
MINISTRY OF CONSUMER AND COMMERCIAL RELATIONS

Liquor Control Board of Ontario

The Liquor Control Board of Ontario (LCBO), which reports to the Minister of Consumer and Commercial Relations, is a Crown agency incorporated under the *Liquor Control Act* to regulate the production, importation, distribution and sale of alcoholic beverages in Ontario.

The LCBO operates about 600 stores that are supplied by five warehouses. In partnership with the LCBO, established retailers operate approximately 100 agency stores in communities without populations large enough to support regular LCBO stores.

The LCBO employs over 4,500 permanent and casual staff and provides consumers with over 11,000 products, consisting of about 2,600 regularly listed products, 3,200 Vintages products, and 5,200 products available through consignment and private ordering.

For the 1998/99 fiscal year, sales were approximately \$2.3 billion and net income was \$809 million, with the LCBO remitting \$776 million of its profits to the Consolidated Revenue Fund.

AUDIT OBJECTIVES AND SCOPE

The objectives of our audit were to assess whether the LCBO had adequate procedures in place to ensure that:

- the development and enhancement of store facilities were effectively planned and managed with due regard for economy and efficiency; and
- proper planning and controls were in place for staffing and other store-related operations to ensure economy and efficiency.

We identified the criteria to be used for our audit objectives and discussed them with LCBO senior management, who reviewed and accepted them.

Our audit was performed in accordance with the standards for assurance engagements, encompassing value for money and compliance, established by the Canadian Institute of Chartered Accountants, and accordingly included such tests and other procedures as we considered necessary in the circumstances. Specifically, the scope of our audit included a review and analysis of documentation and discussions with staff at the LCBO's head office

and district offices and retail stores. Our audit also included a review of relevant work done by the LCBO's internal auditors.

OVERALL AUDIT CONCLUSIONS

We concluded that procedures were adequate to ensure that the development of store facilities as well as store operations were carried out economically and efficiently. However, we made a number of recommendations for improvements to which the LCBO responded with commitments for corrective action.

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- With respect to store planning and the justification for capital projects, we recommended that the LCBO develop policies and requirements for marketing studies, financial analyses and post-implementation reviews to ensure that capital project decisions are based on timely, relevant and consistent information.
- Regarding contractor selection and management, we recommended that policies and procedures be developed for evaluating contractor performance and for justifying situations where single-sourced contracts are used in order to ensure that qualified contractors are selected through a transparent, competitive process.
- In the area of store performance, we recommended that the LCBO refine the indicators used in assessing store performance. We also recommended that the LCBO review the ongoing viability of certain of its smaller stores.
- In our review of store staffing, we recommended that the LCBO minimize staffing costs by more carefully analyzing factors affecting store operations and monitor and follow up on discrepancies in staffing levels among stores with similar characteristics.
- In our review of the Vintages program, we recommended that the LCBO monitor and assess the benefits of the program to ensure that it justifies its lower income contribution relative to the contribution of regularly listed products.