

Memorandum of Understanding

Between

The Minister of Finance

And

The Liquor Control Board of Ontario

March 2010

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1.0 Definitions

1.1 In this document,

- 1.1.1 “Act” means the Liquor Control Act, R.S.O. 1990, c. L. 18;
- 1.1.2 “AEAD” means the Management Board of Cabinet Agency Establishment and Accountability Directive;
- 1.1.3 “Board Members” refers to the members of the Board of Directors of the Liquor Control Board of Ontario;
- 1.1.4 “Board of Directors” refers to the Board Members, including the Chair, of the Liquor Control Board of Ontario;
- 1.1.5 “Chair” refers to the Chair of the Board of Directors;
- 1.1.6 “CEO” refers to the President and Chief Executive Officer of the LCBO;
- 1.1.7 “Deputy Minister” means the Deputy Minister of the Ministry responsible for the administration of the Act;
- 1.1.8 “Executive Management” means the senior executive employees of the LCBO, including the CEO, who are not members of a bargaining unit;
- 1.1.9 “LCBO” refers to the Liquor Control Board of Ontario, a corporation continued under section 2 of the Act;
- 1.1.10 “Memorandum” means this Memorandum of Understanding and the following Appendices attached to this Memorandum:

Appendix A Business Planning and Reporting Requirements

Appendix B Applicable Management Board of Cabinet Directives

- 1.1.11 “Minister” means the member of the Executive Council designated by the Lieutenant Governor in Council to administer the Act;
- 1.1.12 “Ministry” means the ministry responsible for administering the Act;
- 1.1.13 “TB/MBC” means Treasury Board/Management Board of Cabinet.

2.0 Purpose

- 2.1 The purpose of this Memorandum is to establish the accountability relationships between the Ministry and the LCBO. This Memorandum
 - 2.1.1 Establishes the accountability relationships between the Minister, the Deputy Minister, the LCBO through its Board of Directors, the Chair, the Board of Directors, and the President and CEO;
 - 2.1.2 Clarifies the roles and responsibilities of the Minister, the Deputy Minister, the LCBO through its Board of Directors, the Chair, the Board of Directors, and the President and CEO; and
 - 2.1.3 Sets out the expectations for the operational, administrative, financial, auditing and reporting arrangements between the LCBO and the Ministry.
- 2.2 The Board of Directors shall operate the LCBO in accordance with the Act, LCBO by-laws, all applicable legislation and regulations. This Memorandum should be read together with the LCBO's constituting legislation and regulations. This Memorandum does not affect, modify, limit, or interfere with the responsibilities of any of its parties as established by law. In case of a conflict between this Memorandum and any legislation or regulation, the legislation or regulation prevails.

3.0 LCBO's Legislative Authority and Mandate

- 3.1 The LCBO is governed by the Act and the regulations made under the Act. The Act and its regulations set out the authority of the LCBO.
- 3.2 The LCBO has all of the powers assigned to it as set out in the Act.
- 3.3 The LCBO is a Crown agent and is designated by TB/MBC as an Operational Enterprise agency, and will fulfil the requirements of the AEAD, as applicable.
- 3.4 The mandate of the LCBO, broadly stated, is to control the sale and distribution of alcoholic beverages in Ontario, while optimizing transfers from net profits to the province pursuant to subsection 5 (2) of the Act, and advancing social responsibility in the sale and distribution of beverage alcohol. In pursuing this mandate the LCBO will take into account the promotion of high professional standards, the enhancement of customer service and the broad policy directions of the government.
- 3.5 The LCBO shall carry out its activities in a manner consistent with the best business practices and standards of the retail industry as applicable, and of comparable public and private entities.

4.0 Term

- 4.1 This Memorandum shall be effective on the date on which it is signed by both parties, but in no case shall the Memorandum be signed by the Chair and then by the Minister until it is so approved by Management Board of Cabinet.
- 4.2 This Memorandum will remain in effect for a period of five (5) years from the date of execution by both parties, or until amended or replaced with the approval of Management Board of Cabinet. This Memorandum shall be renewed or revised by the expiry date. However, this Memorandum will remain in effect until such time as a new Memorandum comes into effect.

