

PRINCE EDWARD ISLAND LEGISLATIVE ASSEMBLY



Speaker: Hon. Francis (Buck) Watts

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Standing Committee on Public Accounts

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MEETING STATUS: PUBLIC

LOCATION: COMMITTEE ROOM, J. ANGUS MACLEAN BUILDING, CHARLOTTETOWN

SUBJECT: JOINT AUDIT OF THE ATLANTIC LOTTERY CORPORATION

COMMITTEE:

James Aylward, MLA Stratford-Kinlock [Chair]
Jordan Brown, MLA Charlottetown-Brighton [Vice-chair]
Darlene Compton, MLA Belfast-Murray River
Bush Dumville, MLA West Royalty-Springvale
Chris Palmer, MLA Summerside-Wilmot
Hal Perry, MLA Tignish-Palmer Road

COMMITTEE MEMBERS ABSENT:

Dr. Peter Bevan-Baker, MLA Kellys Cross-Cumberland

MEMBERS IN ATTENDANCE:

none

GUESTS:

Auditor General's Office (Jane MacAdam, Gerri Russell, Barbara Waite)

STAFF:

Ryan Reddin, Clerk Assistant (Research, Committees and Visitor Services)

Edited by Parliamentary Publication and Services

The Committee met at 10:00 a.m.

Chair (Aylward): All right ladies and gentlemen, I'd like to call this meeting to order. You have the agenda in front of you. The first thing I'd like to do is call for an adoption of the agenda.

Mr. Dumville: So moved.

Chair: Thank you very much, Bush.

Of course, we have the Auditor General and some of her staff with her today as well to get back into the review of the Joint Audit of the Atlantic Lottery Corporation, which was released back in October of 2016. From my notes, and this is going back quite some time now because we did spend a considerable amount of time on the e-gaming file, I think we were just more or less finishing up section two.

You had given us a fairly good overview of the entire audit, I believe, Jane, if I'm not mistaken?

Jane MacAdam: Yes.

Chair: I'm not sure where you wanted to start today.

Jane MacAdam: I didn't get through the entire presentation.

Chair: Okay.

Jane MacAdam: We had finished part of chapter two and we were just starting the travel, hospitality and board expenses so I hadn't done that part of the presentation.

Chair: Okay, so you're still in your overview then?

Jane MacAdam: I'm still in my presentation.

Chair: Again, if you'd like, we'll hold off questions until you complete your presentation and then we'll move into questions?

Jane MacAdam: Okay.

Chair: Does that work for committee members?

Some Hon. Members: (Indistinct)

Jane MacAdam: There are three sections; there's the travel, hospitality and board expenses. Then there's a section on contract management and procurement of services. I can stop at the end of each one of those for questions if that's what you'd like.

Mr. Dumville: What page are we on?

Jane MacAdam: It's on page 51.

Mr. J. Brown: We were asking questions through the presentation, I think, last time. Were we not?

Chair: Yes.

Jane MacAdam: Yeah, there were questions throughout the presentation.

Chair: Yes.

Jane MacAdam: This is sort of where we –

Ms. Compton: I read through it again and I do have some (Indistinct) chapter two, because we had just received the report at that time.

Jane MacAdam: Yes.

Chair: Yes.

Ms. Compton: Yeah, anyway. But, if you want to go ahead and go through it and then go back –

Chair: Yeah, I mean, if members want to ask questions throughout, just again, please indicate by letting the Chair know and I'll make sure you're on the list.

Jane MacAdam: Okay.

Chair: Thank you.

Jane MacAdam: Page 51, Travel, Hospitality, and Board Expenses: "Approximately \$4 million was spent on travel, hospitality, and Board expenses over the audit period." Our audit period was April 1, 2013, to August 31st, 2015. In files we tested, 92% were non-compliant with at least one requirement of the policy. Atlantic Lottery Corporation's "...policy does not identify when alcohol might be an

appropriate expense.” Some expenses were not properly approved. They were missing receipts and there were inadequate documented explanations in some cases.

We recommended that ALC:

“should revise its travel and expense policy to:

- address whether alcohol is an acceptable expense;

- require meeting and entertainment expenses to be preapproved; and

- address appropriate approvals for Board member and CEO expenses.”

The Atlantic Lottery Corporation responded and they agreed with our recommendation. They advised that they have updated their travel and expense policies in June of 2016 and the updated policies are available on the website.

We had some issues with stakeholder relations spending: “...approximately \$73,000 claimed for tickets to various sporting events and concerts which were used for stakeholder relations.” “...\$14,000 for 125 tickets to the 2014 Cavendish Beach Music Festival” over and above the tickets received as an event sponsor. “...\$48,000 for 300 tickets to the 2015 AC/DC concert in Moncton.” In which 26 tickets were given to government officials. These expenditures by ALC do not demonstrate an appropriate use of shareholder money.

