, strategies and frameworks that assess risk and drive the AGCO's compliance-focused approach. The RAB also works with the province's cannabis retail store operators and the Ontario Cannabis Store to ensure the accurate reporting of recreational cannabis inventory and sales activity.

The Anti-Money Laundering (AML) Unit is committed to maintaining an effective anti-money laundering program designed to mitigate money laundering risks in AGCO regulated sectors. The team implements a risk- and evidence-based approach to AML. This approach includes conducting targeted oversight activities that assess the degree to which gaming sites not only concern themselves with transactional accountability and reporting outcomes but also focus on the risk mitigation, prevention, disruption and deterrence of suspected money laundering activities. The team maintains and fosters strong relationships with AGCO partners and stakeholders, including OLG, iGO, the OPP and the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC).

### **Corporate Affairs, Strategic Policy and Planning Division**

The Corporate Affairs, Strategic Policy and Planning Division provides a variety of strategic functions to support the delivery of the agency's mandate. The Strategic Policy and Planning Branch leads strategic regulatory policy across each sector, in addition to strategic and corporate planning. The Office of Strategic Engagement supports projects and ongoing work by leading external and internal stakeholder engagement, including management of memoranda of understanding with other regulators. The division also serves as the primary liaison with government partners to support government initiatives and conduct issues management.

The Corporate Affairs and Governance Branch is responsible for Board support and assists the Board in fulfilling its governance responsibilities. This includes ensuring key corporate accountability measures are completed within government timelines and monitoring compliance with the Memorandum of Understanding between the government and the AGCO. A dedicated and independent unit also provides administrative support to the Horse Racing Appeal Panel.



## 2021–2022: Year in Review

### Responding to the COVID-19 pandemic

The AGCO continued to ensure the agency was well-positioned to respond to the rapidly evolving situation throughout the COVID-19 pandemic. The AGCO demonstrated a commitment to burden reduction and increased flexibility for licensees while responding with speed and agility to protect the lives and livelihoods of Ontarians.

In the early stages of the COVID-19 pandemic, the AGCO introduced the Registrar’s Standards for Gaming to support the safe re-opening of land-based gaming sites across the province. Gaming site operators were required to establish re-opening plans that demonstrate their compliance with various public health requirements to prevent the spread of COVID-19 at physical gaming sites. These plans were required to be assessed by an infectious disease subject matter expert and submitted to the AGCO for review by the RAB using the hierarchy of controls. In addition, operators were required to provide on-going COVID-19 pandemic compliance self-assessments in addition to the requirements set out in the AGCO Notification Matrix around COVID requirements.

In November 2020, AGCO inspectors took on expanded responsibility in support of the Province’s approach to enforcing public health measures implemented under the *Reopening Ontario (A Flexible Response to COVID-19) Act, 2020* (ROA). AGCO inspectors were designated as Provincial Offences Officers with the authority to enforce measures in place under the ROA. On a regular basis throughout the pandemic, we worked closely with our partners, including police, public health and municipalities, to ensure all licensees were meeting their obligations under the ROA. To further support this compliance work RCB participated in the Provincial Multi-Ministry Teams (MMT) and had 34 inspectors volunteer to participate in the MMT campaigns conducted throughout the province to enforce the ROA.

The AGCO is committed to ensuring that all sectors are operated in accordance with the law, and with integrity and honesty. With respect to the AGCO’s approach during the ROA, CEO and Registrar Tom Mungham set the tone when he said, “The AGCO has zero tolerance for licensed establishments that are not doing their part to keep their customers and staff safe by following public health rules and Ontario’s laws.” During the 2021–2022 fiscal year, the AGCO suspended and issued Notice of Proposals (NOP) to revoke licences for infractions of the *Liquor Licence Act*, the predecessor legislation to the *Liquor Licence and Control Act*, to six liquor licence holders.

The AGCO worked quickly and efficiently to analyze the impact of the evolving COVID-19 situation on the AGCO and its regulated sectors and to develop products to support their operations in uncertain times. A dedicated web page was created to provide licensees and operators across the AGCO’s lines of business with up-to-date information on the range of measures in place that were relevant to those particular businesses and sectors. This allowed the AGCO to act quickly and ensure that important messages were delivered to stakeholders clearly and in a timely manner, with additional clarification either through communications, guidance or updates to regulations.

## Government initiatives, priorities and mandate letter

As a provincial government agency, the AGCO supports and delivers on the Ontario government's public policy priorities and fiscal objectives. The AGCO continues to ensure its priorities and operations align with government direction and ensure cost-effective, customer-focused service delivery. Government priorities are embedded in our approach, as evidenced in our work on igaming, liquor modernization and the Auditor General of Ontario Report, which stem directly from the Attorney General's direction in our [mandate letter](#).

## Sustainability and efficiency

The AGCO is committed to good stewardship of public resources and has adopted a comprehensive transformation agenda to modernize its regulatory approach, business processes and workplace environment. The agency's modernization efforts support and align with key government objectives for enhanced efficiency in delivering public services and reducing regulatory burden.

The AGCO is undertaking a fee review of the liquor and cannabis sectors in response to the Auditor General of Ontario's recommendation to fully recover costs through the setting of regulatory fees in the liquor and cannabis sectors to become a more self-sufficient regulatory agency. The AGCO will work with MAG to develop options to support increased cost recovery in the liquor and cannabis sectors as part of this review.

## Supporting jobs and business

The AGCO seamlessly maintained the delivery of services during the COVID-19 pandemic largely due to the modernization efforts that were already underway, which enabled it to adjust and respond to the pandemic quickly.

The agency introduced a number of regulatory–burden reduction initiatives to support the liquor sector during the COVID-19 pandemic, some of which have been made permanent and incorporated into the LLCA. In previous years, this included takeout and delivery for eligible licensed establishments, accommodating the business model of food box programs within the liquor delivery service licence, and providing the sale and service of liquor on docked boats. In Fiscal Year 2021–2022, the AGCO permanently allowed for the sale of beer at farmers' markets.

## Risk management

The AGCO continued to develop and implement an effective process for identifying, assessing and mitigating risks, including planning for and responding to emergency situations. In January 2022, the Senior Management Team undertook an enterprise risk exercise to understand the agency's priority risk areas, including responding to the COVID-19 pandemic. The AGCO continues to develop and make improvements to its business continuity plan.

## Workforce management

Over the past year, the AGCO focused on ensuring its structure can support the introduction of igaming in Ontario while regulating its current sectors. As a result of igaming implementation, a number of new job positions were introduced across the agency. The AGCO also developed a shared-service model to streamline functionality and services while mitigating conflict of interest.

In addition, the Business Optimization and Insights (BOI) Branch, with a dual mandate of performance measurement and process improvement and identifying opportunities for innovative practices and improved program sustainability, implemented more than 10 BOI identified recommendations. For example, as of January 2022, automated approvals for renewal licence applications have increased by an average of 29% since September 2021.

## Digital delivery and customer service

The AGCO has completed its transition to the web-based iAGCO portal through which people can access online services. iAGCO improves and modernizes AGCO's service delivery by offering customers an easy, convenient, digital way of doing business. Through this platform, the AGCO ensured the delivery of services during the COVID-19 pandemic. The AGCO continued to improve the iAGCO service model and was able to leverage the launch of its igaming services on this platform to establish service upgrades to the system.

Under the AGCO Service Strategy and Experience initiatives, the design and delivery of an optimal service experience for our customers is a multi-faceted endeavour involving a range of areas from across the AGCO.

The iAGCO Product Management Team is working closely with Service Strategy and Experience to understand customer feedback and usage. Insights from customers' experience with the iAGCO online service delivery portal and the AGCO's website are routinely reviewed. Opportunities to meet and exceed the customer experience will be considered and prioritized in future system changes. This analysis will provide a roadmap to continue evolving and making quick fixes to address customer issues wherever possible.

To reflect changing customer service preferences and shifts, the AGCO has updated its in-person service model to be by appointment only. All AGCO services are available online, with staff available to assist customers by phone, chat, email and video chat.

The online engagement tool, ConnectAGCO, is one of AGCO's Digital First tactics. It proved to be effective in engaging fairly and transparently with a wide range of stakeholders, including international organizations and in different time zones. This platform also permitted the AGCO to track its engagement metrics and nimbly respond to igaming project timelines.

Following government direction, an initial analysis has been undertaken to identify opportunities and considerations for the AGCO and its regulated businesses relating to the government's Digital ID initiative.

## AGCO's Core Business Delivery

### Licensees, registrants and authorization holders

The AGCO provides services to a wide group of licensees, registrants and authorization holders. The following tables outline AGCO's currently active licensees, registrants and authorization holders as of March 2022. It also shows the information from the previous fiscal year.

Please note that due to the name changes impacting several licence, registration and authorization types, some of which resulted in re-categorization, there is some variance from the numbers reported in the 2020–2021 Annual Report.

**Table 2—AGCO licensees and registrants**

|   | 2020–21 | 2021–22 |
|---|---------|---------|
| Alcohol Industry/ Licensees (Special Occasion Permits excluded) | 33,034  | 32,381  |
| Gaming & Lottery Registrants                                    | 29,305  | 25,828  |
| Horse Racing Licensees  | 15,951  | 12,106  |
| Cannabis  | 3,361   | 5,485   |

**Table 3—Total number of liquor licences**

|                                       | 2020–21 | 2021–22 |
|---------------------------------------|---------|---------|
| Liquor Sales Licensed Establishments  | 18,464  | 17,872  |
| Ferment-on-Premise Facilities         | 468     | 403     |
| Liquor Delivery Services              | 582     | 707     |
| Manufacturers (By-the-Glass Included) | 1,286   | 1,307   |
| Manufacturers' Representatives        | 1,065   | 1,097   |
| Grocery Store Licences                | 519     | 502     |
| Onsite and Offsite Retail Stores      | 1,017   | 1,034   |
| Other Endorsements                    | 9,633   | 9,459   |

**Note:**

- The implementation of the LLCA in November 2021 resulted in adjustments to certain licence categories.
- Grocery Store Licences, Onsite and Offsite Retail Store Endorsements, and Other Endorsements are now included in this table.

- There is a variance between numbers reported in this table for 2020–21 Liquor Sales Licensed Establishments and Manufacturers (By-the-Glass Included) and what was reported in the 2020–2021 Annual Report as a result of changes to licence categories.

**Table 4—Total number of gaming registrations**

|  | 2020–21       | 2021–22       |
|--|---------------|---------------|
| AGCO Subsidiary (iGO)                            | -             | 1             |
| Gaming Assistant                                 | 17,435        | 13,450        |
| Gaming-Related Supplier—Lottery (not OLG or BOT) | 16            | 17            |
| Gaming-Related Supplier—Manufacturers            | 47            | 50            |
| Gaming-Related Supplier—Other                    | 70            | 76            |
| Non-Gaming Related Supplier                      | 305           | 280           |
| Operator—Charitable—3 or less events per week    | 7             | 7             |
| Operator—Charitable—4 or more events per week    | 59            | 56            |
| Operator—Commercial                              | 34            | 36            |
| Seller   | 10,320        | 10,449        |
| Trade Union                                      | 19            | 18            |
| <b>Total</b>                                     | <b>28,312</b> | <b>24,440</b> |

**Note:**

- igaming is a new line of business to be launched in April 2022, therefore there are no active registrations for that sector in 2020–21.
- The “AGCO Subsidiary” indicated in the table above is the registration for the Lottery Subsidiary iGaming Ontario.

**Table 5—Total number of cannabis licences and authorizations**

|                                     | 2020–21      | 2021–22      |
|-------------------------------------|--------------|--------------|
| Cannabis Retail Manager Licence     | 1,618        | 2,494        |
| Cannabis Retail Operator Licence    | 1,049        | 1,407        |
| Cannabis Retail Store Authorization | 694          | 1,584        |
| <b>Total</b>                        | <b>3,361</b> | <b>5,485</b> |

**Table 6—Total number of horse racing licences**

|               | 2020–21 | 2021–22 |
|---------------|---------|---------|
| Thoroughbred  | -       | 4,651   |
| Quarter Horse | -       | 375     |
| Standardbred  | -       | 7,267   |
| Teletheatres  | 48      | 51      |
| Racetracks    | 15      | 15      |

**Note:**

- Total number of horse racing licences grouped by horse breed is a new data point added to the report this year.
- Individuals in the horse racing sectors can hold a licence allowing them to work across breeds (Thoroughbred, Quarter Horse, and Standardbred).
- The counts per breed are not mutually exclusive of each other; this means that an individual licence may be counted more than once across the Standardbred, Thoroughbred or Quarter Horse categories.

## Licensing and registration activities

The Licensing and Registration Branch (L&R) of the AGCO's Operations Division is responsible for reviewing and processing applications for licences, permits, authorizations and registrations for the sectors regulated by the AGCO. Eligibility Officers, Senior Eligibility Officers and Managers review applications and supporting materials to assess an applicant's eligibility to hold a particular licence, permit, authorization or registration. When necessary, they enlist the services of additional AGCO departments to facilitate further review or investigation of an application, such as the Regulatory Compliance Branch (RCB), the OPP Investigation and Enforcement Bureau (IEB), and the Audit and Financial Investigations Branch (AFI). Additionally, L&R reviews and processes applications regarding renewing all licences, permits, authorizations, registrations and amendment applications received to amend or update information pertaining to an establishment or licensee.

As part of the AGCO's risk-based licensing approach, L&R considers various factors in its review. These factors include an applicant's type of business, location, compliance history and experience. Some establishments pose a greater risk to public safety, public interest and/or non-compliance with the law. Additionally, when reviewing an application, past conduct, financial responsibility, experience/training and honesty/integrity of an applicant are considered. If the Registrar believes that the issuance of a licence or registration is not in the public interest, the Registrar may issue a Notice of Proposal (NOP) to review or refuse to the applicant or licensee, who may request a hearing on the NOP before the Licence Appeal Tribunal (LAT).

During this assessment, L&R uses AGCO Board-approved criteria to assess the risk(s) posed to public safety and public interest and non-compliance with the law. All potential risks and concerns are reviewed to determine if the licence, permit, authorization or registration should

have a Level I, Level II or Level III risk designation or no designation at all. A risk designation ensures the AGCO focuses the appropriate resources towards the licensee and the establishment to ensure compliance is always maintained. If the Registrar believes that a licensee may require additional assistance or support to remain compliant with the applicable acts and/or the Registrar's Standards, additional conditions may be attached to their licence, permit, authorization or registration. L&R performs risk-based assessments during the lifetime of all licences, permits, authorizations and registrations to ensure potential risks posed by a licensee or establishment are considered and evaluated.

The following tables outline the number of licences and registrations issued during the fiscal year. It is important to note that the following tables represent applications that have been approved and issued, not all applications submitted. In addition to this, some of the variance is due to the fact that tables now also show renewal and amended licences and registrations.

**Table 7—Liquor licences issued, renewed and amended**

|                                       | 2020–21 | 2021–22 |
|---------------------------------------|---------|---------|
| Liquor Sales Licensed Establishments  | 3,400   | 6,988   |
| Ferment-on-Premise Facilities         | 56      | 227     |
| Liquor Delivery Services              | 308     | 275     |
| Manufacturers (By-the-Glass Included) | 375     | 505     |
| Manufacturers' Representatives        | 234     | 244     |
| SOPs Issued                           | 3,452   | 18,046  |
| Beer Store—store location approvals   | 11      | 9       |
| Grocery Store Licences                | 76      | 282     |
| Onsite and Offsite Retail Stores      | 225     | 410     |
| Other Endorsements and Authorizations | 2,028   | 3,920   |

**Table 8—Gaming registrations issued, renewed and amended**

|  | 2020–21 | 2021–22 |
|--|---------|---------|
| AGCO Subsidiary (iGO)                            | -       | 1       |
| Gaming Assistant                                 | 3,391   | 14,491  |
| Gaming-Related Supplier—Lottery (not OLG or BOT) | 4       | 8       |
| Gaming-Related Supplier—Manufacturers            | 18      | 70      |
| Gaming-Related Supplier—Other                    | 21      | 72      |
| Non-Gaming Related Supplier                      | 71      | 147     |
| Operator—Charitable—3 or less events per week    | 0       | 5       |
| Operator—Charitable—4 or more events per week    | 11      | 16      |
| Operator—Commercial                              | 25      | 40      |
| Operator—Internet Gaming                         | -       | 23      |
| Seller   | 1,555   | 2,764   |
| Trade Union                                      | 4       | 10      |

**Note:** The “AGCO Subsidiary” indicated in the table above is the registration for the Lottery Subsidiary iGaming Ontario.