5.0 Procedure for Review and Amendment

- 5.1 The Minister or Chair may at any time initiate a full review of this Memorandum or a process to amend this Memorandum, by written notice to the other.
- 5.2 Not later than six months prior to the end of the term of this Memorandum the Minister or Chair shall initiate a process to review this Memorandum and prepare a revised Memorandum containing recommended changes for consideration by Management Board of Cabinet.
- 5.3 An original copy of every current signed Memorandum shall be filed with the legal services branch of the Ministry and with the legal services branch of the LCBO.

6.0 Change of Minister or Chair

- 6.1 On the appointment of either a new Minister or a new Chair, the Minister and Chair will review this Memorandum. If there are no changes to the Memorandum, each party will provide written affirmation to that effect, initial the Memorandum and provide a copy to both Management Board of Cabinet and the legal services department of the Ministry, as well as to the legal services branch of the LCBO, for information purposes. Pending the review and written affirmation by the parties, this Memorandum will continue to govern the relationship between the parties.

7.0 Consultation and Communications

- 7.1 The parties recognize that the timely exchange of information and consultation is essential to discharging their respective responsibilities successfully.
- 7.2 The Minister, the Deputy Minister, the Chair and the CEO will consult with each other on communications and consultation strategies, where appropriate.
- 7.3 The parties agree to establish a communications and issues management protocol.
- 7.4 Board Members, officers, and employees of the LCBO shall be required to maintain the confidentiality of government programs and initiatives and all information that they are privy to in the course of their employment or service, both during and following their term of employment or service.

8.0 The Accountability Relationship

8.1 The accountability relationship of the parties is as follows:

- 8.1.1 The Minister is accountable to the Legislative Assembly for the LCBO's fulfillment of its mandate, its compliance with government policies that apply to the LCBO, and for reporting to the Legislature on the LCBO's affairs;
- 8.1.2 The Board Members through the Chair are accountable to the Minister for the performance of the LCBO in fulfilling its mandate, for carrying out the roles and responsibilities assigned pursuant to the Memorandum, the Act or any other legislation, regulation, or directive that applies to the LCBO pursuant to Appendix B of this Memorandum;
- 8.1.3 The Deputy Minister is accountable to the Minister for the performance of the Ministry in providing support to the LCBO as may be required and for carrying out the roles and responsibilities assigned to him or her by the Minister, by Management Board of Cabinet directives, the Act and its regulations, and this Memorandum.

9.0 Minister's Responsibilities

9.1 The Minister is responsible for the administration of the Act in respect of the LCBO, and has the authority and responsibility for:

- 9.1.1 Accounting for the LCBO in the Legislature, at Cabinet or at any of its committees, as required;
- 9.1.2 Reporting and responding to the Legislative Assembly on the affairs of the LCBO;
- 9.1.3 Reporting and responding to Cabinet on the LCBO's performance and compliance with laws, regulations, applicable government policies and broad policy directions, and directives that apply to the LCBO pursuant to Appendix B of this Memorandum;
- 9.1.4 Reviewing and commenting on the LCBO's Annual Report before it is submitted to the Board of Directors for approval;
- 9.1.5 Receiving and submitting in a timely manner the LCBO's Annual Report to the Lieutenant Governor-in-Council and then the Legislative Assembly;
- 9.1.6 Seeking the approval of the Lieutenant Governor in Council to table the Annual Report in the Legislative Assembly in a timely fashion;
- 9.1.7 Reviewing the LCBO's Annual Corporate Objectives and Business Plan before it is submitted to the Board of Directors for approval, and advising the Chair promptly where and in what manner the LCBO's plan varies from government or ministry policy or priorities;
- 9.1.8 Reviewing the LCBO's Annual Corporate Objectives and Business Plan that has been

approved by the Board of Directors, and recommending it to Management Board of Cabinet, in accordance with the AEAD;