ALC is a major sponsor of the Cavendish Beach Music Festival and as a sponsor the corporation received 270 tickets. ALC purchased an additional 125 –

Mr. Palmer: (Indistinct)

Jane MacAdam: – and distributed –

Chair: Sorry Jane. Chris Palmer.

Mr. Palmer: Jane, I have a question about – so with that recommendation is it – I’ll look at the ACDC one as an example, the \$48,000. Is the issue with that one because they bought 300 tickets or because they gave 26 of them away to government officials?

Jane MacAdam: Well there is a policy for sponsoring events so we didn’t have an issue with that policy.

Mr. Palmer: Yes.

Jane MacAdam: Our issue was that these expenditures, they do not demonstrate an appropriate use of shareholder money. They couldn’t demonstrate why they purchased these tickets.

Mr. Palmer: So it’s not necessarily who they gave them to, it’s the fact that they actually bought 300 of them –

Jane MacAdam: Well, it’s they –

Mr. Palmer: – and then whoever they gave (Indistinct)

Jane MacAdam: – bought tickets over and above the sponsor.

Mr. Palmer: Thank you.

Chair: You’re welcome.

Jordan Brown.

Mr. J. Brown: I’m curious about this too. I don’t know. Maybe I’ll take it back and provide some kind of – bouncing context off you and see kind of what your thoughts are. I’m curious as to the overall context in which this recommendation has been looked at or made.

The ALC, overall, we all know is a lottery corporation that is owned by the four Atlantic provinces. It is sponsoring these events. It’s obviously decided that it would be a good idea, perhaps, for marketing reasons germane to the promotion of its own products, or perhaps for marketing reasons showing what it turns back to the Atlantic Provinces by investing in these big tourism draws for the Atlantic Provinces. It is sponsoring the events and it looks to me like buying tickets.

I’m wondering: Is it that there’s not a policy to delineate what its objective should be in sponsoring these events or in, basically, turning money back outside of its shareholder allocations to the provinces? Or, is the issue just simply buying tickets without a stated kind of reason? I’m not sure

if you get what I'm saying there. All kinds of businesses would buy tickets for probably multiple reasons when they buy them to charity events and whatever else. It might be for a tax receipt. It might be to promote their business. It might just be to give back to the community and ALC, whom we all know to be a good corporate citizen, could have all those kinds of reasons there too.

I'm wondering if what you're saying is: You don't have anything to say what those reasons might be so you shouldn't buy tickets until you figure that out. Or, is it just overall: You shouldn't be buying tickets.

Jane MacAdam: If you go to paragraph 3.36 we say: "As a sponsor of the 2014 event, the Corporation received 270 tickets". So they received those tickets as a sponsor, so that's not – we don't have an issue with that because they have a policy on sponsoring events. But in this case, the 125 tickets that we're talking about were in addition to the 270 tickets that Atlantic Lottery Corporation received as the sponsor, so they purchased an additional 125 tickets. We were unable to satisfy ourselves that the corporation appropriately determined why the extra tickets were purchased and the value received from their distribution. It wasn't clear to us why the extra tickets were purchased. They didn't have an explanation.

Mr. J. Brown: Right. I guess just to follow along on what I'm saying, and I mean, just looking even at the numbers. One hundred and twenty-five tickets would strike me that it's not a: We needed a ticket for Jane and a ticket for Chris and a ticket for James –

Chair: I didn't go.

Mr. J. Brown: – and whatever else. Nor did I for the record.

Ms. Compton: Neither did I.

Chair: Not a country music fan.

Mr. J. Brown: It looks like they basically sponsored the event for a certain amount and then they sponsored the event for another 125 tickets, you know what I mean?

Jane MacAdam: They purchased an additional 125.

Mr. J. Brown: Yeah. They may have in their – I don't think this to be the case. I'm just surmising based on this some of the possibilities. But they may have had a budget for sponsorship of events and a budget to purchase tickets and overall it's supporting an event that's going on that's driving tourism in the Atlantic Provinces.

I guess what I'm wondering is: If that was the case, would that be okay? Or is it an issue that they don't have a policy in relation to why they would purchase tickets overall that is the problem?

Jane MacAdam: They told us they believe events such as these concerts, and we say it in 3.38, "...provide an opportunity to engage with stakeholders in an informal setting." So, it's stakeholder engagement is the explanation. But, "...management have not supported this by facts or analysis."

They're saying it's stakeholder engagement, but what stakeholder engagement are they referring to? It wasn't clear. They didn't support it with any facts or any analysis. They do not know whether the tickets were actually used by the stakeholders who received them. Therefore, they cannot demonstrate value for money. That's what we concluded.

We made a recommendation that they should not buy concert tickets to give to government and elected officials in an effort to simply improve stakeholder relations. They responded. They said they: Will immediately revisit this practice and will ensure any hosting of government officials is extended only where detailed and clear business rationale is present. There was no clear business rationale in this case and they agreed with that.