**Table 9—Charitable lottery licences issued, renewed and amended**

|  | 2020–21 | 2021–22 |
|--|---------|---------|
| Bingo Event Licence  | 7       | 7       |
| Bingo Hall Charity Association Licence   | 79      | 141     |
| Break Open Ticket Licence <ul style="list-style-type: none"> <li>• Issued in conjunction with another licensed event.</li> </ul>   | 27      | 32      |
| Charitable Gaming Eligibility <ul style="list-style-type: none"> <li>• New category introduced in October 2021</li> </ul>  | 208     | 284     |
| Loonie Progressive Licence <ul style="list-style-type: none"> <li>• Issued in unorganized territory, First Nations or issued in conjunction with a bingo event licence.</li> </ul> | 6       | 8       |
| Progressive Bingo Licence <ul style="list-style-type: none"> <li>• Issued in conjunction with a Bingo Event Licence</li> </ul>   | 1       | 1       |
| Provincial Break Open Ticket Licence   | 40      | 33      |
| Raffle Licence   | 756     | 1,550   |
| Social Gaming Licence  | -       | 59      |
| Special Occasion Gaming Licence <ul style="list-style-type: none"> <li>• Renamed Social Event Gaming Licence in October 2021</li> </ul>  | -       | 2       |
| Super Jackpot Licence <ul style="list-style-type: none"> <li>• Issued in conjunction with a Bingo Event licence</li> </ul>   | 2       | -       |

**Note:**

- Due to this sector transitioning to iAGCO in October 2021, the numbers reported for 2020–21 vary from the 2020–21 annual report.
- The Social Event Gaming Licence was launched in October 2021; there are no numbers to report for the 2020–2021 fiscal year.
- The Special Occasion Gaming Licence was launched in October 2020, resulting in low numbers issued.
- The Social Gaming Licence is not issued under the charitable component of the *Criminal Code*. All wagers under this licence are paid out to winners and this is not a charitable fundraising opportunity.

**Table 10—Cannabis licences and authorizations issued, renewed and amended**

|                                     | 2020–21      | 2021–22      |
|-------------------------------------|--------------|--------------|
| Cannabis Retail Manager Licence     | 1,390        | 944          |
| Cannabis Retail Operator Licence    | 891          | 533          |
| Cannabis Retail Store Authorization | 733          | 1,186        |
| <b>Total</b>                        | <b>3,014</b> | <b>2,663</b> |

**Note:** There is a variance between numbers reported in this table for 2020–21 Cannabis Retail Store Authorizations and what was reported in the 2020–2021 Annual Report, as this data now includes new, renewed and amended applications.

**Table 11—Horse racing licences issued, renewed and amended**

|               | 2020–21 | 2021–22 |
|---------------|---------|---------|
| Thoroughbred  | 3,094   | 4,927   |
| Quarter Horse | 325     | 465     |
| Standardbred  | 3,614   | 7,746   |
| Teletheatres  | 54      | 36      |
| Racetracks    | 133     | 97      |

**Note:** There is a variance between numbers reported in this table for 2020–21 and what was reported in the 2020–2021 Annual Report, as this data now includes new, renewed and amended applications.

**Table 12—Response to Public Notices—Alcohol and cannabis**

In addition to issuing licences, registrations and authorizations across all regulated sectors, L&R also manages responses to public notices during the application process: objections (Liquor Sales Licence) and written submissions (Cannabis Retail Store Authorization).

|   | 2020–21 | 2021–22 |
|---|---------|---------|
| Objections (Liquor Sales Licence)                         | 2,823   | 163     |
| Written Submissions (Cannabis Retail Store Authorization) | 9,393   | 2,214   |

## Compliance activities

The AGCO inspects, monitors and educates to ensure compliance with applicable laws and regulations. The AGCO's compliance approach is risk-based and outcome-focused.

- *Risk-based* refers to the regulatory risks underlying the Standards, regulations, laws and requirements. A risk-based compliance approach focuses the greatest resources on mitigating the highest risk areas.
- *Outcome-focused* means emphasizing the results that regulated sectors are meant to achieve, rather than prescriptive activities that must be carried out.

The compliance activities emphasize monitoring through a series of inspection activities, including unannounced inspections, responding to police reports and evaluating regulatory submissions and public complaints. The AGCO also conducts ongoing regulatory assurance activities, including regular audits, compliance reviews and mystery shopper visits.

In the horse racing sector, the AGCO ensures compliance with the *Rules of Racing* by reviewing alleged rule infractions and having Race Officials present to officiate races. The AGCO supports the health and welfare of horses and horse racing participants by monitoring and enforcing the Equine Medication and Drug Control Program and ensuring an official veterinarian is in attendance to supervise live racing.

## Partnerships

To support a coordinated approach to compliance activities, the AGCO's compliance approach places significant emphasis on working with local community partners, including police, fire services, municipal by-law and public health units. In the liquor sector, this work also includes administering the Police Report & Last Drink Programs in partnership with the police.

## Mystery Shopper Program

The use of mystery shoppers in the grocery sector continues to be an effective tool to aid in evaluating how grocery stores are performing in preventing youth access to alcohol. Throughout 2022–2023, the AGCO will expand its Mystery Shopper Program to cover all liquor licensees operating within the province.

To adequately assess the sector's ability to prevent youth access to cannabis products, the AGCO continues to use its Mystery Shopper Program to identify retailers who present an increased risk of permitting youth access. During this fiscal year, the AGCO enhanced the Mystery Shopper Program to support enhanced oversight of cannabis retailers operating close to high schools.

## Educational activities

The AGCO proactively provides education to all sectors to increase their understanding of regulatory obligations and improve overall compliance. All new licensees or authorization holders in the liquor and cannabis sectors receive this education. In addition, any licensee or authorization holder can take advantage of these opportunities at any time throughout the life cycle of their licence.

Please note that all information in the following tables has been adjusted to align with the new methodology of categorizing inspections that was implemented in fiscal year 2021–2022. The category “miscellaneous compliance activity” includes but is not limited to compliance activity driven by intelligence or investigation activity, Mystery Shopper Program or criminal charges.

**Table 13—Compliance Services inspections—Alcohol**

|   | 2020–21 | 2021–22 |
|---|---------|---------|
| Inspection Activity                             | 11,929  | 11,134  |
| Consultation                                    | 1,431   | 531     |
| Education                                       | 381     | 527     |
| Miscellaneous Compliance Activity               | 1,003   | 834     |
| Violations cited                                | 1,012   | 1,297   |
| Serious violations escalated for further review | 86      | 116     |

**Note:** There is a variance between numbers reported in this table for 2020–21 violations cited and serious violations escalated for further review and what was reported in the 2020–2021 Annual Report as a result of changes to data categories.

**Table 14—Compliance Services inspections—Lottery retailers**

|                                   | 2020–21 | 2021–22 |
|-----------------------------------|---------|---------|
| Inspection Activity               | 426     | 166     |
| Consultation                      | 13      | 4       |
| Education                         | 34      | 0       |
| Miscellaneous Compliance Activity | 6       | 7       |
| Violations cited                  | 48      | 33      |
| Warnings                          | 20      | 11      |

**Table 15—Compliance Services inspections—Raffles**

|                     | 2020–21 | 2021–22 |
|---------------------|---------|---------|
| Inspection Activity | 4       | 18      |
| Consultation        | 4       | 2       |
| Education           | 1       | 0       |
| Violations cited    | 0       | 3       |

**Table 16—Compliance Services inspections—Cannabis**

|                                   | 2020–21 | 2021–22 |
|-----------------------------------|---------|---------|
| Inspection Activity               | 3,027   | 4,229   |
| Consultation                      | 427     | 590     |
| Education                         | 1,193   | 685     |
| Miscellaneous Compliance Activity | 604     | 526     |
| Violations cited                  | 131     | 525     |

**Table 17—Cannabis private retail inspections**

|  | 2020–21 | 2021–22 |
|--|---------|---------|
| Systems Assessments in Pre-Opening Inspections | 522     | 929     |

**Table 18—Compliance Services inspections—Horse racing**

|                                   | 2020–21 | 2021–22 |
|-----------------------------------|---------|---------|
| Inspection Activity               | 352     | 419     |
| Consultation                      | 17      | 40      |
| Education                         | 1       | 6       |
| Miscellaneous Compliance Activity | 33      | 24      |
| Violations cited                  | 32      | 30      |

**Table 19—Rulings by Racing Officials**

| Breed                | 2020-21 | 2021–22 |
|----------------------|---------|---------|
| <b>Thoroughbred</b>  |         |         |
| Stewards' Rulings    | 109     | 139     |
| Live Race Dates      | 134     | 140     |
| <b>Standardbred</b>  |         |         |
| Judges' Rulings      | 313     | 337     |
| Live Race Dates      | 523     | 587     |
| <b>Quarter Horse</b> |         |         |
| Stewards' Rulings    | 22      | 16      |
| Live Race Dates      | 21      | 20      |

## Technology Regulation and igaming Compliance Branch activities

Ontario's public confidence in gaming is supported by the important work performed by the Technology Regulation and Igaming Compliance (TRC) Branch.

In 2021–2022, the TRC Branch successfully navigated a significant transformation to deliver on a new mandate for overseeing all aspects of regulatory compliance of the igaming open market that is to launch in April 2022. This transformation operationalized an innovative compliance framework and created three new units within the branch: Planning and Priority Setting, Independent Test Lab Oversight, and igaming Compliance Assurance.

The role of the Planning and Priority Setting unit is to produce sector-level compliance information, analysis, plans and priorities, providing direction to compliance teams in an evidence-based compliance program.

The role of the Independent Test Lab Oversight unit is to ensure the delivery of high-quality, impartial and independent services that assess and certify gaming technology products for use in Ontario.

The role of the Igaming Compliance Assurance unit is to deliver a full suite of modern and effective compliance assurance activities that address identified compliance priorities, providing reasonable assurance of compliance for regulated internet gaming entities and technology.

The three newly formed units work in concert to create a low-burden, priority-driven compliance program in the internet gaming space.

The TRC Branch ensures the technical integrity of gaming technology by developing minimum technical standards that products must comply with and by testing and providing approvals of games and related gaming systems against those standards. This technology is used throughout the province in all gaming industries and sectors regulated by the AGCO, including casino gaming, charitable and raffle gaming, lotteries and internet gaming.

The TRC Branch is composed of highly qualified and experienced experts. It includes an in-house laboratory (the Gaming Lab) equipped with the same gaming systems used at gaming sites in Ontario.

The Gaming Lab is accredited to the international standard ISO 17025:2017 for testing laboratories, considered the international benchmark for excellence in testing laboratories. This achievement sets the AGCO apart as the only known gaming regulator with an in-house accredited gaming laboratory. This accreditation provides annual third-party assurance of the ongoing quality of the testing performed by the Gaming Lab.

In 2021–2022, the Gaming Lab conducted its annual survey of regulated entities, reaching out to Gaming-Related Suppliers to request their anonymous evaluation and feedback. Twenty-four (24) Gaming-Related Suppliers responded to the survey, with 100 per cent of responses indicating they are either very satisfied or satisfied with the overall service provided by the Gaming Lab. The Gaming Lab will conduct its annual survey in 2022–2023 to gather valuable feedback from regulated Operators to enable it to continue to provide industry-leading services.

**Table 20—Gaming Laboratory**

|  | 2020–21          | 2021–22          |
|--|------------------|------------------|
| Electronic gaming–related products requested for approval                                  | 1,395            | 2,616            |
| Low-risk electronic gaming products that were pre-approved                                 | 43               | 51               |
| Products with regulatory issues discovered by the AGCO that were consequently not approved | 87               | 193              |
| Average turnaround time for approval   | 22 calendar days | 25 calendar days |

**Note:** There was an increase in requests for approval of gaming-related products in 2021–22 due to industry recovery from the COVID-19 pandemic.

## Appeals and arbitration

The AGCO’s Legal Services Division provides legal advice on licensee and registrant compliance within the regulatory framework and represents the Registrar at hearings of appeals before the Licence Appeal Tribunal (LAT), the Horse Racing Appeal Panel (HRAP) and the Divisional Court and the Court of Appeal.

**Table 21—Notices of Proposal (NOPs) and Orders of Monetary Penalty (OMPs)—Alcohol**

|  | 2020–21 | 2021–22 |
|--|---------|---------|
| NOPs   |         |         |
| • Applications (new, change, transfer)                 |         |         |
| • Disciplinary (suspend and/or add conditions, revoke) | 61      | 61      |
| • Premises closed (revoke licence)                     |         |         |
| • Other  |         |         |
| Orders of Monetary Penalty                             | 9       | 21      |

**Table 22—Alcohol-related settlements without a hearing**

|   | 2020–21 | 2021–22 |
|---|---------|---------|
| Number of settlements agreed to without a hearing (NOPs and OMPs) | 11      | 16      |

**Table 23—Notices of Proposed Order (NOPOs) or immediate suspensions—Horse racing**

|  | 2020–21 | 2021–22 |
|--|---------|---------|
| Notice of Proposed Order to suspend, revoke or immediately suspend a licence | 3       | 5       |

**Table 24—Gaming-related settlements without a hearing**

|  | 2020–21 | 2021–22 |
|--|---------|---------|
| Gaming-related settlements without a hearing | 0       | 2       |

## Investigation and enforcement activities

### Modernization, transformation and integration

The 2021–2022 year saw the implementation of several important initiatives to drive efficiency. The Investigation and Enforcement Bureau (IEB) implemented the Management Inspection Process to ensure processes are incorporated into everyday operations, providing accountability, consistency and reliability.

Pre-screening applicants during the eligibility process is key to supporting the honesty and integrity of licensees, registrants and authorization holders. To support this process, the IEB implemented the Enhanced Cannabis Application Pre-Screening Interview process for Retail Operator and Retail Manager licences to allow for immediate flagging of any criminal associations. In 2021, enhanced Cannabis Application Pre-Screening Interviews identified 80 applicants as problematic or with areas of risk.

In the igaming sector, the IEB implemented Eligibility and Major Investigations pre-screening igaming CEO interview questions to identify any possible risks associated with the AGCO registration of igaming companies.

### Anti–money laundering

Anti–money laundering (AML) continues to be a key focus for the IEB. In 2021–2022, the IEB implemented a new enhanced IEB AML investigative strategy that focused Ontario Provincial Police (OPP) resources to attend the casino floor any time they are called for a suspicious cash transaction when the patron is present at the casino. This allows the IEB members to engage and question the patron regarding the source of funds and determine investigative action.

Partnerships are key to the success of our AML programs. This year, the IEB developed and implemented a video to raise awareness of AML investigative analytic processes among stakeholders, including the OLG, the OPP, the AGCO and FINTRAC. These partnerships were further supported by introducing the IEB AML Coordination Model, where dedicated OPP, OLG and AGCO analysts worked closely to query and analyze their respective agency’s data sets to openly share and discuss information and identify individuals and activities that pose AML risks. The IEB also developed and implemented a new joint AML Investigative Process with the OPP



Provincial Asset Forfeiture Unit for identified High Priority Individuals that warrant an AML investigation that will utilize resources effectively.

A data-driven mindset is key to the IEB's AML approach. An analytical program/dashboard tool has been developed and implemented to help identify and initiate investigations of individuals who pose risks of engaging in money laundering activities. The IEB has reduced a significant number of manual processes by automating the intake of all suspicious transaction reports (STRs) generated at Ontario gaming sites into the established IEB AML analytical program/dashboard tool. This allows the IEB to allocate resources to focus on high-risk gaming areas, and ground decisions and actions against high-priority individuals to determine if criminal investigations and/or regulatory recommendations are warranted.

To support data collection and drive these analytical insights in 2021–2022, the IEB launched a newly developed OPP Report Management System (RMS) STR investigative report and training video. The new report's drop-down menus and entry fields walk the investigator through the investigation to ensure that nothing is omitted. This data is also trackable, assisting with future analysis of the information collected in the database and statistic collection. Implementing an enhanced IEB Harm Reduction Strategy and training video ensures consistency and that patrons attending casinos in violation of exclusion orders receive addiction assistance when required.

The IEB Intelligence Unit initiated a collaboration between the Biker Enforcement Unit and the RMS Unit to create a streamlined way to search, identify and compare those listed in the Outlaw Motorcycle Gaming databases to those within the AGCO's regulatory database. This search resulted in over one thousand outlaw motorcycle gaming members' names that can be compared to all regulated sectors.

### Leadership and stewardship

The IEB Anti-Human Trafficking (AHT) Working Group collaborated with the OPP Anti-Human Trafficking Unit, Criminal Intelligence Service Ontario and municipal partners in order to proactively focus on AHT activities. The working group created a 2021 list of AHT police contacts from police jurisdictions across Ontario that house casinos and/or racetracks. The development of this initiative allowed investigators to quickly mobilize a multi-jurisdictional response to locate a wanted material HT witness from Quebec.

The IEB also provided support and subject matter expertise/follow-up to assist GTA municipal police counterparts on illegal gaming venues.

The Cannabis Intelligence Sharing Working Group involving the IEB/AGCO/ Provincial Joint Forces Cannabis Enforcement Team /OCS was implemented to share critical intelligence information, increase linkages to organized crime groups and enhance relationships. In addition, the Legal Cannabis Intelligence Working Group Due Diligence Investigators Network (DDIN) was implemented. The DDIN engaged cannabis regulators across Canada to share critical intelligence and information strategies from involved stakeholders and share linkages to organized crime connections and affiliations.