- 9.1.9 Evaluating the performance of the Board of Directors and the LCBO to ensure that the mandate is being fulfilled and that performance is satisfactory and, where appropriate, taking or recommending corrective action;
- 9.1.10 Directing that a periodic review be conducted of the LCBO, its mandate, structure and/or operations, including the need for its continuation, and making subsequent recommendations to TB/MBC;
- 9.1.11 Meeting with the Chair on a quarterly basis, or more frequently if and as required, to apprise the Chair, as the Minister sees fit, of the Ontario government's current priorities and broad policy directions for the LCBO, and to discuss matters of mutual importance;
- 9.1.12 For the purpose of obtaining strategic advice as the Minister sees fit, ensuring that the Board of Directors, through the Chair, is provided with the opportunity to comment on
 - 9.1.12.1 significant new directions and/or proposed changes to legislation, regulations and policies governing the LCBO's mandate or operations, or regarding liquor matters including those that are likely to have a significant impact on the LCBO; and
 - 9.1.12.2 the results of any review of the LCBO carried out pursuant to subsection 9.1.10 above before reporting the results to government or making the results public;
- 9.1.13 Reviewing proposals to amend the LCBO's legislation, regulations, or policies that may significantly affect the LCBO's operations, and making recommendations to Cabinet thereon;
- 9.1.14 Receiving and providing direction to the Chair in respect of any specific declaration(s) of potential, actual or perceived conflicts of interest made by the Chair;
- 9.1.15 Advising the Lieutenant Governor in Council of the persons recommended by the Premier for appointment or re-appointment as a Board Member, Vice-Chair and Chair, and recommending such other actions or matters that require the approval of the Lieutenant Governor in Council under the Act;
- 9.1.16 Facilitating the LCBO's requests to the Lieutenant Governor in Council for approvals required under the Act; and
- 9.1.17 Pursuant to subsection 4.0.2(2) of the Act, reviewing for approval LCBO's recommendations for job categories, salary ranges and conditions of employment of officers, inspectors and employees appointed by the LCBO who are not members of a bargaining unit, and consulting with the Minister of Government Services thereon.

10.0 Deputy Minister's Responsibilities

10.1 The Deputy Minister is responsible for:

- 10.1.1 Providing the Minister with advice and assistance in fulfilling assigned ministerial responsibilities and requirements of the AEAD, as applicable, and other TB/MBC directives that apply to the LCBO pursuant to Appendix B of this Memorandum, with respect to the LCBO;
- 10.1.2 Receiving, reviewing and analyzing reports, plans and submissions required by the Act, this Memorandum or the AEAD, as applicable, for submission to TB/MBC or other central agencies or as requested by the Minister,
- 10.1.3 Advising the Minister on matters related to the LCBO, including matters submitted to the Minister, and providing advice to the Minister regarding implications or actions to be taken;
- 10.1.4 Advising the CEO of dates for reporting requirements as they become known from the government's business planning process;
- 10.1.5 Informing the LCBO of such policies of the government that may be applicable to the LCBO;
- 10.1.6 Undertaking a periodic review, as requested by the Minister, of the LCBO, its mandate, structure and/or operations including the need for its continuation, and making subsequent recommendations to the Minister;
- 10.1.7 Monitoring the performance of the Board of Directors and the LCBO to ensure that the mandate is being fulfilled and that performance is satisfactory and, where appropriate, taking or recommending corrective action;
- 10.1.8 Informing the CEO of significant or sensitive matters regarding the LCBO likely to be of interest to the CEO or Chair in the exercise of his or her responsibilities; and
- 10.1.9 Meeting with the CEO monthly, or as required, and maintaining a regular liaison as needed with the CEO to discuss matters of mutual importance.

10.2 The Deputy Minister may choose to provide input to the LCBO on the LCBO's performance measurement and management system.

11.0 LCBO's Responsibilities

11.1 The LCBO, through its Board of Directors, is responsible for:

- 11.1.1 Carrying out its responsibilities within the limits of its jurisdiction and consistent with its Annual Corporate Objectives and Business Plan, in accordance with the Act and

any other relevant laws;

