



Video Transcript

Value-for-Money Audit: Alcohol and Gaming Commission of Ontario (2020)

As part of our 2020 Annual Report, we performed a value-for-money audit of the Alcohol and Gaming Commission of Ontario, or the AGCO.

The AGCO regulates the alcohol, gaming and horse-racing sectors and private cannabis retail stores in Ontario, and oversees about 78,500 licensees across the four sectors. The AGCO's responsibilities expanded to the horse-racing sector in 2016 and cannabis retail stores in 2018. If these four sectors are not regulated effectively, they have the potential to contribute to social and health-care issues such as addictions, violence and criminal activities. The AGCO has over 600 staff and reports into the Ministry of the Attorney General.

We looked at how the AGCO was performing its regulatory responsibilities, and found that its processes were not strong, and it lacked transparency and accountability.

For example, we found that in the alcohol sector, compliance staff inspected the same licensed establishments for long periods of time without being rotated. In the gaming sector, electronic gaming machines were not regularly monitored to see if they are paying out the minimum 85%.

Improved AGCO efforts are needed to address the risk of money-laundering in casinos. From 2017 to 2019, the number of suspicious transaction reports at casinos increased by 19%, and the value of suspicious transactions doubled. But in the same period, enforcement activities by OPP officers working for the AGCO was limited. The AGCO seized cash on only 4 occasions, and barred 38 individuals from Ontario casinos.

Under a new Internet gaming model proposed, the AGCO would have regulatory, as well as operational and revenue-generating responsibilities. This could be perceived as a conflict of interest. As well, the AGCO is not properly monitoring recreational cannabis in retail stores.

The AGCO relies on subsidies from the province to regulate 3 of the 4 sectors it regulates. Only gaming is self-funded; and it does not produce and publish audited financial statements, which hinders transparency and accountability.

Our report contains 26 recommendations, consisting of 62 actions, including that the AGCO should:

- allocate resources, including the OPP, to casinos at a high-risk for money laundering
- directly monitor payouts from electronic gaming machines
- set fees to fully recover the costs of regulating alcohol and cannabis, and



That the ministries of the Attorney General and Finance:

- take steps to reduce the high risk of money laundering in casinos
- and consider a separate government organization for online gaming to reduce the potential conflict of interest.

As well, that the Ministry of the Attorney General require the AGCO to produce audited annual financial statements.