**Table 25—Eligibility investigations**

|                              | 2020–21 | 2021–22 |
|------------------------------|---------|---------|
| Gaming and Lottery           | 708     | 315     |
| Cannabis                     | 478     | 1,037   |
| Horse Racing                 | 88      | 122     |
| Outside Agency Assist Checks | 495     | 381     |

**Table 26—Number of IEB investigations**

|                                       | 2020–21 | 2021–22 |
|---------------------------------------|---------|---------|
| Internet Gaming                       | 60      | 126     |
| Charitable Gaming                     | 7       | 7       |
| Cannabis                              | 0       | 1       |
| Horse Racing                          | 0       | 153     |
| Liquor Licence Holders and Applicants | 140     | 106     |

**Table 27—Lottery-related investigations**

|                              | 2020–21 | 2021–22 |
|------------------------------|---------|---------|
| Lottery Insider Wins         | 49      | 39      |
| Lottery Suspicious Wins      | 92      | 71      |
| Other Lottery Investigations | 102     | 64      |

**Table 28—Occurrences at casinos and slot machine facilities**

|   | 2020–21 | 2021–22 |
|---|---------|---------|
| Total Investigations in Casinos and Slot Machine facilities | 1,260   | 2,814   |
| Total Criminal Code Offences                                | 353     | 117     |
| Total Non–Criminal Code Related Offences                    | 280     | 629     |
| Alleged Cheat-at-Play Instances                             | 0       | 74      |
| Cheat-at-Play Charges Laid                                  | 0       | 17      |

**Note:** This category overlaps with the gaming eligibility investigations in Table 25.

## Strategic Direction

### Strategic planning goals and themes

The AGCO's strategic plan outlines the vision and strategic goals for the organization. The AGCO is currently in the third year of its five-year strategic plan.

The AGCO seeks to achieve its vision of being a world-class regulator that is innovative, proactive, inclusive and socially responsible through its three strategic goals: Modern Regulator, Service Excellence and People First.



### Performance measurement framework

The AGCO measures performance and program effectiveness by setting targets, assessing data and evaluating results. Through continuous evaluation and feedback, the AGCO is able to achieve the key objectives identified in the AGCO strategic plan.

The results from these measures, shown in the table below, demonstrate that the AGCO has met or surpassed the majority of agency targets, largely thanks to:

- a continued focus on stakeholder engagement and an enhanced approach to stakeholder education;
- a modern regulatory approach that is risk-based, outcomes-based and compliance-focused;
- a "Future of Work" model that provides the tools and flexibility for a positive employee experience post-COVID;
- the development of a strategy to address diversity, inclusion and accessibility at the AGCO;

- the continuous optimization of iAGCO.

The AGCO is committed to further developing an agency-wide performance strategy. It has created a Business Optimization and Insights Branch to advance multi-year goal setting, link agency efforts to resource planning and develop a robust performance measurement framework to support transparency, accountability and regulatory effectiveness.

## Modern Regulator

### Key commitments

- Serve the public interest through effective and innovative approaches to regulation in the alcohol, gaming, cannabis and horse racing sectors.
- Make evidence-based decisions to regulate in the public interest.
- Strengthen our organizational foundation to support the agency’s expanding priorities and business strategies.

### Performance measure

The AGCO provides user-based services and information through multiple windows and service channels anytime and anywhere.

- **Outcome metric:** % of users using digital options to transact with the AGCO meets or exceeds target of 85%.

**Table 29—Digital First**

|  | 2020–21 | 2021–22  |
|--|---------|--|
| % of users using digital options to transact with the AGCO | 89.6%   | Overall: 70%<br>Applications: 92%<br>Complaints: 91%<br>Inquiries: 25% |

## Projects

Being a Modern Regulator remains a key commitment and shapes how the AGCO regulates and works with its stakeholders. The AGCO is committed to leveraging evidence and effective stakeholder engagement as part of the development and implementation of its regulatory direction. The following corporate projects are based on the AGCO’s commitment to the Modern Regulator strategic goal.

### igaming framework

The upcoming launch of Ontario’s igaming market on April 4, 2022, is a major milestone.

The AGCO developed a regulatory model for this new, competitive market that protects consumers and provides them with choice, reduces red tape and supports legal market growth and provincial returns.

This model reflects the AGCO’s regulatory objectives for igaming while meeting the unique requirements of the igaming open market. It was informed by a series of engagements with industry stakeholders on the [Registrar’s Standards for Internet Gaming](#) (Standards) and the eligibility and compliance approaches for igaming. Following the [federal government’s legalization of single-event sports betting, the AGCO also undertook](#) stakeholder engagement on the regulatory standards for sports and event betting, which apply to all sports, esports, novelty and betting exchange.

Through the igaming regulatory model, the AGCO undertook several strategic shifts in its operational compliance and eligibility activities to ensure market participants act in accordance with the law, with honesty and integrity, and in the public interest.

The updated risk-based registration model emphasizes applicant ability to meet the Standards and previous experience of applicants, including history in leading jurisdictions. Compliance activities focus on ensuring regulatory objectives are met through innovative, targeted approaches. This includes setting compliance expectations for entry into the market through game and critical system testing and confirmations of full system compliance with the Standards, as well as setting and monitoring priority compliance areas, with targeted monitoring and interventions where appropriate.

The AGCO provided smooth service delivery to igaming customers, including:

- publishing guides on its website to assist prospective igaming Operators and Gaming-Related Suppliers with the registration process (for example, the [Internet Gaming Operator Application Guide](#)) and to help them understand compliance requirements when participating in Ontario’s regulated market (for example, the [Internet Gaming Go-Live Compliance Guide](#))
- collaborating with iGaming Ontario on the development and coordination of a robust onboarding process to ensure igaming Operators have met all requirements to enter the market
- implementing a robust customer service model for handling both regulatory and iGO matters, including responding to complaints and inquiries
- making enhancements to the AGCO internet gaming portal, including the creation of [a new player support section](#) to provide players with information about the new igaming model and additional resources.

The AGCO also implemented system changes to support the launch of the new igaming market. This included updates to the [iAGCO](#) online portal to include igaming applications, processes for complaints and inquiries and ongoing monitoring and managing of compliance activities through regulatory intelligence data.

### [Auditor General of Ontario: AGCO Value for Money Audit Report](#)

In December 2020, the Auditor General of Ontario released a Value for Money (VFM) Audit Report of the AGCO. The report contained 26 recommendations and proposed 62 action items, along with management responses from the AGCO and the Ministry of the Attorney General; 56 of the action items were assigned to the AGCO for response.

The implementation of the Auditor General of Ontario's recommendations is one of the AGCO's five corporate priorities. The AGCO established a dedicated VFM Audit Action Plan Project Team with project leads overseeing working groups to address each recommendation and related action items.

Throughout 2021, the AGCO provided regular quarterly updates to Ontario Internal Audit. The AGCO provided an update outlining the completed and outstanding undertakings for each recommendation to the Standing Committee on Public Accounts in April 2021.

As a result of the recommendations, the AGCO has improved and strengthened regulatory processes within its operations and introduced new functionality into iAGCO. Recommendations have been implemented through robust government partnerships that support the AGCO's regulatory mandates.

The AGCO remains committed to its action plan and recognizes the value of the Auditor General of Ontario's recommendations to enhance its effectiveness as a modern regulator. This remains a corporate priority for fiscal year 2022–2023.

### Liquor modernization

The *Liquor Licence and Control Act, 2019* (LLCA) came into effect on November 29, 2021, marking a major milestone for liquor regulation in Ontario. The new liquor framework under the LLCA enables the AGCO to modernize the way it regulates the sale, service and delivery of liquor and allows for a more flexible approach.

The new liquor framework is designed to reduce burden, facilitate better monitoring and compliance and reflect the changing liquor landscape for the benefit of Ontarians. It includes the introduction of a new liquor licence and permit structure and the transfer of the regulatory authority for some activities from the Liquor Control Board of Ontario (LCBO) to the AGCO.

The Registrar's Interim Standards and Requirements for Liquor (Interim Standards) came into effect under the LLCA and primarily maintain and consolidate many of the previous requirements. Over the coming years, the AGCO will build on this work to develop a comprehensive outcomes-based regulatory model, consistent with our overall strategic approach for other regulated sectors.

Enhanced social responsibility measures were also introduced with the creation of a new re-certification requirement for licensees relating to the responsible sale, service and delivery training (such as Smart Serve). The AGCO adopted this industry best practice in recognition of the significant modernization of Ontario's liquor sector and the need for continued commitment to social responsibility and public protection in the liquor sector.

Under the LLCA, several new permissible activities for licence holders took effect, including:

- all licensed grocery stores may offer beer, wine and cider (as applicable) online for curbside pick-up at the store, as permitted under their licence;
- licensed grocery stores are permitted to display non-liquor products, excluding energy drinks and products that promote immoderate consumption, within the contiguous aisles where liquor products (that is, beer, cider, wine) are displayed;

- Liquor Sales Licence holders are permitted to infuse liquor to create drinks or change the flavour of liquor through practices such as barrel aging, as long as the customer is informed;
- a new temporary extension endorsement allows manufacturers with a retail store at their production site to sell liquor products at industry promotional events, in addition to farmers' markets;
- the removal of alcohol by volume (ABV) limits that wine and brew pubs were previously subject to (previously, wine pubs could not sell wine with greater than 14% ABV and brew pubs could not sell beer with greater than 6.5% ABV);
- ferment on premise facilities are permitted to combine multiple customers' ingredients, allowing innovative practices such as barrel aging;
- manufacturers are permitted to deliver the liquor products of other licensed manufacturers that have an on-site retail store (a new delivery endorsement enables this activity).

## Equine welfare

The AGCO continues to be an industry leader in promoting equine health and safety. In fiscal year 2021–2022, reviews of equine fatalities were enhanced by conducting more toxicological analysis looking for both therapeutic medication and non-therapeutic performance-enhancing substances. Additionally, trainer medication records and treating veterinarian medical records were reviewed with greater scrutiny to improve their quality.

Acknowledging the critical role they play in preventing equine fatalities, AGCO Veterinary Services started meeting with trainers and their veterinarians to share information. These measures are in keeping with the AGCO's strategic goal to be a Modern Regulator and make evidence-based decisions to regulate in the public interest.

The Regulatory Compliance Branch continues its work on horse welfare to identify significant variables and horses at risk of injury and improve processes. Newly implemented measures include the use of safety reports to help select at-risk racetrack-stabled thoroughbreds for non-race day veterinary examinations. Safety reports are generated by a Jockey Club subsidiary and are leveraged with in-house subject matter expertise to select horses for unannounced examinations to spot lameness issues earlier.

## Service Excellence

### Key commitments

- Continuously ensure a deep understanding of our stakeholders to anticipate and respond to their evolving needs.
- Provide a positive experience through the delivery of services that are clear, timely and that meet the expectations of those we serve.

## Performance measures

### Table 30—Service Experience

A service-centred design that optimizes the service experience, engages customers proactively and identifies opportunities for improvements.

- **Output metric:** Online application turnaround time (in days) meets or is lower than target of 20 days.
- **Outcome metric:** % of clients satisfied with services meets or exceeds target of 75%.

|  | 2020–21 | 2021–22 |
|--|---------|---------|
| Online application turnaround time (in days) | 45      | 36      |
| % of clients satisfied with services         | 74.0%   | 65.6%   |

#### Note:

- Turnaround time was affected by COVID-19 and the rollout of iAGCO online services to charitable gaming licensees in November 2020.
- The turnaround time includes application turnaround times and auto-renewals completed on the iAGCO portal.
- The “clients satisfied with services” metric is an average based on AGCO website, iAGCO portal and telephone calls.

### Table 31—Value for Money

Ensuring value per transaction (internal and external) with a focus on streamlining process and reducing regulatory burden.

- **Output metric:** % of applications for SOPs auto-issued meets or exceeds target of 90%.

|  | 2020–21 | 2021–22 |
|--|---------|---------|
| % of applications for SOPs auto-issued | 40.4%   | 91%     |

## Projects

Service Excellence is a core foundation embedded throughout the AGCO’s work, from both the AGCO’s core service delivery to licensing and registration, compliance, and investigations and enforcement. All corporate projects are viewed through a Service Excellence lens, ensuring that the AGCO builds programs and policies that best serve the needs of our customers.

### Clear and timely services that meet expectations

The AGCO is committed to creating a positive experience for our stakeholders through the delivery of clear, timely services and meeting the expectations of those we serve. Through iAGCO, the agency’s digital services portal, 83,678 customer service transactions were initiated. The AGCO Customer Service supported 104,049 customer interactions including calls,



webchats, online inquiries, email, and regular mail; 93% of Contact Centre customers received resolution to their inquiry or concern at their initial point of contact.

Due to public health requirements that limited in-person service delivery, the majority of AGCO services were delivered remotely in 2021–2022, with the exception of race day activities in horse racing. In preparation for a return to normal operations, the AGCO modernized its approach to in-person services by introducing a by-appointment model. This change in service approach reflects shifting customer preferences away from in-person services that began prior to the pandemic with an uptake in digital service delivery and was further accelerated to meet public health requirements.

With the AGCO’s contact centre platform set to be decommissioned by its service provider, in 2021–2022 the AGCO started plans to replace and update its enterprise contact centre solution. This work will include the launch of a new multiple-channel solution in 2022–2023 that replaces current functionality and positions the AGCO to meet evolving customer preferences and expectations of a modern contact centre environment.

In response to opportunities identified by the Auditor General of Ontario to improve complaints handling, the AGCO created new procedures and staff training. The AGCO successfully reduced the time to complete complaints-based inspections from 18.9 to 15.4 business days.

### Customer-centric design and delivery

To improve the design and delivery of AGCO services, the AGCO is working to better understand our stakeholders. Customer First training was provided to staff starting in 2020–2021 to encourage greater awareness and skills development in the area of customer-centric design at the AGCO.

Service design tools and methodologies were applied to key corporate projects to improve customer journeys and improve service outcomes. This included:

- the use of customer research, persona development and journey mapping to design and validate the iGaming Service model for Operators, Suppliers and Players;
- process improvements and enhanced communications to support the Cannabis Retail Store Application process;
- updates to the AGCO in-person service model.

The AGCO uses service insights such as Customer Satisfaction Surveys, and complaints, inquiries and service performance measures from iAGCO, to better listen to customers and identify opportunities for service improvement. This has led to improvements to both the website and iAGCO application guidance.

## Service metrics

**Table 32—Service provision**

|  | 2020–21  | 2021–22  |
|--|--|--|
| Telephone Contacts (Contact Centre)                | 49,070   | 60,826   |
| In-person customers (Head Office)                  | 0<br>(Head office in-person services were halted and transitioned online due to the COVID-19 pandemic) | 0<br>(Head office in-person services were halted and transitioned online due to the COVID-19 pandemic) |
| Self-Help (using automated voice messaging system) | 23,367   | 28,874   |
| Webchat  | 5,164  | 5,295  |

**Table 33—Communication with AGCO stakeholders**

|   | 2020–21   | 2021–22   |
|---|-----------|-----------|
| AGCO website visits   | 1,207,608 | 1,204,640 |
| Overall website traffic change compared to the previous fiscal year                                     | -14%      | -0.25%    |
| Number of engagements (retweets, replies and likes) received by the AGCO's Twitter accounts from users  | 2,750     | 841       |
| Number of AGCO direct email campaigns   | 95        | 145       |
| Total number of emails sent by the AGCO to licensee and stakeholder groups across all regulated sectors | 372,000   | 327,547   |

**Note:** Twitter engagement numbers are lower this year due to a decrease in content from the AGCO Twitter account. A significant portion of the Twitter account is related to public notices.

**Table 34—Service metrics**

|  | 2020–21 | 2021–22 |
|--|---------|---------|
| Inquiries  | 32,874  | 34,719  |
| Complaints   | 2,980   | 3,899   |
| % of complaints that were not addressed within 30 days (cancelled complaints excluded) | 26%     | 23%     |

**Table 35—Online service and autorenewal**

The following table shows the percentage of licences, registration and authorizations in regulated sectors that were automatically renewed.

|                                   | 2020–21 | 2021–22 |
|-----------------------------------|---------|---------|
| Gaming registration auto-renewals | 29%     | 89%     |
| Horse Racing auto-renewals        | 38%     | 44%     |
| Liquor licences auto-renewals     | 8%      | 37%     |
| Cannabis auto-renewals            | -       | 100%    |

## People First

### Key commitments

- Champion an inclusive workplace by implementing recommendations from the AGCO's DI&A strategy to further develop employees' wellbeing and best serve the people of Ontario.
- Develop our talent to empower employees and nurture our internal talent succession pool.

### Performance measures

**Table 36—Employee experience**

The level of engagement and enablement is directly correlated with higher productivity, increased motivation and job satisfaction.

- **Outcome metric:** The percentage of AGCO staff who would recommend AGCO as a place to work meets or exceeds target of 75%.
- **Outcome metric:** The percentage of AGCO staff who believe they have opportunities to have their ideas adopted and put into use meets or exceeds target of 70%.

|  | 2020–21 | 2021–22 |
|--|---------|---------|
| The % of AGCO staff who would recommend AGCO as a place to work                                      | 86%     | 89%     |
| The % of AGCO staff who believe they have opportunities to have their ideas adopted and put into use | 76%     | 73%     |

**Note:** The measures above reflect one point in time and are sourced from a survey conducted in September 2021.

## Projects

The AGCO continues to invest in the strength of our people and understands the importance of developing and fostering this organizational priority. A people-first mindset and an ongoing commitment to diversity, inclusion and accessibility are central to achieving progress on this strategic goal.

### Diversity, inclusion and accessibility

The AGCO is committed to addressing the needs and concerns of its diverse workforce and increasing equity for all, including racialized communities in Canada, Indigenous peoples, members of the 2SLGBTQ+ community, persons with disabilities, and women. The AGCO strives to create a progressive, flexible culture of accountability and trust to empower and foster the growth of our employees.