- 11.1.2 Upholding and adhering to the principles of openness, transparency and accountability in delivering its mandate;
 - 11.1.3 Providing a high level of service to the public in carrying out its mandate;
 - 11.1.4 Ensuring a formal process for responding to complaints about the quality of service received by customers and clients of the LCBO is in place;
 - 11.1.5 Providing strategic advice and solutions to the government regarding liquor policy and business matters;
 - 11.1.6 Preparing annual business plans, corporate objectives, annual reports and other reports in keeping with the Act, TB/MBC requirements, and this Memorandum;
 - 11.1.7 Keeping the Minister and Ministry advised of significant or sensitive matters regarding the LCBO likely to be of interest to the Minister in the exercise of his or her responsibilities or that are likely to be raised in the Legislative Assembly and/or the media, and of any incidents of non-compliance with legislation and TB/MBC directives that apply to the LCBO pursuant to Appendix B of this Memorandum;
 - 11.1.8 Establishing and maintaining a system for the creation, retention and disposal of records generated and/or collected by the LCBO.
- 11.2 Subject to statutory requirements and those TB/MBC directives that apply to the LCBO pursuant to Appendix B of this Memorandum, the LCBO may establish its own administrative, financial, procurement, human resource and operational policies and guidelines, exercising sound business acumen and operational flexibility, and when developing such policies and guidelines the LCBO will consider applicable government policies, procedures and guidelines.
- 11.3 As an agent of the Ontario government, the LCBO shall conduct itself according to the management principles of the Ontario government. These principles include ethical behaviour, prudent, efficient and lawful use of public resources, high quality service to the public, fairness in the marketplace and openness and transparency to the extent allowed under law.
- 11.4 LCBO shall have and shall require that employees comply with a code of conduct and with confidentiality and conflict of interest requirements.

12.0 Chair's Responsibilities

12.1 The Chair is responsible for:

- 12.1.1 Chairing meetings of the Board of Directors, providing strategic leadership to the Board of Directors and the CEO, and ensuring that the LCBO and Board of Directors meet their respective responsibilities;

- 12.1.2 Conducting and attending regular meetings of the Board of Directors and determining the agenda for Board of Directors' meetings, in consultation with the Board Members, and ensuring that government priority issues are included and addressed in a timely manner;
- 12.1.3 Ensuring that procedures are in place for the orientation, training, development and evaluation of the performance of the Board Members, to assist them in carrying out their responsibilities;
- 12.1.4 Requiring that the Board Members become knowledgeable of and adhere to the Act, directives that apply to the LCBO pursuant to Appendix B of this Memorandum, and LCBO's policies and procedures;
- 12.1.5 Ensuring that the LCBO carries out its mandate in accordance with the Act and other acts, regulations and directives that apply to the LCBO pursuant to Appendix B of this Memorandum;
- 12.1.6 Consulting with the Minister regarding the processes for evaluating the performance of the Chair, individual Board Members and the Board of Directors as a whole;
- 12.1.7 Monitoring the performance of the LCBO;
- 12.1.8 Co-operating with any review of the LCBO;
- 12.1.9 Informing the Minister and Deputy Minister of significant or sensitive matters regarding the LCBO likely to be of interest to the Minister or the Deputy Minister in the exercise of his or her responsibilities, or that are likely to be raised in the Legislative Assembly and/or the media;
- 12.1.10 Providing recommendations to the Minister on matters that require approval by the Lieutenant Governor in Council;
- 12.1.11 Complying with information requests made by the Minister or the Deputy Minister within an appropriate period of time agreed to by the Minister or the Deputy Minister;
- 12.1.12 Meeting with the Minister on a quarterly basis, or more frequently if and as required by the Minister, and reporting to and advising the Minister, as appropriate, on the affairs of the LCBO and its Board of Directors;
- 12.1.13 Apprising the Board Members about the government's current priorities and broad policy directions for the LCBO which may have a bearing on the Board of Directors' decisions;
- 12.1.14 Consulting with the Minister, as required by the Minister, regarding the Annual Corporate Objectives and Business Plan, prior to its submission to the Board of Directors for approval, and where the LCBO receives notice from the Minister that the Annual Corporate Objectives and Business Plan varies from any government or Ministry policies or priorities, working expeditiously with the Minister to address such

variations, prior to submitting the Annual Corporate Objectives and Business Plan to the Board of Directors for approval;

- 12.1.15 Submitting the Board of Directors-approved Annual Corporate Objectives and Business Plan to the Minister;
- 12.1.16 Acting as the designated head of the LCBO for the purposes of the LCBO's requirements under the *Freedom of Information and Protection of Privacy Act* (Ontario);
- 12.1.17 Developing, with the Minister, this Memorandum for the LCBO and executing it on behalf of the LCBO in a timely fashion once it has been approved by the Board of Directors, the Minister and TB/MBC;
- 12.1.18 Notifying the Minister of any director vacancies and upcoming expiries of terms of Board Members, and making recommendations and providing advice to the Minister regarding new appointments and re-appointments, size and composition of the Board of Directors and Board Members' compensation;
- 12.1.19 Informing the Board Members of the requirements of TB/MBC and the Minister with respect to overall general principles and requirements of conflict of interest;
- 12.1.20 Recording and providing direction to Board Members in respect of any declared conflicts of interest of the Board Members in an expeditious manner, and reporting same to the Minister;
- 12.1.21 Declaring, in writing, to the Minister any potential, actual or perceived conflicts of interest of the Chair on a timely basis; and
- 12.1.22 Consulting with, and/or obtaining the approval of the Minister, on behalf of the Board of Directors, on any matters that require the Minister's review and/or approval.