The AGCO remains committed to delivering inclusive, accessible and responsive services to the public and our stakeholders, which align with our organizational values of integrity, respect, accountability and serving the public interest.

Over the past year, the AGCO worked closely with an objective third-party consultant to help craft a DI&A implementation plan for the AGCO's workforce and position it as a DI&A leader.

In 2021–2022 the consultant:

- assessed the AGCO's current state as a benchmark as it relates to diversity and inclusion;
- conducted stakeholder analysis that identifies key stakeholders and obtains their feedback on both current state and the desired future aspirations of workforce DI&A initiatives;
- developed the AGCO's DI&A strategy complete with vision, mission, goals, objectives, actions and metrics.

In late 2021, the consulting team provided recommendations for consideration as the AGCO develops its DI&A implementation plan, many of which are already being implemented. For example, to enhance organizational accountability, during the 2021–2022 year, the AGCO engaged staff in DI&A activities such as:

- recognizing and celebrating days and events of significance throughout the year for our diverse workforce;
- providing land acknowledgements prior to meetings, from locations throughout the province where AGCO employees live;
- updating professional development plans to encourage greater engagement between managers and staff;
- initiating cultural competence workshops for leadership staff.

The AGCO will continue to explore the recommendations as it takes its next steps along the DI&A journey. During 2021–2022, the AGCO has made progress in enriching its equity program offerings and built on its commitment to be an inclusive, people-first organization.

## Risk Management

The AGCO, like all organizations, faces external and internal factors that involve risks and uncertainties which, if left unaddressed, could adversely affect the achievement of its strategic goals. An annual risk management cycle identifies key risks and exposures that the AGCO continues to address. Staff and management conduct risk assessments to help the AGCO update its key risks.

Enterprise Risk Management (ERM) is a continuous, proactive, systematic process to understand, manage and communicate risk from an organization-wide perspective and assists management in making strategic decisions that contribute to the achievement of the AGCO's corporate objectives.

The goal of the ERM framework is to embed risk management within all operations and across all levels of staff. The framework sets out a process for identifying and assessing risks and highlighting and reviewing controls and mitigation strategies.

An annual risk workshop, facilitated by the Risk Management and Internal Audit Branch, is held with the C-Suite to identify, assess and decide on prioritization and mitigation activities for the AGCO's key risks.

The final key risks are reviewed and approved by C-Suite, the Finance, Audit and Risk Management Committee and the Board.

These risk-assessment activities assist in the development of the AGCO's Internal Audit Work Plan in addition to playing a fundamental role in the development of the AGCO's Corporate Plan.

### Business continuity risk

The AGCO continues to assess and update its Business Continuity Plans to ensure that critical services will continue in the event of a disruptive incident. In addition, enhancing the Disaster Recovery Strategy will ensure that network servers, data storage and all internal/external platforms will be recovered in a timely manner.

### Information security risk

The AGCO will continue to assess, develop and implement information security awareness, policies and protocols to mitigate current and emerging cyber threats and increase the security maturity of existing controls. In addition, enhancing security awareness and security education increases knowledge and heightens staff vigilance.

### Financial risk

The AGCO reviews and augments its financial risk mitigation measures to sustain operations and deliver on its mandate.

## Analysis of Financial Performance

| (In \$000s)   | 2020-21       | 2021-22<br>(excluding<br>iGO) <sup>1</sup> | Increase/<br>(Decrease) |
|---|---------------|--|-------------------------|
| <b><u>Revenue</u></b>                                 |               |  |                         |
| Fees, Licences and Registrations                      | \$ 22,649     | \$ 29,172                                  | \$ 6,523                |
| Recoveries – Gaming Sector                            | 13,446        | 19,735                                     | 6,289                   |
| Other Revenue   | 192           | 82   | (110)                   |
| <b>TOTAL Program Revenue</b>                          | <b>36,287</b> | <b>48,989</b>                              | <b>12,702</b>           |
| <b><u>Expenditures</u></b>                            |               |  |                         |
| Salaries and Wages                                    | 61,408        | 63,713                                     | 2,305                   |
| Employee Benefits                                     | 13,910        | 14,449                                     | 539                     |
| <b>Other Direct Operating Expenditures<br/>(ODOE)</b> |               |  |                         |
| Transportation and Communications                     | 925           | 938  | 13                      |
| Services  | 11,927        | 13,908                                     | 1,981                   |
| Supplies and Equipment                                | 433           | 693  | 260                     |
| Amortization of Tangible Capital Assets               | 1,631         | 1,771                                      | 140                     |
| Bad Debts   | -             | 7  | 7                       |
| <b>TOTAL Program Expenditures</b>                     | <b>90,234</b> | <b>95,479</b>                              | <b>5,245</b>            |

| (In \$000s)  | 2020-21       | 2021-22<br>(excluding<br>iGO) <sup>1</sup> | Increase/<br>(Decrease) |
|--|---------------|--|-------------------------|
| <b>Annual Deficit from Operations<br/>= Contribution by the Province</b> | <b>53,947</b> | <b>46,490</b>                              | <b>(7,457)</b>          |
| <b><u>Acquisition of Tangible Capital Assets</u></b>                     | 1,121         | 2,477                                      | 1,356                   |

Note:

1. iGaming Ontario (iGO): The figures reported in the above table exclude \$7.3M in expenditures (and the associated \$7.3M in recoveries) that the AGCO incurred on behalf of iGO from July 6, 2021 (date of iGO's legal establishment) to March 31, 2022.

Fees, Licences and Registrations Revenue in 2021-22 increase of \$6.5M is due to higher number of Cannabis applicants, and higher Gaming, Liquor and Horse Racing revenues since extensions were granted in FY2020-21.

\$6.3M increase in Recoveries – Gaming Sector is attributed to no recoveries from casinos and cGaming line of business for FY20-21 as a result of COVID-19 closures.

Overall increase in Salaries and Wages and Employee Benefits Expenditures is mainly due to new staff hiring to regulate the igaming open market, as well as an increase in the cost of employee benefits. Increase in Services is due to additional one-time contracts and costs associated with changes in operations. Increase in Amortization of Tangible Capital Assets reflects the full year cost of Regulatory Assurance Solution (RAS), including iAGCO, after its final phase was completed in October 2020.

Acquisition of Tangible Capital Assets increase is due to iAGCO enhancements to support the igaming line of business, liquor reform, and other operational changes.

iGaming Ontario (iGO) Operating Expenditures and Recoveries are excluded from this analysis. iGO S&W, Benefits and ODOE Expenditures incurred by AGCO on iGO's behalf from July 6, 2021 to March 31, 2022, in a total of \$7.3M (excluding HST), are reported as AGCO Operating Expenditures, Recoveries – iGaming Ontario and Due from iGaming Ontario in AGCO's financial statements.

# **Alcohol and Gaming Commission of Ontario**

**Financial Statements**

**March 31, 2022**



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## Management's Statement of Responsibility for Financial Reporting

The accompanying financial statements of the Alcohol and Gaming Commission of Ontario have been prepared by management in accordance with the Canadian public sector accounting standards and, where appropriate, include amounts based on management's best estimates and judgements. The financial statements have been properly prepared within reasonable limits of materiality and are based on information available up to August 10, 2022.

Management is responsible for the integrity of the financial statements and maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded, and reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors ensures that management fulfills its responsibilities for financial information and internal control through a Financial, Audit and Risk Management (FARM) committee. The FARM committee meets with management and internal audit regularly to review the policies and procedures.

The financial statements have been examined by the Office of the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are prepared in accordance with Canadian public sector accounting standards. The Independent Auditor's Report, which appears on the following page, outlines the scope of the Auditor's examination and opinion.

On behalf of Management:

Tom Mungham

Chief Executive Officer & Registrar

Date: August 10, 2022

Joseph Pittari

Chief Administrative Officer

Date: August 10, 2022



## INDEPENDENT AUDITOR'S REPORT

To the Alcohol and Gaming Commission of Ontario

### Opinion

I have audited the financial statements of the Alcohol and Gaming Commission of Ontario (the AGCO), which comprise the statements of financial position as at March 31, 2022 and March 31, 2021, and the statements of operations and accumulated deficit, change in net debt and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the AGCO as at March 31, 2022 and March 31, 2021, and the results of its operations and accumulated deficit, changes in its net debt and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

I conducted my audits in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the AGCO in accordance with the ethical requirements that are relevant to my audits of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the AGCO's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the AGCO either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the AGCO's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the AGCO's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the AGCO's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the AGCO to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Toronto, Ontario  
August 10, 2022



Bonnie Lysyk, MBA, FCPA, FCA, LPA  
Auditor General

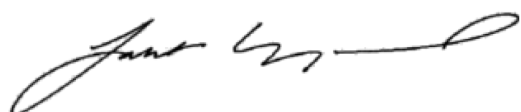
# Alcohol and Gaming Commission of Ontario

## Statement of Financial Position (\$'000)

| As at March 31, 2022                     | Note(s)            | 2022            | 2021            |
|--|--------------------|-----------------|-----------------|
| <b>Liabilities</b>                       |                    |                 |                 |
| Accounts Payable and Accrued Liabilities | <a href="#">4</a>  | \$ 9,298        | \$ 8,016        |
| Deferred Licence Revenue                 | <a href="#">5</a>  | 32,958          | 19,086          |
| Other Employee Future Benefits           | <a href="#">6</a>  | 7,245           | 8,145           |
| Security and Customer Deposits           | <a href="#">7</a>  | 7,720           | 4,380           |
|  |                    | <b>57,221</b>   | <b>39,627</b>   |
| <b>Financial Assets</b>                  |                    |                 |                 |
| Cash                                     |                    | —               | —               |
| Accounts Receivable                      | <a href="#">8</a>  | 422             | 829             |
| Due from iGaming Ontario                 | <a href="#">16</a> | 7,264           | —               |
| Prepaid Expenses                         |                    | 372             | 321             |
| Due from the Province                    | <a href="#">9</a>  | 34,949          | 24,969          |
|  |                    | <b>43,007</b>   | <b>26,119</b>   |
| <b>Net Debt</b>                          |                    | <b>(14,214)</b> | <b>(13,508)</b> |
| <b>Non-Financial Assets</b>              |                    |                 |                 |
| Tangible Capital Assets                  | <a href="#">10</a> | 14,214          | 13,508          |
| <b>Accumulated Deficit</b>               |                    | <b>\$ —</b>     | <b>\$ —</b>     |

See accompanying notes to the financial statements.

On Behalf of the Board:



Chair, Board of Directors



Chair, Financial, Audit and Risk Management Committee

## Alcohol and Gaming Commission of Ontario

### Statement of Operations and Accumulated Deficit (\$'000)

| For the Year Ended March 31, 2022             | Note(s)                | 2022<br>Budget | 2022<br>Actual  | 2021<br>Actual  |
|---|------------------------|----------------|-----------------|-----------------|
| <b>Revenue</b>                                |                        |                |                 |                 |
| Fees, Licences and Registrations              | <a href="#">5</a>      | \$ 18,650      | \$ 29,172       | \$ 22,649       |
| Recoveries - Gaming Sector                    | <a href="#">12</a>     | 71,992         | 19,735          | 13,446          |
| Recoveries - iGaming Ontario                  | <a href="#">16</a>     | —              | 7,264           | —               |
| Other Revenue                                 |                        | 151            | 82              | 192             |
|   | <a href="#">11, 15</a> | <b>90,793</b>  | <b>56,253</b>   | <b>36,287</b>   |
| <b>Expenditures</b>                           |                        |                |                 |                 |
| Salaries and Wages                            | <a href="#">12</a>     | 67,179         | 66,229          | 61,408          |
| Services                                      |                        | 20,046         | 17,987          | 11,927          |
| Employee Benefits                             | <a href="#">6, 12</a>  | 12,783         | 14,972          | 13,910          |
| Amortization of Tangible Capital Assets       | <a href="#">10</a>     | 3,130          | 1,771           | 1,631           |
| Transportation and Communications             |                        | 3,026          | 965             | 925             |
| Supplies and Equipment                        |                        | 1,748          | 812             | 433             |
| Bad Debts                                     |                        | —              | 7               | —               |
|   |                        | <b>107,912</b> | <b>102,743</b>  | <b>90,234</b>   |
| <b>Annual Deficit from Operations</b>         |                        |                | <b>(46,490)</b> | <b>(53,947)</b> |
| <b>Contribution by the Province</b>           | <a href="#">9</a>      |                | <b>46,490</b>   | <b>53,947</b>   |
| <b>Annual Deficit</b>                         |                        |                | <b>—</b>        | <b>—</b>        |
| <b>Accumulated Deficit, Beginning of Year</b> |                        |                | <b>—</b>        | <b>—</b>        |
| <b>Accumulated Deficit, End of Year</b>       |                        |                | <b>\$ —</b>     | <b>\$ —</b>     |

See accompanying notes to the financial statements.

## Alcohol and Gaming Commission of Ontario

### Statement of Change in Net Debt (\$'000)

| For the Year Ended March 31, 2022       | Note(s)            | 2022<br>Budget     | 2022<br>Actual     | 2021<br>Actual     |
|---|--------------------|--------------------|--------------------|--------------------|
| <b>Annual Deficit</b>                   |                    | <b>\$</b>          | <b>—</b>           | <b>\$</b>          |
| Acquisition of Tangible Capital Assets  | <a href="#">10</a> | (7,863)            | (2,477)            | (1,121)            |
| Amortization of Tangible Capital Assets | <a href="#">10</a> | 3,130              | 1,771              | 1,631              |
|   |                    | <b>(4,733)</b>     | <b>(706)</b>       | <b>510</b>         |
| <b>(Increase) Decrease in Net Debt</b>  |                    | <b>(4,733)</b>     | <b>(706)</b>       | <b>510</b>         |
| <b>Net Debt, Beginning of Year</b>      |                    | <b>(13,508)</b>    | <b>(13,508)</b>    | <b>(14,018)</b>    |
| <b>Net Debt, End of Year</b>            |                    | <b>\$ (18,241)</b> | <b>\$ (14,214)</b> | <b>\$ (13,508)</b> |

See accompanying notes to the financial statements.

## Alcohol and Gaming Commission of Ontario

### Statement of Cash Flows (\$'000)

For the Year Ended March 31, 2022

|   | <u>2022</u>               | <u>2021</u>               |
|---|---------------------------|---------------------------|
| <b>Operating Transactions</b>                         |                           |                           |
| Annual Deficit  | \$ —                      | \$ —                      |
| <b>Non-Cash Items:</b>                                |                           |                           |
| Amortization of Tangible Capital Assets               | 1,771                     | 1,631                     |
| <b>Changes in Non-Cash Balances:</b>                  |                           |                           |
| Increase in Accounts Payable and Accrued Liabilities  | 1,282                     | 1,396                     |
| Increase (Decrease) in Deferred Licence Revenue       | 13,872                    | (3,572)                   |
| (Decrease) Increase in Other Employee Future Benefits | (900)                     | 135                       |
| Increase (Decrease) in Security and Customer Deposits | 3,340                     | (2,689)                   |
| Decrease (Increase) in Accounts Receivable            | 407                       | (611)                     |
| (Increase) in Due from iGaming Ontario                | (7,264)                   | —                         |
| (Increase) in Prepaid Expenses                        | (51)                      | (246)                     |
| (Increase) Decrease in Due from the Province          | (9,980)                   | 5,077                     |
| <b>Cash Provided by Operating Transactions</b>        | <u><b>2,477</b></u>       | <u><b>1,121</b></u>       |
| <b>Capital Transactions</b>                           |                           |                           |
| Acquisition of Tangible Capital Assets                | (2,477)                   | (1,121)                   |
| <b>Cash Applied to Capital Transactions</b>           | <u><b>(2,477)</b></u>     | <u><b>(1,121)</b></u>     |
| <b>Net Increase (Decrease) in cash</b>                | <u>—</u>                  | <u>—</u>                  |
| <b>Cash, Beginning of Year</b>                        | <u>—</u>                  | <u>—</u>                  |
| <b>Cash, End of Year</b>                              | <u><u><b>\$ —</b></u></u> | <u><u><b>\$ —</b></u></u> |

See accompanying notes to the financial statements.



# Alcohol and Gaming Commission of Ontario

## Notes to the Financial Statements For the Year Ended March 31, 2022 (\$'000)

### 1. Nature of operations

The Alcohol and Gaming Commission of Ontario (AGCO) is a regulatory board-governed agency incorporated without share capital, that reports to the Ministry of the Attorney General (MAG). The agency was established on February 23, 1998 under the *Alcohol and Gaming Regulation and Public Protection Act, 1996*, which was amended in 2018 and re-named the *Alcohol, Cannabis and Gaming Regulation and Public Protection Act, 1996* (ACGRPPA) when the AGCO became responsible for the regulation of retail cannabis sales. On November 29, 2021, the ACGRPPA was repealed and the *Alcohol and Gaming Commission of Ontario Act, 2019* (AGCO Act) was proclaimed into force, continuing the AGCO under a new statute.

The AGCO is responsible for regulating the alcohol, gaming, horse racing and cannabis retail sectors in accordance with the principles of honesty and integrity, and in the public interest. In so doing, the AGCO administers the *Liquor Licence and Control Act, 2019*, the *Gaming Control Act, 1992*, the *Horse Racing Licence Act, 2015* and the *Cannabis Licence Act, 2018*. The AGCO also administers the charity lottery licensing Order-in-Council 1413/08.

iGaming Ontario was established on July 6, 2021 as a subsidiary corporation of the AGCO. See [Note 16](#) for further disclosure pertaining to the AGCO's relationship with iGaming Ontario.

As a regulatory agency with a governing board reporting to MAG, the AGCO receives its annual spending authority from the Ministry's printed estimates, as approved by the Ontario Legislature. The AGCO is funded from a combination of revenue from the Consolidated Revenue Fund and charges to the regulated sectors (fees and cost recoveries).

Pursuant to the *Income Tax Act*, the AGCO is exempt from income taxes.

### 2. Adoption of Canadian public sector accounting standards

Effective April 1, 2020, the AGCO has adopted Canadian public sector accounting standards (PSAS). Prior to issuing these financial statements, the AGCO prepared a Statement of Revenue and Expenditures on a cash basis of accounting for the first time in the fiscal year 2020-21.

## Alcohol and Gaming Commission of Ontario

### Notes to the Financial Statements For the Year Ended March 31, 2022 (\$'000)

#### 3. Significant accounting policies

##### a. Basis of accounting

These financial statements have been prepared in accordance with PSAS established by the Canadian Public Sector Accounting Board. The significant accounting policies used to prepare these statements are summarized below.

##### b. Currency

The financial statements are presented in Canadian dollars.

At the transaction date, revenue or expenditures in currencies other than the AGCO's functional currency are recognized in Canadian dollars at the exchange rate in effect at that date. The AGCO is not impacted by the remeasurement gains and losses caused by foreign currency, because its cash, including foreign exchange rates, is handled by the Ministry of Public and Business Service Delivery (formerly known as the Ministry of Government and Consumer Services) without charge.

##### c. Revenue recognition

Fee revenue from licences, registrations and permits collected from the liquor, gaming, horse racing and cannabis-retail sectors are recorded in the fiscal year that they are issued. For the term of licences beyond the current fiscal year, the AGCO records deferred licence revenue as a liability and recognizes revenue over the term of licences.

The AGCO is authorized to recover costs of its regulatory activities in accordance with the *Alcohol and Gaming Commission of Ontario Act, 2019* (AGCO Act). The AGCO records a deposit liability (included in Security and Customer Deposits) when amounts are received. Recoveries are recognized as revenue (included in Recoveries - Gaming Sector) as the related regulatory costs are incurred, which settles the deposit liability. Currently, costs for regulatory activities are only being recovered from the gaming sector.

Other revenue includes recovery of prior year's expenditures and awarded costs from court received in the fiscal year.

##### d. Expenditures recognition

Expenditures are recognized on an accrual basis. Expenditures are recognized in the fiscal year that the events giving rise to the expense occur and resources are consumed.

##### e. Financial instruments

All financial instruments are included on the Statement of Financial Position and are measured initially at fair value and subsequently at cost.

## Alcohol and Gaming Commission of Ontario

### Notes to the Financial Statements For the Year Ended March 31, 2022 (\$'000)

#### 3. Significant Accounting Policies (continued)

##### f. Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets.

The cost of tangible assets is amortized on a straight-line basis over estimated useful lives as follows:

|                                 | <u>Useful life</u> |
|---------------------------------|--------------------|
| Business application software   | 10 years           |
| Information technology hardware | 3 - 6 years        |

Assets under construction are not amortized until construction is complete and the assets are ready for their intended use.

##### g. Use of estimates

In preparing the financial statements, management is required to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods.

Items requiring the use of significant estimates include: useful life of capital assets and other employee future benefits.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

##### h. Future changes in accounting standards

###### (a) PS 3400 - Revenue

The new standard provides a framework for recognizing revenue by distinguishing between revenue arising from transactions that include performance obligations, referred to as exchange transactions, and those that do not have performance obligations, referred to as non-exchange transactions. While the impact of any changes on the AGCO's financial statements is not reasonably determinable at this time, the AGCO intends to implement the standard effective April 1, 2023, for the fiscal year 2023-24.

## Alcohol and Gaming Commission of Ontario

### Notes to the Financial Statements For the Year Ended March 31, 2022 (\$'000)

#### 4. Accounts payable and accrued liabilities

|                                 | <b>2022</b>     | <b>2021</b>     |
|---------------------------------|-----------------|-----------------|
| Accounts payable                | \$ 1,145        | \$ 1,189        |
| Operational expenses accruals   | 4,155           | 3,230           |
| Accrued other employee benefits | 3,736           | 3,592           |
| Capitalized assets accruals     | 262             | 5               |
|                                 | <b>\$ 9,298</b> | <b>\$ 8,016</b> |

Accounts payable relate largely to normal business transactions with third-party vendors and subject to standard provincial government payment terms.

Operational expenses accruals relate to goods or services received but that have not been paid, including regular salaries and wages, employee benefits and normal operating expenses.

Accrued other employee benefits include employee vacation credits accruals and salary continuance arrangements.

#### 5. Deferred licence revenue

Deferred licence revenue represents payments received for licences with terms that extend beyond the current operating cycle. Changes in the deferred licence revenue balances during the current fiscal year are summarized as follows:

|              | <b>2022</b>                           |                                 |                                   |                                 |
|--------------|---------------------------------------|---------------------------------|-----------------------------------|---------------------------------|
|              | <b>Balance,<br/>beginning of year</b> | <b>Received<br/>during year</b> | <b>Recognized<br/>during year</b> | <b>Balance,<br/>end of year</b> |
| Cannabis     | \$ 12,660                             | \$ 4,744                        | \$ (7,860)                        | \$ 9,544                        |
| Gaming       | 466                                   | 15,484                          | (3,045)                           | 12,905                          |
| Horse Racing | 324                                   | 1,330                           | (783)                             | 871                             |
| Liquor       | 5,636                                 | 8,879                           | (4,877)                           | 9,638                           |
|              | <b>\$ 19,086</b>                      | <b>\$ 30,437</b>                | <b>\$ (16,565)</b>                | <b>\$ 32,958</b>                |

|              | <b>2021</b>                           |                                 |                                   |                                 |
|--------------|---------------------------------------|---------------------------------|-----------------------------------|---------------------------------|
|              | <b>Balance,<br/>beginning of year</b> | <b>Received<br/>during year</b> | <b>Recognized<br/>during year</b> | <b>Balance,<br/>end of year</b> |
| Cannabis     | \$ 8,239                              | \$ 8,067                        | \$ (3,646)                        | \$ 12,660                       |
| Gaming       | 4,217                                 | 255                             | (4,006)                           | 466                             |
| Horse Racing | 507                                   | 505                             | (688)                             | 324                             |
| Liquor       | 9,695                                 | 1,675                           | (5,734)                           | 5,636                           |
|              | <b>\$ 22,658</b>                      | <b>\$ 10,502</b>                | <b>\$ (14,074)</b>                | <b>\$ 19,086</b>                |

## Alcohol and Gaming Commission of Ontario

### Notes to the Financial Statements For the Year Ended March 31, 2022 (\$'000)

#### 6. Employee future benefits

##### a. Pension costs

Certain employees of the AGCO participate in the Public Service Pension Plan (PSPP) and the Ontario Public Service Employees Union Pension Plan (OPSEUPP), which are defined benefit pension plans for employees of the Province and many provincial agencies. The Province of Ontario is the sole sponsor of the PSPP and a joint sponsor of the OPSEUPP with the Ontario Public Service Employees Union (OPSEU). The sponsors of these plans determine the AGCO's annual payments to the respective plans. The AGCO's responsibilities with regard to the PSPP and the OPSEUPP are limited to its contributions. Payments made to the plans are recognized as an expenditure when employees have rendered the service entitling them to the contributions. The AGCO's required annual contribution of \$5,012 (2021 – \$4,612), is included in Employee Benefits in the Statement of Operations and Accumulated Deficit.

##### b. Other employee future benefits

The obligations of separation, long-term income protection (LTIP) pension contributions, and time banking entitlements earned by eligible employees are included in Other Employee Future Benefits in the Statement of Financial Position.

|                            | <b>2022</b>     |           | <b>2021</b>  |
|----------------------------|-----------------|-----------|--------------|
| Separation entitlements    | \$ 4,778        | \$        | 5,427        |
| LTIP pension contributions | 1,633           |           | 1,402        |
| Time bank entitlements     | 834             |           | 1,316        |
|                            | <b>\$ 7,245</b> | <b>\$</b> | <b>8,145</b> |

##### (a) Separation entitlements

Employees hired prior to April 1, 2015 and who have completed at least five (5) years of continuous service as a permanent full-time employee with the AGCO as of April 1, 2015, will be eligible for a separation payment equivalent to one week's base pay for each year of active service up to a maximum of sixteen (16) weeks upon retirement, resignation, or death.

Employees hired prior to April 1, 2015 and who had not completed five (5) years of continuous service as a permanent full-time employee as of April 1, 2015, will only be eligible for a separation payment in the event of retirement, resignation, or death if they have completed at least ten (10) years of continuous service as a permanent full-time employee as of the date of their retirement, resignation, or death. An employee who meets these requirements will be entitled to separation payment equivalent to one week's base pay for each year of active service up to a maximum of sixteen (16) weeks upon retirement, resignation, or death.

## Alcohol and Gaming Commission of Ontario

### Notes to the Financial Statements For the Year Ended March 31, 2022 (\$'000)

#### 6. Employee future benefits (continued)

The separation entitlements were calculated using a discount rate of 3.19% (2021 - 2.37%) and expected average remaining service life of 13 years (2021 - 13 years). The cost of living adjustment used in the calculation was 1% (2021 - 1%) according to the latest collective agreement between the AGCO and the OPSEU Local 565.

For the year ended March 31, 2022, these costs amounted to \$469 (2021 - \$572) and included in employee benefits in the Statement of Operations and Accumulated Deficit.

##### (b) LTIP pension contributions

As required by the PSPP and the OPSEU, the AGCO makes the regular employer contributions and the members' contributions to the pension plans for periods when members are eligible for or receive LTIP benefits.

The cost of living adjustment of pension contributions was determined by the pension boards, 2.4% starting January 2022 (2021 - 1%). Each LTIP arrangement was evaluated individually, based on term and the corresponding discount rate using weighted average rate from Ontario bond yield curve rates.

For the year ended March 31, 2022, these costs amounted to \$506 [2021 - \$(10)] and included in employee benefits in the Statement of Operations and Accumulated Deficit.

##### (c) Time bank entitlements

Eligible AGCO employees can bank up to 10 vacation days at the end of each calendar year into the "Time Bank", with a cap of 125 days in total. These time bank days can only be used when employees leave the organization as time off or a lump sum pay.

The time bank entitlements were calculated using a discount rate of 3.10% (2021 - 2.12%) and expected average remaining service life of 10 years (2021 - 9 years). The cost of living adjustment used in the calculation was 1% (2021 - 1%) according to the latest collective agreement between the AGCO and the OPSEU Local 565.

#### c. Non-pension post-employment benefits

The costs of non-pension benefits for eligible pensioners are paid by the Province of Ontario and are not included in these financial statements.

## Alcohol and Gaming Commission of Ontario

### Notes to the Financial Statements For the Year Ended March 31, 2022 (\$'000)

#### 7. Security and customer deposits

|                             | <b>2022</b>     | <b>2021</b>     |
|-----------------------------|-----------------|-----------------|
| Order of monetary penalties | \$ 1,124        | \$ 1,022        |
| Gaming deposits             | 6,582           | 3,323           |
| Other deposits              | 14              | 35              |
|                             | <b>\$ 7,720</b> | <b>\$ 4,380</b> |

These deposits are established under the AGCO Act, which allows the AGCO to establish fees and other charges in administering the acts in [Note 1](#). The nature of these deposits are as follows:

- Order of monetary penalties (OMP): Under Section 12 (2) of the AGCO Act, monetary penalties serve as an administrative action to promote regulatory compliance for all entities the AGCO regulates in the alcohol, gaming, horse racing and cannabis retail sectors and can be only used for education, training, and awareness purposes.
- Gaming investigation deposits: Under Section 9 of the *Gaming Control Act*, all applicants/registrants are required to pay the reasonable costs of an inquiry or investigation related to gaming registrations under the Act.

#### 8. Accounts receivable

Accounts receivable relate to fees, licences and registrations revenue for outstanding payments from horse racing operators, and OMP due to appeal periods.

|                                 | <b>2022</b>   | <b>2021</b>   |
|---------------------------------|---------------|---------------|
| Accounts receivable             | \$ 444        | \$ 1,029      |
| Allowance for doubtful accounts | (22)          | (200)         |
|                                 | <b>\$ 422</b> | <b>\$ 829</b> |

#### 9. Due from the Province

Due from the Province represents the difference between cash receipts submitted to the Province by the AGCO and the AGCO's expenses paid. Should the AGCO incur a deficit in any fiscal year, the deficit is covered by the Province and is reflected in Contribution by the Province in the Statement of Operations and Accumulated Deficit.

Cash received by the AGCO is deposited directly into the Consolidated Revenue Fund (CRF). The AGCO's invoices are paid by the Province's CRF on behalf of the AGCO and booked against the AGCO's budget. Goods and Services provided by other ministries in [Note 12](#) are treated as inter-ministry chargebacks and included in Due from the Province.

## Alcohol and Gaming Commission of Ontario

### Notes to the Financial Statements For the Year Ended March 31, 2022 (\$'000)

#### 10. Tangible capital assets

|   | Business<br>application<br>software | Information<br>technology<br>hardware | Construction<br>in progress | 2022             |
|---|-------------------------------------|---------------------------------------|-----------------------------|------------------|
| <b>Cost</b>                               |                                     |                                       |                             |                  |
| Opening balance                           | \$ 15,850                           | \$ 3,545                              | \$ —                        | \$ 19,395        |
| Additions                                 | —                                   | 467                                   | 2,010                       | 2,477            |
| Transfer out                              | —                                   | (227)                                 | —                           | (227)            |
| Transfer from construction<br>in progress | 1,829                               | —                                     | (1,829)                     | —                |
| <b>Closing balance</b>                    | <b>17,679</b>                       | <b>3,785</b>                          | <b>181</b>                  | <b>21,645</b>    |
| <b>Accumulated amortization</b>           |                                     |                                       |                             |                  |
| Opening balance                           | 3,632                               | 2,255                                 | —                           | 5,887            |
| Additions                                 | 1,295                               | 476                                   | —                           | 1,771            |
| Transfer out                              | —                                   | (227)                                 | —                           | (227)            |
| <b>Closing balance</b>                    | <b>4,927</b>                        | <b>2,504</b>                          | <b>—</b>                    | <b>7,431</b>     |
| <b>Net book value</b>                     | <b>\$ 12,752</b>                    | <b>\$ 1,281</b>                       | <b>\$ 181</b>               | <b>\$ 14,214</b> |
| <b>2021</b>                               |                                     |                                       |                             |                  |
|   | Business<br>application<br>software | Information<br>technology<br>hardware | Construction<br>in progress | 2021             |
| <b>Cost</b>                               |                                     |                                       |                             |                  |
| Opening balance                           | \$ 15,422                           | \$ 2,764                              | \$ 88                       | \$ 18,274        |
| Additions                                 | —                                   | 781                                   | 340                         | 1,121            |
| Transfer out                              | —                                   | —                                     | —                           | —                |
| Transfer from construction<br>in progress | 428                                 | —                                     | (428)                       | —                |
| <b>Closing balance</b>                    | <b>15,850</b>                       | <b>3,545</b>                          | <b>—</b>                    | <b>19,395</b>    |
| <b>Accumulated amortization</b>           |                                     |                                       |                             |                  |
| Opening balance                           | 2,382                               | 1,874                                 | —                           | 4,256            |
| Additions                                 | 1,250                               | 381                                   | —                           | 1,631            |
| Transfer out                              | —                                   | —                                     | —                           | —                |
| <b>Closing balance</b>                    | <b>3,632</b>                        | <b>2,255</b>                          | <b>—</b>                    | <b>5,887</b>     |
| <b>Net book value</b>                     | <b>\$ 12,218</b>                    | <b>\$ 1,290</b>                       | <b>\$ —</b>                 | <b>\$ 13,508</b> |



**Alcohol and Gaming Commission of Ontario**

**Notes to the Financial Statements  
For the Year Ended March 31, 2022  
(\$'000)**

**11. Revenue**

|                                  | <b>Cannabis<br/>Retail</b> | <b>Gaming Horse Racing</b> | <b>Liquor</b>   | <b>Other</b> | <b>2022</b>      |
|----------------------------------|----------------------------|----------------------------|-----------------|--------------|------------------|
| Fees, Licences and Registrations | \$ 7,859                   | \$ 6,169                   | \$ 7,473        | \$ —         | \$ 29,172        |
| Recoveries - Gaming Sector       | —                          | 19,735                     | —               | —            | 19,735           |
| Recoveries - iGaming Ontario     | —                          | 7,264                      | —               | —            | 7,264            |
| Other Revenue                    | —                          | —                          | —               | 82           | 82               |
|                                  | <b>\$ 7,859</b>            | <b>\$ 33,168</b>           | <b>\$ 7,473</b> | <b>\$ 82</b> | <b>\$ 56,253</b> |

|                                  | <b>Cannabis<br/>Retail</b> | <b>Gaming Horse Racing</b> | <b>Liquor</b>   | <b>Other</b>  | <b>2021</b>      |
|----------------------------------|----------------------------|----------------------------|-----------------|---------------|------------------|
| Fees, Licences and Registrations | \$ 3,646                   | \$ 5,823                   | \$ 6,633        | \$ —          | \$ 22,649        |
| Recoveries - Gaming Sector       | —                          | 13,446                     | —               | —             | 13,446           |
| Recoveries - iGaming Ontario     | —                          | —                          | —               | —             | —                |
| Other Revenue                    | —                          | —                          | —               | 192           | 192              |
|                                  | <b>\$ 3,646</b>            | <b>\$ 19,269</b>           | <b>\$ 6,633</b> | <b>\$ 192</b> | <b>\$ 36,287</b> |

## Alcohol and Gaming Commission of Ontario

### Notes to the Financial Statements For the Year Ended March 31, 2022 (\$'000)

#### 12. Related party transactions

The Province of Ontario is a related party as it is the controlling entity of the AGCO. Organizations that are commonly controlled by the Province of Ontario are also related parties of the AGCO. Transactions with related parties are outlined below, except for transactions with the AGCO's subsidiary, iGaming Ontario, which are outlined in [Note 16](#).