13.0 Board of Directors' Responsibilities

13.1 The Board of Directors is responsible for:

- 13.1.1 Requiring and approving a corporate mission statement for the LCBO, a Strategic Plan for accomplishing that mission and all amendments to that plan, the Annual Corporate Objectives and Business Plan by the end of each fiscal year, and approving the Annual Report as soon as possible after the end of each fiscal year;
- 13.1.2 Overseeing the overall management of the affairs of the LCBO so as to fulfil its responsibilities as outlined in the Act, this Memorandum, the LCBO's mandate, Strategic Plan, by-laws, Annual Corporate Objectives and Business Plan, and taking into account the policy directions and parameters established and communicated by the Minister;
- 13.1.3 Requiring, approving and maintaining an appropriate system of internal corporate governance and control with respect to the day-to-day operation of the LCBO, and

that when developing the system the Board of Directors considers the Act, applicable government policies, procedures and guidelines, and directives that apply to the LCBO pursuant to Appendix B of this Memorandum;

- 13.1.4 Establishing by-laws governing the operations of the LCBO;
 - 13.1.5 Establishing committees of the Board as appropriate to exercise some or all of the Board's authority and responsibilities, including an Audit Committee and Governance and Compensation Committee;
 - 13.1.6 Establishing corporate policies and strategies, including those that would have a significant impact on the LCBO's operations or that relate to the LCBO's regulatory role, taking into consideration government priorities and broad policy direction communicated by the Minister;
 - 13.1.7 Pursuant to the Act, appointing a CEO and establishing and approving the annual performance objectives for the CEO in consultation with the CEO,
 - 13.1.8 Ensuring that the CEO is responsible and accountable to the Board of Directors for the day-to-day management and operation of the LCBO and ensuring the proper exercise of any delegated authority of the Board of Directors to the CEO, and that the CEO provides regular reports to the Board of Directors;
 - 13.1.9 Ensuring the development of and maintaining an appropriately effective performance measurement and management system for assessing the LCBO's performance;
 - 13.1.10 Ensuring that each Board Member is required to declare, in writing to the Chair on a timely basis, any potential, actual or perceived conflicts of interest;
 - 13.1.11 Considering any policy, directives or guidelines established by the Minister of Finance when setting markup levels, fees, licence structures, profit targets, and policies for managing foreign exchange transactions; and
 - 13.1.12 Using revenues in a fiscally responsible manner that complies with the Act and directives that apply to the LCBO pursuant to Appendix B of this Memorandum, and that is in accordance with generally accepted business, ethical, financial and risk management practices and standards.
- 13.2 In accordance with the principles of proper governance, each Board Member shall comply with:
- 13.2.1 the conflict of interest requirements set out in the Management Board of Cabinet Government Appointees Directive , the LCBO's by-laws, the *Public Service of Ontario Act, 2006*, and
 - 13.2.2 the confidentiality requirements of the Lieutenant Governor in Council relating to Board Member appointees to the LCBO.