All related party transactions were measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

##### a. Ministries of the Province of Ontario

During the course of the year, the AGCO entered into the following transactions with various Ministries of the Province of Ontario:

- (i) The AGCO has statutory authority to carry out specific types of investigations, inspections and other similar activities in accordance with the Acts and regulations that it administers. The AGCO covers the costs for dedicated Ontario Provincial Police (OPP) officers within its Investigation and Enforcement Bureau to perform these activities. A Memorandum of Understanding between the AGCO and OPP establishes that the AGCO is responsible for funding the salaries, wages, expenses and administrative support costs for these OPP officers. For the year ended March 31, 2022, the AGCO was charged \$15,126 (2021 - \$14,488) by the Ministry of the Solicitor General for these costs and is included in Salaries and Wages, Employee Benefits and Services in the Statement of Operations and Accumulated Deficit.
- (ii) The Ministry of Public and Business Service Delivery (MPBSD, formerly known as the Ministry of Government and Consumer Services) provides the AGCO with network, telecommunication and administrative services. For the year ended March 31, 2022, the AGCO was charged \$1,382 (2021 - \$1,464) by MPBSD for these costs and are included in Transportation and Communication, Services in the Statement of Operations and Accumulated Deficit. MPBSD also provides the AGCO with other services such as accounting, tax remittance and cash management without charge.
- (iii) The Ministry of Transportation supplies the AGCO with leased vehicles that are used by employees to perform their duties. For the year ended March 31, 2022, the AGCO was charged \$667 (2021 - \$661) for this cost and is included in Services in the Statement of Operations and Accumulated Deficit.
- (iv) For the year ended March 31, 2022, MAG charged the AGCO \$351 (2021 - \$481) for legal services, horse racing regulatory costs, Workplace Safety Insurance Board charges and other administrative services and is included in Salaries and Wages, Employee Benefits and Services in the Statement of Operations and Accumulated Deficit.

## Alcohol and Gaming Commission of Ontario

### Notes to the Financial Statements For the Year Ended March 31, 2022 (\$'000)

#### 12. Related party transactions (continued)

(v) MAG provides the AGCO with leased office space at 6 (2021 – 6) locations across the province. The costs of the leases are paid by MAG out of their voted appropriation. For the year ended March 31, 2022, the costs of rental were \$4,354 (2021 - \$4,272).

##### b. Ontario Racing Management Inc. (ORM)

For the year ended March 31, 2022, the AGCO paid ORM \$114 (2021 - \$120) for the rental of one office location. The space use licence agreement commenced on August 1, 2016 and shall expire on July 31, 2026, unless sooner terminated in accordance with this agreement. The AGCO acknowledges that ORM is subject to the terms of the Prime Lease with Pearson Corporate Centre GP Inc.

##### c. Ontario Lottery and Gaming Corporation (OLG)

The AGCO recovers costs from OLG related to the regulation of OLG's lotteries, internet gaming (iGaming), charitable gaming (cGaming) and OLG land-based casino(s). For the year ended March 31, 2022, the AGCO received \$17,635 (2021 - \$11,286) of which \$12,447 (2021 - \$12,590) was recognized to offset regulatory costs incurred during the year. The remaining amounts are recorded as deposits included in Security and Customer Deposits in the Statement of Financial Position until future costs are incurred.

#### 13. AGCO Board of Directors' remuneration

The AGCO's Board of Directors are part time appointees. Total remuneration paid to the Board of Directors during the year was \$136 (2021 - \$105).

#### 14. Financial instruments risks

##### a. Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of financial instruments will fluctuate due to changes in market interest rates. The AGCO is subject to interest rate risk on its other employee future benefits liability. The discount rates used in future cash flows for other employee future benefits are based on Ontario bond yield curve depending on employee expected average remaining service life or the term of the future cash flows.

## Alcohol and Gaming Commission of Ontario

### Notes to the Financial Statements For the Year Ended March 31, 2022 (\$'000)

#### 14. Financial instruments (continued)

##### b. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The AGCO's exposure to credit risk is minimal as the majority of the receivables are from the Province of Ontario and iGaming Ontario (a related party under common control by the Province of Ontario).

##### c. Currency risk

The AGCO's exposure to currency risk is minimal as few transactions are in currencies other than Canadian dollars.

##### d. Liquidity risk

The AGCO's exposure to liquidity risk is minimal as the AGCO may recover its costs through revenue and recoveries from entities that form part of the regulated sectors. As well any deficiency of revenue over expenses is absorbed by the Province and is reflected in the Due from the Province on the Statement of Financial Position.

#### 15. COVID-19 impacts

The COVID-19 pandemic continued to negatively impact the industries and sectors the AGCO regulates in the 2020-2021 and 2021-2022 fiscal year.

Through a series of announcements between March 18, 2020, and January 14, 2021, the AGCO extended the terms of licences, authorizations and registrations.

Beginning March 18, 2020, the combined term extensions granted were as follows:

- a. Active liquor and gaming licences, authorizations and registrations – 15 months;
- b. Active cannabis licences, authorizations and registrations – 9 months;
- c. Active horseperson licences – 12 months; and
- d. Horseperson licences expiring within six months of March 18, 2020 – 12 months.

For the 2021-2022 fiscal year, the AGCO waived licensing and regulatory fees for racetrack operators who were required to cancel their scheduled races as a result of the shutdown orders under the *Reopening Ontario (A Flexible Response to COVID-19) Act* and the *Emergency Management and Civil Protection Act*.

The AGCO waived collecting regulatory cost recoveries from land based casinos and OLG Charitable Gaming sites for the period of April 1 to September 30, 2021, and the month of January 2022.

These cost relief measures resulted in a significant decrease in revenue for the years ended March 31, 2022 and March 31, 2021.

## Alcohol and Gaming Commission of Ontario

### Notes to the Financial Statements For the Year Ended March 31, 2022 (\$'000)

#### 16. iGaming Ontario

iGaming Ontario was created on July 6, 2021 by *Ontario Regulation 517/21* under the *Alcohol, Cannabis and Gaming Regulation and Public Protection Act, 1996* and continued by *Ontario Regulation 722/21* under the *Alcohol and Gaming Commission of Ontario Act, 2019*. iGaming Ontario is responsible to conduct and manage internet gaming offered through private gaming operators.

In addition to its regulatory responsibilities, the AGCO recommends appointments to the board of iGaming Ontario to the Attorney General. The Attorney General is responsible for appointing board members to iGaming Ontario based on these recommendations. The Minister of Finance determines the timing of any cash remittances from iGaming Ontario to the Province of Ontario. As a result, the financial results of iGaming Ontario are not consolidated into these financial statements as iGaming Ontario is controlled by the Province of Ontario and is consolidated into the Province's financial statements.

Effective September 6, 2021, the AGCO and iGaming Ontario entered into a Shared Resource Agreement (SRA). Through the SRA, the AGCO provides iGaming Ontario with human resources, payroll, procurement and information technology services on a cost recovery basis. For the year ended March 31, 2022, the AGCO directly paid expenditures (including salaries and benefits of iGaming Ontario employees and vendor invoices) totaling \$7,264 (2021 - \$nil) on behalf of iGaming Ontario. These expenditures are included in Expenditures in the Statement of Operations and Accumulated Surplus. The associated recovery of these costs is reflected in Recoveries – iGaming Ontario in the Statement of Operations and Accumulated Surplus. As at March 31, 2022, the entire balance of \$7,264 (2021 - \$nil) is outstanding and is included in Due from iGaming Ontario in the Statement of Financial Position.

Prior to the incorporation of iGaming Ontario on July 6, 2021, the AGCO incurred \$954 (2021 - \$902) in costs relating to the development of a framework for a market for internet gaming offered through private gaming operators. These costs will not be recovered from iGaming Ontario.

# Horse Racing Appeal Panel

Established through the *Horse Racing Licence Act, 2015*, the Horse Racing Appeal Panel (HRAP) is an adjudicative body that is mandated to consider 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 AGCO. Members are appointed to the HRAP by the AGCO Board of Directors. The HRAP is also provided operational and administrative support by the HRAP Secretariat, which is a unit within the Corporate Affairs, Strategic Policy and Planning Division of the AGCO. The HRAP Secretariat is operated as a standalone unit and is separate from other parts of the AGCO organization to support the institutional independence of the HRAP. Although the HRAP Chair and Panel members are appointed by the AGCO Board of Directors, the AGCO has no oversight role or involvement in adjudicative matters overseen by the Panel and has no authority or jurisdiction to intervene in individual cases.

## Panel members

HRAP members are appointed by the AGCO Board of Directors based on experience and qualifications and through a competitive, merit-based process. There is broad representation from the various sectors of the industry on the Panel, with various members possessing a background or experience in law, veterinary medicine and pharmacology, governance and administrative justice.

### **Stanley Sadinsky**

CHAIR

First Appointed: April 1, 2016

Term Expires: March 31, 2025

### **Brian Newton**

MEMBER

First Appointed: April 1, 2016

Term Expires: March 31, 2023

### **Sandra Meyrick**

VICE-CHAIR

First Appointed: April 1, 2016

Term Expires: March 31, 2023

### **Bruce Murray**

MEMBER

First Appointed: April 1, 2016

Term Expires: March 31, 2023

### **John Charalambous**

MEMBER

First Appointed: April 1, 2016

Term Expires: March 31, 2023

### **Eric Anthony Clear (Tony) Williams**

MEMBER

First Appointed: July 22, 2020

Term Expires: July 21, 2023

### **Dr. John Hayes**

MEMBER

First Appointed: April 1, 2016

Term Expires: March 31, 2023

## Year in review

In March 2022, Stanley Sadinsky was appointed for an additional three-year term as HRAP Chair.

The year presented further challenges to the horse racing industry owing to the COVID-19 pandemic and temporary shutdowns of racing. Throughout the year, the HRAP’s focus remained on ensuring a fair and accessible adjudicative process for all participants while continuing to safeguard the health and wellbeing of our frontline staff, stakeholders and the public.

In response to the COVID-19 pandemic, in accordance with the *Rules of Racing* (Rule 3.8), the HRAP adjourned all in-person hearings in March 2020 and turned to electronic hearings beginning in July 2020. Throughout 2021–22, hearings continued to be offered through an electronic format. These hearings are accessible through a secure Zoom platform and facilitated by the HRAP Secretariat. Virtual training is available through the Secretariat to all participants in the electronic hearing process.

The HRAP received a total of 32 Notices of Appeal and heard a total of 36 virtual hearings over the course of 60 hearing days for the fiscal year. In doing so, it eliminated its entire backlog of cases. In the “A” hearings stream, which are usually complex cases with significant consequences, regular pre-hearing conferences have helped shorten the process. With regard to the less complex “B” hearings, the average time from appeal filing to hearing was 48.5 days (down from 96 days in 2019–20).

## Statistical report for 2021–2022

**Table 37—Notices of Appeal**

| Number of Notices of Appeal filed with HRAP in 2020–21 | Number of Notices of Appeal filed with HRAP in 2021–22 |
|--|--|
| 59   | 32   |

**Table 38—Appeals by type of infraction**

|                           | 2020–21 | 2021–22 |
|---------------------------|---------|---------|
| Interference              | 14      | 10      |
| Human Alcohol or Drug     | 0       | 0       |
| Equine Drug or Medication | 20      | 7       |
| Urging                    | 12      | 4       |
| Other Racing Violation    | 13      | 11      |

**Table 39—Motions**

| <b>Number of Motions</b> |
|--------------------------|
| 43                       |

| <b>Stay Motions</b> | <b>Orders</b> | <b>Other Types of Motions</b> |
|---------------------|---------------|-------------------------------|
| 16                  | 19            | 8                             |

**Table 40—Hearings**

| <b>Electronic Hearings</b> | <b>Extra Multi-hearing Days</b> | <b>Total Hearing Days</b> |
|----------------------------|---------------------------------|---------------------------|
| 36                         | 24                              | 60                        |

| <b>Appeal Hearings</b> | <b>Stay Hearings</b> | <b>Motion Hearings</b> |
|------------------------|----------------------|------------------------|
| 26                     | 4                    | 6                      |





## iGaming Ontario 2021–2022 Annual Report

**Memorandum to:** The Honourable Doug Downey  
Attorney General

**From:** Dave Forestell  
Chair  
iGaming Ontario

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I am pleased to present iGaming Ontario's Annual Report covering the period July 6, 2021, to March 31, 2022.

A handwritten signature in blue ink that reads 'Dave Forestell'.

Dave Forestell  
Board Chair



# Annual Report 2021-22

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## Letter from the Chair

On April 4, Ontario successfully opened the regulated igaming market. iGaming Ontario (iGO) was founded just nine months prior with a clear mandate. In that time, we built an organization from the ground up. Everything from small tasks like creating a website, to critical decisions like hiring the right staff and creating a seamless onboarding process for operators. Each decision was made with one goal in mind: to be the world's best gaming market.

In building iGO from the ground up, we had an opportunity to redefine how a government agency works. What should an agency prioritize knowing that every process, employee, and decision is being made for the first time? In other words, how should we run the company? To be the world's best gaming market, we needed to not just work with operators, but to understand their businesses and their issues while keeping our expenses low and our team lean.

We created a world-class onboarding process that operators have told us is the gold standard globally. This is an example of an ethos that runs throughout every decision iGO makes: make it easy to do business with us. iGO works with operators to provide world-class igaming options, meaning more choice, competition, and greater benefits for players and the province.

Looking forward, the future is bright. As iGO continues to onboard operators, protect Ontarians, and ensure proper market operation, we are already delivering real results for taxpayers. We anticipate more operators joining the market in 2023, growing the economic benefit and revenue stream for Ontarians. We will also ensure that the investments made by legal operators are protected and valued by taking further efforts to crack down on the illegal market. Illegal operators do not share revenue with the province and are not governed by our strict rules around responsible gambling, anti-money laundering, or player protection. For our thriving legal market to succeed, we must crack down on the illegal market. Combatting the illegal market will be a significant focus for iGO.

Lastly, we anticipate that the igaming market will become more dynamic, innovative, and competitive as the market grows. The private sector operators will merge, consolidate, expand, and change. New products and new demands from players will arise, as they should. By prioritizing innovation and flexibility, iGO can continue to help the private sector grow, provide choice to players, and maximize returns to the province.

It has been a very successful launch, with hundreds of thousands of Ontarians participating in our highly competitive market. The Board, the executive team, every staff member at iGO, and partners in government and at the regulator deserve credit. However, the work does not stop here, the future is bright for Ontario and by listening to operators and players we will learn, grow, and do our best to serve the interests of Ontarians.



Dave Forestell  
*Board Chair, iGaming Ontario*

## Letter from the Executive Director

Starting up a new organization during the pandemic had its challenges. With the creation of iGO on July 6, 2021, our mandate was clear: conduct and manage the province's online lottery schemes in a way that promotes responsible gaming and consumer choice. Achieving that vision, in nine short months, took great effort and skill.

### *Building the Team:*

To get Ontario's igaming market up and running iGO needed a nimble, creative and innovative team. Throughout the 2021-22 fiscal year, we onboarded a small group of talented individuals that could think digitally first, understand the gaming landscape, and work quickly to solve challenges posed by operators, customers and government.

We researched and evaluated the effectiveness of other jurisdictions around the world. Using that expertise, we created clear policies and a detailed Operating Agreement that created a fair and competitive landscape for operators while protecting and promoting consumer safety and ensuring we meet our conduct and manage responsibilities. From there, we engaged individual account managers to shepherd operators through the onboarding process ensuring a competitive market come launch and the first step in combating the illegal market, thereby increasing revenue for the province and player protections for Ontarians.

### *Going Digital First:*

Digitization is at our core. Given every product we currently conduct and manage is an online only product, our organization understands and values the unique benefits of being digital first. We cannot expect digital companies to be overseen by paper processes. Embedding this approach from day one – and ensuring continued digitization in the future – will mean a low expense-to-revenue ratio, thereby maximizing value for taxpayers and operators.

### *Fostering Creation and Innovation:*

In preparing for the launch of the regulated igaming market, core decisions needed to be made about the type of market we wanted to help create. Many of the foundational decisions around the market (a competitive revenue share rate, no land-based tethering, no cap on licences, etc.) emphasized competition. True competition amongst operators means more choices for consumers and innovative product offerings to attract players. This principle of enabling competition and innovation has been core to iGO and will continue to shape the organization's decisions going forward.

### *Launching the Market:*

Of course, all these values and decisions led to the launch of Ontario's igaming market on April 4, 2022. In the few short months between April 4 and August 10, 2022, the market has already seen 21 operators join, offering 35 sites, and 1,000s of unique games and betting options to consumers. That market, in a few short months, has quickly become one of the world's largest regulated igaming jurisdictions and is on track to deliver real revenue to the province. We expect these numbers, across the board, to continue to grow.

The question for iGO, and its operators, now becomes one of growth and sustainability. Building on the organization's early success is key. Continuing to attract internal talent, embrace digitization, and foster a competitive and innovative market that ensures player safety is prioritized will mean greater returns for government, operators, and players. With these foundations in place, iGO can continue to help build the world's best gaming market.



Martha Otton  
*Executive Director, iGaming Ontario*

## Description of Activities Over the Year

iGaming Ontario (iGO) is an agency of the Government of Ontario and set out in legislation as a subsidiary of the Alcohol and Gaming Commission of Ontario (AGCO) that conducts and manages internet gaming in the province when provided through private gaming operators who act as agents on iGO's behalf. iGO is governed by a Board of Directors. Prior to the creation of iGO, all internet gaming in the province was provided through Ontario Lottery and Gaming Corporation, a crown corporation.

iGO enters into operating agreements with operators who meet rigorous standards of game and operator integrity, fairness, player protections and social responsibility, allowing all players to play with confidence. A share of revenues generated by these commercial relationships will be returned to the Government of Ontario to support provincial priorities.

iGO was officially created on July 6, 2021, however work to establish market readiness began even earlier under the AGCO prior to iGO's incorporation on July 6, 2021. During this partial year of operation, the organization was tasked with creating the framework for the launch of Ontario's legal, regulated, and safe igaming market, which launched on April 4, 2022. In order to achieve this goal in a short time frame, the organization set a series of operational priorities including: ensuring consumer choice and protection, growing the regulated market, building in-house infrastructure to process operator payments and data, reducing red tape, creating a people-centric organization, and establishing governance and operationalization capabilities.

### *Consumer Choice:*

iGO created a framework that supports an attractive, open, and competitive igaming market to ensure world-class products and user experiences for Ontario consumers. In that work iGO signed over 100 Non-Disclosure Agreements with potential operators large, small, foreign, and domestic to ensure they were able to understand the requirements of the Ontario market before committing resources to launch. The organization also established the game catalogue and game conditions policies, which determined what offerings would be legal to provide in the Ontario market including peer-to-peer poker, sports betting, casino games, and novelty betting.

iGO created a player transition process to facilitate existing players moving from unregulated to regulated sites without carrying over wagers placed in the unregulated market. This work also included a full communications strategy, including the building of a website and social media channels, that ultimately became fully operational by April 4, 2022.

### *Consumer Protection:*

In the nine months of fiscal year 2021/22, iGO created policy requirements for operators related to responsible gambling, customer care and dispute resolution, and anti-money laundering (AML).

Specifically, future responsible gambling measures include industry-leading requirements to ensure responsible gambling-focused advertising from operators, accreditation from the Responsible Gaming Council and participation in a centralized self-exclusion program. In addition to these operator requirements, iGO is also commissioning ongoing research into problem gambling in Ontario. For customer care and dispute resolution, policies were developed that set out requirements and processes for players who have

concerns or complaints related to products, services, or actions of an operator to ensure consumers are protected.

On AML, iGO created an AML and anti-terrorist financing program framework that includes policies, operational guidance, job aids and user guides for operators to ensure compliance with federal legislation. Operator procedures must be in compliance with iGO expectations and risk assessments have been completed for all operators. A mandatory training program for operator employees, as well as for iGO Board and staff members, was also created. Lastly, iGO continues ongoing engagements with FINTRAC, the federal AML regulator, to stay up to date with regulatory developments.

#### *Regulated Market Growth:*

iGO worked with government and prospective operators to create market conditions that supported economic development, addressed the unregulated grey market, and captured new provincial revenues. This included participating in government-led consultations, engaging potential operators via group and one-on-one conversations, creating an iGO portal for operators where draft policies and FAQs - in addition to other documents - were posted to ensure proper communication, consultation, and feedback. This included conducting a series of educational webinars on the various components of the proposed Ontario market.

iGO created an account manager model assisted by a small team of finance, AML, legal, I.T. and market insights experts to ensure that all potential operators had personalized assistance to navigate the onboarding process. iGO actively solicited and considered feedback from operators on the creation of its policies, which included: AML, game catalogue, marketing and advertising conditions, brand guide, finance procedures, systems data and record retention, transactional gaming data, privacy, and customer care and dispute resolution. The creation of the regulated igaming market also facilitated local economic development by creating work for Ontario-based legal, accounting, financial, marketing, and I.T. firm usage by potential operators.

#### *Reduced Red Tape:*

A key consideration when creating the rules and policies for the launch of Ontario's regulated igaming market was to make sure the regulatory barriers were as efficient and commercially attractive as possible while ensuring compliance with applicable legislation and world-class consumer protections and standards.

To do this, iGO consulted regularly with the Ministry of the Attorney General (MAG) while drafting the Operating Agreement for prospective gaming operators. This ensured the Operating Agreement complied with the conduct and manage requirements of the Criminal Code of Canada including an active financial model, ensuring separateness of operations, providing full and unrestricted access to data for iGO, establishing a strong visual identity, and setting world-class responsible gambling requirements. Part of this work included receiving necessary government approvals, hosting top to top meetings with prospective operators, responding to over 650 questions from operators, and participating in discussions with government and the Ontario First Nations Limited Partnership.

#### *People Centric:*

Given iGO's inception this year, the organization needed to recruit and train staff in an efficient manner while ensuring the organization built the foundation of an inclusive, forward-thinking, and engaged



workforce. This work included establishing iGO's organizational structure, creating job profiles and hiring new staff, onboarding staff, developing a senior leadership team, standing up employee engagement processes in a virtual setting, and making plans for office space and the necessary equipment to perform iGO's core functions.

*Governance & Operationalization:*

Finally, iGO also needed to ensure it was immediately complying with government directives and legislation, including a commitment to openness and transparency. As part of this work in year one, iGO needed to develop a financial and accounting framework to ensure proper financial reporting. The iGO model also required iGO to ensure compliance with the complexities of the GST/HST elements of the *Excise Tax Act*, implement banking relationships with major financial institutions, design and implement a financial system, sound internal controls, back-of-house processes to enable the execution of Operating Agreements with operators, forecasting and analytics tools, and to ensure seamless operation once the market launched. This work will continue into future fiscal years to automate and refine these processes to create the most efficient operational system possible.

When it comes to governance, iGO also used this time to create and implement a governance model for Board meetings and prepared for and supported 8 Board meetings during the fiscal year as the interim Board guided the organization towards market launch. This governance work also included participating in Treasury Board submissions and the development of a draft Memorandum of Understanding with MAG, AGCO and iGO.

## Operational Performance

iGO will create its first formal business plan shortly, including key performance indicators. As the business plan is forward looking, the organization has strived to achieve the goals set out in its mandate in O. Reg 517/21 under the *Alcohol, Cannabis and Gaming Regulation and Public Protection Act, 1996* and continued under O.Reg 722/21 under the *Alcohol and Gaming Commission of Ontario Act, 2019*:

1. To develop, undertake and organize prescribed online lottery schemes.
2. To promote responsible gaming with respect to prescribed online lottery schemes.
3. To conduct and manage prescribed online lottery schemes in accordance with the Criminal Code (Canada) and the *Gaming Control Act, 1992* and the regulations made under those Acts.

iGO's core mandate, and thus the objective of the organization, is to conduct and manage prescribed igaming lottery schemes while promoting responsible gambling. The work described earlier in this report enabled the organization to launch the igaming market on April 4, 2022, thereby completing the strongest priority of the organization for its first year and achieving the central goal needed to carry out iGO's mandate. In the years to come, iGO will continue to grow, organize, and conduct and manage Ontario's igaming market in accordance with its mandate while ensuring responsible gambling is promoted throughout this market. As part of this work, key performance indicators and operational targets will be formally established and reported upon in subsequent reports.

## Risk Events

Throughout the nine months of the 2021/22 fiscal year where iGO was in operation, several risks presented themselves as barriers to the operational success of the organization. These risks are best categorized into external and internal risks.

### *External Risks:*

iGO does not deliver igaming products on its own. Rather, iGO has entered into operating agreements with private gaming operators, who operate internet gaming sites on behalf of iGO in accordance with these operating agreements. iGO took numerous steps to ensure a smooth transition to the regulated market, including dedicated account managers and an information portal for sharing documentation. External factors, including strategic decisions by private operators, determined whether they would be ready for iGO's market launch date. On April 4, 2022, iGO was proud to open the regulated and safe igaming market to Ontario players through a variety of competitive operators. By the end of the first week of operations, 13 operators across 21 different websites were live in Ontario.

Similarly, these operators could have been affected by a host of external factors including securing insurance or banking approval, the COVID-19 pandemic, talent shortages, the Ukraine-Russia War, cash flow issues, and completing the various iGO requirements such as end-to-end testing. A majority of these concerns were outside of iGO's control, however, much was done to ensure Canadian businesses in adjacent areas, such as financial institutions, were aware of the coming legalization and iGO's world-class requirements to ensure they would be prepared to consider working with prospective operators looking to join the new regulated market in Ontario.

Another external risk affecting the fulfillment of iGO's mandate concerned the date of launch which was to be determined by the government. iGO worked to ensure preparedness as soon as possible ensuring its ability to adapt to changing circumstances. Ultimately, the date chosen was April 4, 2022.

The steps taken to mitigate these external risks led to a successful launch, with dozens of new operators bringing real competition and choice to Ontario's gaming landscape. The number of operators expressing interest and joining the market in Ontario continues to grow at an accelerated rate.

### *Internal Risks:*

To ensure employee safety and provide flexibility, the organization adopted work-from-home policies immediately and, as high-pressure deadlines approached, in-person meeting opportunities were limited. Given the newness of the organization this created organizational risks that needed to be mitigated to ensure a proper working relationship and clarity and accountability among all staff members. The organization completed all necessary onboarding and training in a remote environment, which created complications of its own.

Next, iGO needed to both develop numerous policies and quickly pivot to ensuring potential operators were aware of and in compliance with these policies. This required flexibility and quick decision-making within the organization to ensure the requirements were as effective as possible. It also meant understanding the timelines associated with onboarding an operator to meet the April 4, 2022 market launch timeline. Internally, this onboarding process adopted a minimal viable product and I.T. approach for day-one and the

organization continues to build on the foundation to ensure automated and efficient I.T. and internal infrastructure to support operators and achieve iGO's organizational goals.

## Board Details

In accordance with O. Reg. 722/21 under the *Alcohol and Gaming Commission of Ontario Act, 2019*, the Minister of Attorney General appoints a maximum of seven members to the Board of Directors of iGO on the recommendation of the Board of Directors of the AGCO. The Minister is accountable to designate one member as chair of the Board and one member as vice-chair and ensure that the majority of the Board is not composed of directors, officers, or employees of the AGCO.

Appointees of the Board of Directors are paid the remuneration fixed by resolution of the Board of Directors of the AGCO subject to the approval of the Minister. The rate of remuneration is on a per diem basis of \$200 per day for Board members, \$250 per day for the vice-chair, and \$350 for the chair.

Appointees are reimbursed for reasonable work-related expenses while engaged in the business of iGO in accordance with the Travel, Meal and Hospitality Expenses Directive and any other Treasury Board and Management Board of Cabinet directives. Board members and their terms are noted below.

1. Chair (Part-Time) DAVE FORESTELL  
04-Apr-2022 - 03-Apr-2025 Toronto
2. Vice-Chair (Part-Time) NEVEEN TAKLA  
04-Apr-2022 - 03-Apr-2023 Mississauga
3. Member (Part-Time) ALAN GERTNER  
04-Apr-2022 - 03-Oct-2023 Toronto
4. Member (Part-Time) MIKE BUNN  
13-Jan-2022 - 12-Jan-2024 Ramara
5. Member (Part-Time) GIOVANNI (JOHN) TRIVIERI  
04-Apr-2022 - 03-Apr-2024 St. Catharines
6. Member (Part-Time) KARIN SCHNARR  
04-Apr-2022 - 03-Apr-2025 Kitchener

The Board of Directors of iGO transitioned from an interim Board of Directors to a permanent Board of Directors on April 4, 2022.

## Achievements in Accordance with Mandate

Given that iGO was formally established on July 6, 2021, and will file its inaugural business plan shortly, the mandate of the organization is currently detailed in its establishing regulation, O. Reg 517/21 under the *Alcohol, Cannabis and Gaming Regulation and Public Protection Act, 1996* and continued by O.Reg 722/21 under the *Alcohol and Gaming Commission of Ontario Act, 2019*. This regulation mandates the organization

to develop and establish certain lottery schemes as prescribed, promote responsible gambling, and conduct and manage the prescribed lottery schemes. Those prescribed lottery schemes to be conducted and managed are all non-Ontario Lottery and Gaming Corporation controlled igaming products in the province of Ontario including online casino, sports betting, peer-to-peer poker, and novelty betting activities.

To execute this mandate, iGO spent the entirety of the 2021/22 fiscal year since its inception in July working towards the launch of Ontario's regulated igaming market. That launch occurred on April 4, 2022, thereby constituting a major milestone for the organization in the achievement of its mandate. In the years to come, iGO will continue to conduct and manage the igaming market, foster, and develop the market, and ensure it complies with all existing provincial and federal legislative requirements, as consistent with its mandate.

When it comes to the portion of the mandate that requires iGO to promote responsible gambling, the responsible gambling measures include industry-leading requirements to ensure responsible gambling-focused advertising from operators, accreditation from the Responsible Gaming Council and participation in a future centralized self-exclusion program. In addition to these operator requirements, iGO is also commissioning ongoing research into problem gambling in Ontario. For customer care and dispute resolution, policies were developed that set out requirements and processes for players who have concerns or complaints related to products, services, or actions of an operator to ensure consumers are protected.

## Management's Discussion and Analysis

The following Management's Discussion and Analysis (MD&A) is a commentary on the statement of financial position and financial performance of iGaming Ontario (iGO or the Corporation) and should be read together with the audited Financial Statements of iGO for the period ended March 31, 2022. The Financial Statements have been prepared in accordance with Canadian Public Sector Accounting Standards. Amounts are presented in Canadian dollars.

The Board of Directors, on the recommendation of its Finance, Audit and Risk Management Committee, approved the contents of this MD&A on August 10, 2022.

iGO was established on July 6, 2021, pursuant to Ontario Regulation 522/21 under the *Alcohol, Cannabis and Gaming Regulation and Public Protection Act, 1996* and continued under the Ontario Regulation 722/21 under the *Alcohol and Gaming Commission of Ontario Act, 2019* (the "Regulation"). iGO's objects and duties are to develop, undertake and organize prescribed online lottery schemes, to promote responsible gambling on those lottery schemes, and to conduct and manage the lottery schemes in accordance with applicable federal and Ontario gaming law.

These financial statements reflect the first year of operations of iGO, from the July 6, 2021, date of establishment until its fiscal year end, March 31, 2022. iGO incurred expenditures only, and generated no revenues, as it carried out activities to implement the required resources, processes, procedures, policies, and contractual arrangements to enable the launch of the regulated igaming market in Ontario, on April 4, 2022.

## Financial Highlights

As a newly formed entity, iGO did not have working capital and, as such, was funded through iGO's parent, the Alcohol and Gaming Commission of Ontario (AGCO). This funding support was in place for the first period of iGO's operations (July 6, 2021 to March 31, 2022). iGO will repay costs to the AGCO that the

AGCO paid for on its behalf once iGO generates sufficient revenues enabling it to become financially self-sufficient. The costs to be repaid to the AGCO amounts to \$7.3 million and is reflected as Due to the Alcohol and Gaming Commission of Ontario in the Statement of Financial Position.

Activities to establish the regulated internet gaming market commenced in 2019 with the government's announcement of the intent to legalize igaming through private operators. iGO's Executive Director was hired in February 2021 and work commenced through the AGCO to establish the organization, which was formally done via regulatory change on July 6, 2021. This meant activities to establish iGO, including financial expenditures, began before the creation of the agency on July 6, 2021. Expenditures of \$902,000 were incurred for the prior fiscal year of April 1, 2020 to March 31, 2021. Expenditures of \$954,000 were also incurred from April 1, 2021 to July 5, 2021. Both amounts were funded by the AGCO and do not form part of these financial statements or the funding amount to be repaid to the AGCO.

iGO's expenditures in readiness for market launch were primarily comprised of personnel related expenditures (i.e., salaries and benefits), technical, legal, and advisory services related establishing the entity, as well Shared Resources provided to iGO through the AGCO in accordance with a Shared Resource Agreement. These Shared Resource expenditures from the AGCO relate primarily to people resources for certain shared human resources, payroll, procurement, and information technology functions, and certain services.