14.0 President and CEO's Responsibilities

14.1 The President and CEO is responsible for:

- 14.1.1 Translating the policies and strategic direction of the Board of Directors into operational plans and activities in accordance with the approved Annual Corporate Objectives and Business Plan;
- 14.1.2 Managing the day-to-day operations and financial affairs of the LCBO with honesty and integrity, and delegating, in accordance with the Act, those authorities and responsibilities to the LCBO's employees for its day-to-day operations;
- 14.1.3 Ensuring that the LCBO provides high quality service to the public;
- 14.1.4 Directing the preparation of the LCBO's Annual Corporate Objectives and Business Plan, Annual Report and other reports as set out in Appendix A;
- 14.1.5 Ensuring that copies of the LCBO's Strategic Plan, Annual Report, and Annual Corporate Objectives and Business Plan are submitted to the Deputy Minister for review and comment by the Minister and Ministry prior to their approval by the Board of Directors;
- 14.1.6 Providing advice to the Board regarding proposed government and corporate policies that the Board has been asked to consider and comment upon and thereafter keeping the Board of Directors informed about the implementation of these policies;
- 14.1.7 Directing the establishment of and maintaining appropriate systems and controls for the administration of the LCBO, so that the LCBO operates according to its Annual Corporate Objectives and Business Plan in the fulfillment of its mandate;
- 14.1.8 Establishing and maintaining a system for creating, retaining and disposing of records generated and/or collected by the LCBO;
- 14.1.9 Monitoring the LCBO's operational performance and reporting this performance to the Board of Directors on a quarterly and annual basis;
- 14.1.10 Meeting the performance objectives set by the Board of Directors for the CEO;
- 14.1.11 Preparing for Board of Directors' approval and administering an effective performance review system for all LCBO employees;
- 14.1.12 Ensuring the salaries of employees who are not a members of a bargaining unit are within the salary ranges approved by the Minister under the Act;
- 14.1.13 Assessing the performance of each employee of Executive Management for the purposes of merit and incentives;
- 14.1.14 Designating an Ethics Officer, implementing a code of conduct, and ensuring adherence to the requirements of the *Public Service of Ontario Act, 2006* that are

applicable to the LCBO, and ensuring that the LCBO's employees are required to uphold and adhere to the principles of openness, transparency and accountability;

- 14.1.15 Ensuring that the LCBO's employees are required to adhere to the Act, directives that apply to the LCBO pursuant to Appendix B of this Memorandum, and the LCBO's policies and procedures;
- 14.1.16 Informing the Deputy Minister of significant or sensitive matters regarding the LCBO likely to be of interest to the Minister or the Deputy Minister in the exercise of his or her responsibilities, or that are likely to be raised in the Legislative Assembly or the media;
- 14.1.17 Ensuring that the Ministry is provided with information regarding the LCBO, as the Minister may require or request to carry out the Minister's responsibilities;
- 14.1.18 Meeting with the Deputy Minister monthly, or as required, and maintaining a regular liaison as needed with the Deputy Minister to discuss matters of mutual importance;
- 14.1.19 Co-operating with any review of the LCBO; and
- 14.1.20 Properly exercising any authority of the Board of Directors that has been delegated to the CEO.

15.0 Financial Arrangements

- 15.1 The LCBO is funded from its own revenues and shall be responsible for managing its own financial affairs, subject to the Act, directives that apply to the LCBO pursuant to Appendix B of this Memorandum, and this Memorandum.
- 15.2 Pursuant to subsection 3(1)(m.1) of the Act, the LCBO may establish fees, subject to the approval of the Minister.
- 15.3 Pursuant to subsection 5(2) of the Act the net profits of the LCBO shall be paid into the Consolidated Revenue Fund at such times and in such manner as the Lieutenant Governor in Council may direct.
- 15.4 The LCBO will report to the Minister items, including major capital expenditures as defined in the Act, that could have a significant effect on the LCBO's forecasted transfer to the Consolidated Revenue Fund.
- 15.5 The LCBO will maintain its own bank accounts, and accounting and financial records and reports. Its accounting and financial records and accounting procedures will be based on sound business practices and will be prepared in accordance with Canadian Generally Accepted Accounting Principles until March 31, 2011 and after March 31, 2011 will be prepared in accordance with both Canadian Generally Accepted Accounting Principles and International Financial Reporting Standards.
- 15.6 Financial management controls and information systems and management practices will be in accordance with accepted business, ethical, financial and risk management practices and

standards, to provide reasonable assurance that:

- 15.6.1 assets and liabilities under the management of the LCBO are safeguarded and controlled;
 - 15.6.2 the transactions of the LCBO are in accordance with the Act and its regulations; and
 - 15.6.3 the financial, human and physical resources are managed efficiently and its operations carried out effectively.
- 15.7 In the event that the LCBO intends to enter into any financial arrangements that would increase, directly or indirectly, the indebtedness or contingent liabilities of the Ontario Government pursuant to subsection 28 (1) of the *Financial Administration Act*, the LCBO through the Chair will notify the Minister and work with the Ministry to obtain all necessary approvals from the Minister of Finance.
- 15.8 The LCBO will pay the federal Goods and Services Tax and/or the Harmonized Sales Tax as applicable.