The regulated igaming market launched on April 4, 2022, and accordingly, there were no revenues generated in the 2021-22 fiscal year. As a result, the Corporation ended the year with a net deficit from operations of \$8.7 million.

| <b>In 000s \$</b>                              |                  |
|--|------------------|
| Salaries & Benefits                            | \$3,328          |
| General Operating, Administration & Other      | \$1,739          |
| Information Technology/Infrastructure Services | \$2,054          |
| Marketing & Promotion                          | \$ 346           |
| Amortization                                   | \$ 16            |
| HST Expense                                    | \$1,241          |
| <b>Total Expenditures</b>                      | <b>\$8,724</b>   |
| <b>TOTAL DEFICIT</b>                           | <b>(\$8,724)</b> |

During the period ended March 31, 2022, iGO was engaged in setting up the various infrastructure and operating agreement activities to enable the launch of the regulated internet gaming market in Ontario. iGO initiated hiring its own employees during the year and also utilized shared resources from the AGCO, including office space to reduce government expenditures on rent and utilities.

The expenditures above represent the direct costs for iGO as well as shared AGCO resource costs for the period of July 6, 2021 to March 31, 2022. Salaries and benefit expenditures represent the costs for iGO directly employed employees as well as the salaries and benefit costs of AGCO shared resources. The General Operating, Administration and Other expense category includes professional services related to

financial and management consulting, and various legal and advisory expenses related to establishing iGO's policies and processes for financial reporting, anti-money laundering and various contract development activities. The Information Technology/Infrastructure Services expense category reflects the expenditures related to establishing backend financial and other systems and processes. HST expense represents the Corporation's non-recoverable GST/HST payable to suppliers as well as the additional imputed tax payable to the Government of Canada on online gaming-related expenditures. The net tax attributable to online gaming activities results in a 26 per cent tax burden on most taxable online gaming expenditures incurred by the Corporation.

Financial Statements of

**iGaming Ontario**

Period ended March 31, 2022

# iGaming Ontario

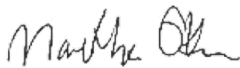
## Management Statement of Responsibility for Financial Reporting

### Responsibility for Financial Reporting:

The accompanying Financial Statements of iGaming Ontario (iGO) have been prepared in accordance with Canadian public sector accounting standards. The preparation of the Financial Statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The Financial Statements have been properly prepared within reasonable limits of materiality and in light of information available up to August 10<sup>th</sup>, 2022.

Management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. The Board of Directors that is responsible for ensuring management fulfills its responsibilities for financial reporting and internal controls. The Board has appointed a Finance, Audit and Risk Management Committee. The financial statements have been reviewed by the Finance, Audit and Risk Management Committee and approved by the Board of Directors.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion as to whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. The Independent Auditor's Report, which appears on the following page, outlines the scope of the Auditor's examination and opinion.



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Executive Director

Martha Otton



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Senior Manager Finance

Denise Klimczak





Office of the Auditor General of Ontario  
Bureau de la vérificatrice générale de l'Ontario

## INDEPENDENT AUDITOR'S REPORT

To iGaming Ontario

### Opinion

I have audited the financial statements of the iGaming Ontario, which comprise the statement of financial position as at March 31, 2022, and the statements of operations and accumulated deficit, change in net debt and cash flows for the period from July 6, 2021 to March 31, 2022, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of iGaming Ontario as at March 31, 2022, and the results of its operations and accumulated deficit, changes in its net debt and its cash flows for the period from July 6, 2021 to March 31, 2022 in accordance with Canadian public sector accounting standards.

### Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of iGaming Ontario in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Other Matter

The *Criminal Code* of Canada (Code) only permits the conduct and management of commercial gaming by provincial governments. The term “conduct and manage” is not specifically defined by the Code and has not been interpreted by the courts in the context of internet gaming being provided by third-party gaming operators. iGaming Ontario, an agency of the Government of Ontario, has entered into commercial agreements with third-party gaming operators to allow them to offer internet gaming directly to Ontario consumers beginning April 4, 2022. iGaming Ontario has assumed the legal risk of whether this operating model meets the “conduct and manage” requirement set out in the Code.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing iGaming Ontario's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless iGaming Ontario either intends to cease operations, or has no realistic alternative but to do so.

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Those charged with governance are responsible for overseeing iGaming Ontario's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of iGaming Ontario's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on iGaming Ontario's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause iGaming Ontario to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Toronto, Ontario  
August 10, 2022

Bonnie Lysyk, MBA, FCPA, FCA, LPA  
Auditor General

# iGaming Ontario

Statement of Financial Position

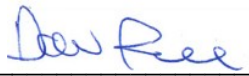
March 31, 2022

(In thousands of dollars)

|   | 2022              |
|---|-------------------|
| Financial Assets:   |                   |
| Cash  | \$ 3              |
|   | <u>3</u>          |
|   | <u>\$ 3</u>       |
| Liabilities:  |                   |
| Due to the Alcohol and Gaming Commission of Ontario (Note 7a) | \$ 7,264          |
| Non-pension employee benefits (Note 3)                        | 288               |
| HST payable (Note 5)  | 1,241             |
|   | <u>8,793</u>      |
| Net Debt  | (8,790)           |
| Non-financial assets:   |                   |
| Tangible capital assets (Note 4)                              | 66                |
|   | <u>66</u>         |
| Accumulated Deficit   | <u>\$ (8,724)</u> |

See accompanying notes to financial statements.

On behalf of the Board:

 Chair

 Director

# iGaming Ontario

Statement of Operations and Accumulated Deficit  
For the period July 6, 2021 to March 31, 2022  
(In thousands of dollars)

|   | For the period<br>July 6, 2021 to March 31, 2022 |
|---|--|
| Revenue:  |  |
| Gaming revenue (Note 1.2)   | \$ -   |
| Expenses:   |  |
| Salaries and benefits (Note 7a)                                   | 3,328  |
| General operating, administration and other (Note 6 and Note 7a)) | 1,739  |
| Information technology/Infrastructure services (Note 7a)          | 2,054  |
| Marketing and promotion (Note 7a)                                 | 346  |
| Amortization of tangible capital assets (Note 4)                  | 16   |
| HST expense (Note 5)  | 1,241  |
| Annual deficit  | (8,724)  |
| Accumulated deficit, beginning of year                            | -  |
| Accumulated deficit, end of year                                  | \$ (8,724)                                       |

See accompanying notes to financial statements.

# iGaming Ontario

Statement of Changes in Net Debt  
For the period from July 6, 2021 to March 31, 2022  
(In thousands of dollars)

|   | For the period July 6, 2021 to<br>March 31, 2022 |
|---|--|
| Annual deficit                                      | \$ (8,724)                                       |
| Tangible capital assets:                            |  |
| Net acquisition of tangible capital assets (Note 4) | (82)   |
| Amortization of tangible capital assets (Note 4)    | 16   |
|   | <u>(66)</u>                                      |
| Increase in net debt                                | (8,790)  |
| Net debt, beginning of year                         | 0  |
| Net debt, end of year                               | <u>\$ (8,790)</u>                                |

See accompanying notes to consolidated financial statements.

# iGaming Ontario

## Statement of Cash Flows

For the period July 6, 2021 to March 31, 2022

(In thousands of dollars)

|   | For the period July 6, 2021 to<br>March 31, 2022 |
|---|--|
| Operating activities:   |  |
| Annual deficit  | \$ (8,724)                                       |
| Adjustment for non-cash expenses:                               |  |
| Amortization of tangible capital assets                         | 16   |
| Changes in non-cash working capital:                            |  |
| Increase in Due to the Alcohol and Gaming Commission of Ontario | 7,264  |
| Increase in HST payable   | 1,241  |
| Increase in Non-pension employee benefits                       | 288  |
| Net cash provided by operating activities                       | 85   |
| Investing activities  |  |
| Purchase of Tangible capital assets                             | (82)   |
| Net cash provided by investing activities                       | (82)   |
| Net change in cash  | 3  |
| Cash at beginning of year                                       | -  |
| Cash at end of year   | \$ 3   |

# iGaming Ontario

Notes to Financial Statements

For the period July 6, 2021 to March 31, 2022

(In thousands of dollars)

---

## 1. Nature of entity:

### 1.1 Nature of operations

iGaming Ontario (iGO) was established on July 6, 2021 as a subsidiary corporation of the Alcohol and Gaming Commission of Ontario (AGCO) pursuant to Ontario Regulation 517/21 under the *Alcohol, Cannabis and Gaming Regulation and Public Protection Act, 1996* and continued under Ontario Regulation 722/21 under the *Alcohol and Gaming Commission of Ontario Act, 2019* (the "Regulation"). iGO is a corporation without share capital.

The AGCO recommends appointments to the board of iGaming Ontario to the Attorney General. The Attorney General is responsible for appointing board members to iGaming Ontario based on these recommendations. The Minister of Finance determines the timing of any cash remittances from iGaming Ontario to the Province of Ontario. As a result, the financial results of iGO are not consolidated into the AGCO's financial statements as iGO is controlled by the Province of Ontario and is consolidated into the Province's financial statements.

iGO's objects and duties are to develop, undertake and organize prescribed online gaming schemes, to promote responsible gaming on those schemes, and to conduct and manage the schemes in accordance with the *Criminal Code (Canada)* and the *Gaming Control Act, 1992*. iGO makes payments out of the revenue that it receives from all prescribed online gaming schemes and that it generates from its conduct and management of those schemes in priority established in the Regulation.

Pursuant to the *Income Tax Act*, iGO is exempt from income taxes.

iGO's head office and corporate office, respectively, are located at: 90 Sheppard Avenue East, North York, Ontario, Canada, M2N 0A4.

### 1.2 Launch of Internet Gaming Market

On April 4, 2022, iGO launched the new market for internet gaming in Ontario. On this date, private gaming operators that executed an operating agreement with iGO could begin offering their games to players in Ontario. Private gaming operators will operate internet gaming sites on behalf of iGO in accordance with these agreements.

As at August 10, 2022, iGO has entered into operating agreements with 21 private gaming operators. For the period July 6, 2021 to March 31, 2022, iGO earned no gaming revenue since the market was launched subsequent to the end of the period.

## 2. Significant accounting policies:

These financial statements are prepared by management in accordance with Canadian Public Sector Accounting ("PSAS") for provincial reporting entities established by the Canadian Public Sector Accounting Board, and include the following significant accounting policies:

# iGaming Ontario

Notes to Financial Statements

For the period July 6, 2021 to March 31, 2022

(In thousands of dollars)

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(a) Tangible capital assets:

iGO capitalizes the cost of all additions to tangible capital assets that have an expected useful life of one year or longer. When tangible capital assets are disposed of, the cost of the asset and the related accumulated amortization are removed from the books and the resulting gain or loss on disposal, if significant, is included in net assets on the statement of financial position.

The tangible capital assets are amortized on a straight-line basis over their expected useful life as follows:

| Asset             | Useful life |
|-------------------|-------------|
| Computer hardware | 3 years     |

(b) Currency

These Financial Statements are presented in Canadian dollars.

(c) Measurement Uncertainty:

The preparation of these Financial Statements in conformity with PSAS requires management to make judgments, estimates and assumptions that may affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

Areas requiring the use of significant estimates include: the useful life of capital assets and other employee future benefits.

(d) Financial instruments:

iGO's financial instruments are measured as follows:

|   |                |
|---|----------------|
| Cash  | Amortized cost |
| Due to the Alcohol and Gaming Commission of Ontario | Amortized cost |
| HST payable   | Amortized cost |

iGO's financial instruments are initially measured at fair value and subsequently measured at amortized cost.



# iGaming Ontario

Notes to Financial Statements

For the period July 6, 2021 to March 31, 2022

(In thousands of dollars)

---

All non-derivative financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations.

(e) Budgeted figures:

In accordance with PSAS, financial statements need to provide a comparison of actual and budgeted financial results. iGO was established as a legal entity effective July 6, 2021 and accordingly did not have an approved budget established by its Board of Directors or its oversight body, the Ministry of the Attorney General in its first period of operations. As such, a comparison of actual and budgeted financial results is not presented in the Statement of Operations and Accumulated Deficit.

### 3. Non-pension employee benefits:

(a) Other post-employment benefit plans:

Certain employees of iGO participate in the Public Service Pension Plan (PSPP) and the Ontario Public Service Employees Union Pension Plan (OPSEUPP), which are defined benefit pension plans for employees of the Province and many provincial agencies. The Province of Ontario is the sole sponsor of PSPP and a joint sponsor of OPSEUPP with the Ontario Public Service Employees Union. The sponsors of these plans determine iGO's annual payments to the respective plans. iGO's responsibilities with regard to PSPP and OPSEUPP are limited to its contributions. Payments made to the plans are recognized as an expenditure in the period the contributions become payable. iGO's required annual payments of \$190 is included in Salaries and Benefits in the Statement of Operations and Accumulated Deficit.

(b) Separation costs

Separation costs made to employees are recognized as an employee benefits expense when payment is made. For the year ended March 31, 2022, these separation costs amount to \$65.

(c) Non-pension post-employment benefits:

The cost of non-pension benefits for eligible pensioners is paid by the Province of Ontario and are not included in the financial statements.

### 4. Tangible capital assets

The following table presents the net book value and changes in the cost and accumulated amortization of the tangible capital assets for the period ended March 31, 2022:

|                          | <b>Computer hardware</b> | <b>Total</b> |
|--------------------------|--------------------------|--------------|
| Cost - additions         | \$ 82                    | \$ 82        |
| Accumulated amortization | 16                       | 16           |
| <b>Net book value</b>    | <b>\$ 66</b>             | <b>\$ 66</b> |

# iGaming Ontario

Notes to Financial Statements

For the period July 6, 2021 to March 31, 2022

(In thousands of dollars)

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## 5. Harmonized sales tax (HST)

iGO makes GST/HST remittances to the Government of Canada on the basis of being a Prescribed Registrant pursuant to the Games of Chance (GST/HST) Regulations of the *Excise Tax Act*. iGO's net tax for a reporting period is calculated using net tax attributable to online gaming activities.

The non-recoverable GST/HST payable to suppliers and the additional imputed tax payable to the Government of Canada on online gaming-related expenses were recognized as payments to the Government of Canada, which is recorded in HST expense in the Statement of Operations and Accumulated Deficit.

The net tax attributable to online gaming activities results in a 26 per cent tax burden on most taxable online gaming expenditures incurred by iGO.

## 6. General operating, administration and other

General Operating, Administration and Other expenses of \$1,739, includes \$1,160 of professional services related to financial and management consulting and \$484 of legal advisory services.

## 7. Related parties

iGO is related to various other government agencies, ministries and Crown Corporations. All transactions with these related parties are within the normal course of operations and are measured at the exchange amounts, which are the amounts of consideration established and agreed to by the related parties.

### (a) Alcohol and Gaming Commission of Ontario (AGCO)

Effective September 6, 2021, iGO and the AGCO entered into a Shared Resource Agreement (SRA). The SRA provides iGO primarily with people resources related to certain shared human resources, payroll, procurement and information technology services on a cost recovery basis. In addition to the costs for these shared services, the AGCO paid for all of iGO's transactions (including salaries and benefits of iGO employees and direct vendor invoices).

For the period July 6, 2021 to March 31, 2022, amounts charged to iGO, net of harmonized sales tax (HST), by the AGCO were as follows:

# iGaming Ontario

Notes to Financial Statements

For the period July 6, 2021 to March 31, 2022

(In thousands of dollars)

---

|  |    |              |
|--|----|--------------|
| Direct operating expenses:                     |    |              |
| Salaries and benefits                          | \$ | 2,493        |
| General operating, administration and other    |    | 1,707        |
| Information technology/Infrastructure services |    | 1,999        |
| Marketing and promotion                        |    | 346          |
| Shared resources expenses:                     |    |              |
| Salaries and benefits                          |    | 547          |
| General operating, administration and other    |    | 35           |
| Information technology/Infrastructure services |    | 55           |
| Tangible capital assets                        |    | 82           |
|  | \$ | <b>7,264</b> |

---

The balance due to the AGCO, net of harmonized sales tax, of \$7,264, is separately disclosed in the Statement of Financial Position. The associated HST on the amounts as presented in the table above is included in HST expense in the Statement of Operations and Accumulated Deficit and is included in HST payable in the Statement of Financial Position. Amounts are non-interest bearing with no specified terms of repayment.

Prior to the incorporation of iGO on July 6, 2021, the ACGO incurred \$954 (2021 - \$902) in costs relating to the development of a framework for a market for internet gaming offered through private gaming operators. These costs will not be recovered from iGO.

(b) Ministry of the Attorney General (MAG)

The Ministry of the Attorney General provides the AGCO with leased office space and iGO is utilizing a portion of the space at no charge.

## 8. iGaming Ontario Board of Directors' remuneration

iGaming Ontario's Board of Directors are part time appointees. Total remuneration paid to the Board of Directors during the year was \$1.

## 9. Financial risk management:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. iGO is exposed to this risk relating to its cash. iGO holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation.

# **iGaming Ontario**

Notes to Financial Statements

For the period July 6, 2021 to March 31, 2022

(In thousands of dollars)

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(b) Liquidity risk:

Liquidity risk is the risk that iGO will be unable to fulfill its obligations on a timely basis or at a reasonable cost. As noted in Note 5(a), the AGCO paid for all of iGO's transactions for the period July 6, 2021 to March 31, 2022. Amounts due to the AGCO are non-interest bearing with no specified terms of repayment.