16.0 Auditing Arrangements

- 16.1 The Act provides that the LCBO's accounts and financial transactions will be audited annually by the Auditor General of Ontario.
- 16.2 Pursuant to the Management Board of Cabinet Internal Audit Directive, the LCBO shall conduct internal audits from time to time.

Other Audits

- 16.3 The Chair may direct an audit of the financial and/or operational management controls of the LCBO and if so directed, the LCBO shall be responsible for the cost of such audit.
- 16.4 The Minister may direct that the internal government auditors or external auditors conduct an audit of the financial and/or operational management controls of the LCBO and if so directed the Ministry shall be responsible for the cost of such audit.
- 16.5 From time to time, the LCBO may undergo a review initiated at the discretion of the Minister. In requiring a review, the Minister will determine the timing and responsibility of the review, the roles of the Chair and Deputy Minister and the manner in which other parties are to be involved. The results of the review will be submitted to the Minister.

17.0 Staff

- 17.1 LCBO employees are public servants under the *Public Service of Ontario Act, 2006* and are employed under the Act.
- 17.2 Job categories, salary ranges and conditions of employment of officers, inspectors and employees of the LCBO who are not members of an LCBO bargaining unit as defined in the *Labour Relations Act, 1995* are to be approved by the Minister pursuant to the Act and

subsection 9.1.17 of this Memorandum.

- 17.3 Job categories, salary ranges and conditions of employment of officers, inspectors and employees of the LCBO who are members of an LCBO bargaining unit as defined in the *Labour Relations Act, 1995* are to be approved by the Lieutenant Governor in Council, pursuant to the Act.

18.0 Conflict of Interest

- 18.1 The Board of Directors will ensure that the LCBO complies with the conflict of interest requirements of the *Public Service of Ontario Act 2006*, as applicable.

19.0 Business Planning and Reporting Requirements

- 19.1 The LCBO, through its Chair or designate, will provide to the Minister at least the following reports and each will contain, at a minimum and where directed, the information set out in the AEAD, as applicable, and in Appendix A to this Memorandum:

- 19.1.1 Annual Report, which will include audited financial statements;
- 19.1.2 Annual Corporate Objectives and Business Plan;
- 19.1.3 Quarterly Financial Report;
- 19.1.4 Annual Revenue and Dividend Forecasts;
- 19.1.5 Annual Capital Plan covering the LCBO's current Strategic Plan;
- 19.1.6 Strategic Plan;
- 19.1.7 Expenses Reporting;
- 19.1.8 Quarterly status reports on outstanding significant or sensitive litigation regarding the LCBO likely to be of interest to the Minister in the exercise of his or her responsibilities or that is likely to be raised in the Legislative Assembly and/or the media; and
- 19.1.9 Other reports which may be requested from time to time by the Minister.

20.0 Legal

- 20.1 The Chair and the LCBO will ensure that the LCBO's practices and operations comply with all applicable laws of Ontario and Canada.

21.0 Signatures

Signed at Toronto this 18th day of March 2010.

[Original signed by Philip Olsson and Dwight Duncan]

**Philip Olsson, Chair,
Liquor Control Board of Ontario**

**The Honourable Dwight Duncan,
Minister of Finance**

Appendix A Business Planning and Reporting Requirements

Purpose

The purpose of this Appendix is to identify the requirements for the primary reports required from the Liquor Control Board of Ontario to the Minister and, as required, to the Minister of Finance and the Chair of Management Board of Cabinet.

Report	Development and Review
<p>Annual Report to the Minister The Annual Report will contain the following information, at a minimum:</p> <ul style="list-style-type: none"> - discussion of performance targets achieved / not achieved and of action to be taken; - analysis of agency's operational performance; - analysis of agency's financial performance; - names of appointees including the date each was first appointed and the date the current term of appointment expires; and - financial statements that have been audited by the Provincial Auditor, and the auditor's report. 	<p>The annual production/approval schedule is to be developed by the LCBO and the Ministry.</p> <p>The Minister submits the Annual Report in a timely manner to the Lieutenant Governor in Council and presents it to the Legislature.</p>
<p>Annual Corporate Objectives and Business Plan The Annual Corporate Objectives and Business Plan will contain at minimum the information set out by the AEAD Schedule D, and will include an annual financial plan and annual review of the Strategic Plan. At the least the plan will cover the agency's next three fiscal years.</p>	<p>The LCBO will submit the Annual Corporate Objectives and Business Plan, and/or a summary of the primary components as set out by the AEAD, and/or any other business planning document prescribed by the Minister, to the Minister for his or her review and comments prior to its approval by the Board of Directors.</p> <p>Concurrently, the LCBO will submit the above documents, including the annual financial plan and annual review of the Strategic Plan, to the Ministry's alcohol policy branch.</p> <p>The LCBO will submit to the Minister the Annual Corporate Objectives and Business Plan that has been approved by the Board of Directors.</p> <p>Once every three years on a rotational basis and by the end of the government's fiscal year, or at the request of Management Board of Cabinet, the Minister will provide</p>

	Management Board of Cabinet with a copy of the LCBO Annual Corporate Objectives and Business Plan.
<p>Quarterly Financial Report The unaudited statement will include at least a balance sheet; quarterly and year over year sales; statement of revenues and expenses to date; statement of projected revenues and expenses for the fiscal year; statement of cash flows.</p>	<p>The LCBO will provide updated revenue estimates within two weeks after the end of each quarter.</p> <p>The LCBO will submit the report to the Minister and to the Minister of Finance within 30 days of the end of each quarter.</p>
<p>Annual Revenue and Dividend Forecast The Annual Revenue and Dividend Forecast is the mid-year financial performance and forecast report, which will include the estimated net revenue transfer to the Consolidated Revenue fund.</p>	Timing of report set out by the Ministry.
<p>Annual Capital Plan The Annual Capital Plan will include projections of the LCBO's anticipated capital expenditures covering the LCBO's current Strategic Plan.</p>	The LCBO will submit the plan either together with the Annual Corporate Objectives and Business Plan, or as requested by the Minister.
<p>Strategic Plan The Strategic Plan is the LCBO's vision and multi-year plan for achieving it, to be revised by the LCBO as required. It will contain at minimum the information set out by the AEAD Schedule D.</p>	The LCBO will present the plan, and any subsequent revised version, to the Minister prior to sharing it outside government and the LCBO.
<p>Expenses Reporting The LCBO will post on-line, in a process determined by the Ministry of Government Services or its successor, the expenses of its senior executives, starting no later than April 1, 2010.</p> <p>Exceptions to or exemptions from the Addendum to the Travel, Meal and Hospitalities Directive (2009) will be submitted to the Minister for approval by TB/MBC.</p>	The LCBO will consult with the Ministry, or Ministry of Government Services or its successor, as applicable, on the procedures for reporting and posting employee expenses.

Appendix B
Management Board of Cabinet Directives
Applicable to the Liquor Control Board of Ontario

The following directives apply, in whole or in part as set out in each directive, to the LCBO. The Ministry will notify the LCBO of new, amended or revoked directives that apply, in whole or in part as set out in each directive, to the LCBO; however, the LCBO is responsible for complying with all directives that apply, in whole or in part as set out in each directive, to the agency.

Further to section 11.2 of this Memorandum the LCBO may use its own internal policies rather than the requirements set out in a directive if the LCBO is able to provide evidence that its own policies and/or procedures are equally or more stringent than the principles, requirements and responsibilities appropriate to an Operational Enterprise agency set out in the directive.

ACCOUNTABILITY AND GOVERNANCE

Agency Establishment and Accountability Directive (2000)

Disclosure of Wrongdoing Directive (2007; revised 2008)

Government Appointees Directive (1994)

Internal Audit Directive (2002)

BUSINESS PLANNING AND FINANCIAL MANAGEMENT

Cash Management Directive (Ministry of Finance 2004)

Travel, Meal and Hospitality Expenses Directive (2004, revised 2006) and Addendum (2009)

Internal Controls Management Directive (Ministry of Finance 2006)

INFORMATION AND IT MANAGEMENT

Enhancing Privacy: Computer Matching of Personal Information Directive (1994)

Freedom of Information and Privacy Directive (1991)

PROCUREMENT

Procurement Directive (2009)