Mr. J. Brown: I guess what I'm wondering to kind of take it back to the other side, if they had – and I appreciate they don't so I don't know whether or how you can answer this question – but if they had a policy on tickets to say: You can buy tickets to community events to support it for this purpose or that purpose or whatever. Would that be a legitimate expenditure in your eyes in that light? I realize what you're saying about government tickets and that kind of things, but tickets overall. I guess to go back again, there has been a lot of tickets

purchased over the years to various charity events and all those sorts of things and I'd hate to see us saying as government, you can't have something like ALC purchasing tickets to anything anymore because it's not proper.

Jane MacAdam: That's not what we're saying here. We're saying they do have a policy for sponsoring events. We're not questioning that. These are tickets that were over and above the sponsorship and they couldn't provide a rationale as to why these tickets were purchased. I think that's a different situation.

I mean an entity has a – they can establish their own policies in terms of what events they want to sponsor and if they have a business rationale for doing so, then we're not questioning that.

Mr. J. Brown: Basically, get a policy with a business rationale.

Jane MacAdam: They do have a policy of sponsoring events, but these were over and above that.

Mr. J. Brown: Yeah, no, I mean –

Jane MacAdam: Then, if you were going to do something over and above that for stakeholder relations it has to be clear what the rationale is. What's the business rationale for doing so? If you're going to engage in stakeholder relations at a concert and you're not sure if the stakeholder is even going to be there because you don't know who got the tickets and whether they used them. I mean, that's not really a good rationale for spending the money on stakeholder relations.

Mr. J. Brown: Bottom line, if were to recommend that they put in place a policy for the purchase of tickets and perform some kind of a review to ensure that they are getting value for their money, that would be something that would make sense to you?

Jane MacAdam: Yes, I think the value for money is the key in a business rationale.

Mr. J. Brown: Thank you.

Chair: Darlene Compton.

Ms. Compton: Thank you, Chair.

Just on that note, I mean I understand the policy with sponsorship, so again, to clarify, the 125 additional tickets. If you could say, well, we have the 270 tickets and we need another 125 because we are engaging a separate group that we feel they would be interested in something that ALC is doing. To have that in writing for any variance from the rule, that's basically what you're saying?

Jane MacAdam: Yes.

Ms. Compton: So, if you have a policy in place we know it's there. We understand that they sponsor events, but if you're going to purchase tickets or anything above and beyond, that there is something in writing to say why you did it.

Chair: Jane, just a couple of questions on that, myself.

You've clearly stated there was \$14,000 spent for an additional 125 tickets to the Cavendish Beach Music Festival and \$48,000 for 300 tickets to an AC/DC concert. I get the whole sponsorship program and why ALC would be involved in sponsoring these mega events.

What is the monetary value of the sponsorship that ALC would be spending on these type of events?

You have identified what the additional tickets cost, but how much did, say, does their annual sponsorship for the Cavendish Beach Music Festival cost, essentially, Atlantic Canadians because it would be revenue that would be coming back to Atlantic Canadians from revenues generated by ALC.

Jane MacAdam: I don't think I have that dollar. I don't have that number with me, their total funds they spent on sponsoring events. I don't have that.

Chair: That must be in the audit somewhere, though.

Jane MacAdam: I'm sure we could get that; I just don't have it. I can't say what it is.

Chair: I'm curious. Add that to the list at the end because I'd be very interested myself to know how much is being spent on sponsorships.

In 3.37 where you say, "However, 26 tickets were given to senior government officials and elected officials from one of the shareholder governments."

Which of the four shareholder governments was identified there?

Jane MacAdam: That was New Brunswick.

Chair: New Brunswick, okay. Thank you.

Jane MacAdam: This is just our recommendation that they, "...should not buy event and concert tickets to give to government and elected officials in an effort to simply improve shareholder relations."

The next section was on contract management. Overall, contracts were appropriately monitored, but the process needs to be documented. We noted that contracts in general have terms to protect the Atlantic Lottery Corporation. We noted that performance measures were not included in one contract. There was also a contract where there was insufficient detail and specific invoices provided – sorry, specific services provided on the invoices. There was one invoice over \$1 million that was paid without confirmation from appropriate ALC staff that the services were received.

We made four recommendations in that section of the report.

Procurement services: overall, Atlantic Lottery Corporation procures services in an efficient and economical manner, although we identified some areas where improvement is needed.

ALC is generally in compliance with its purchasing policy, but we identified instances in which the policy was not followed. There was one instance in which a public tender should have been used to select a supplier, but was not.

There were instances in which conflict of interest declarations were not obtained prior to selecting vendors.

I guess some of the chapter highlights, and this is the non-governance chapter.

There were significant pay increases for executives without consulting the shareholder governments. Travel, hospitality and board expenses were not well managed.

There were 12 recommendations in the non-governance section. We noted that ALC has now started to post some salaries on their website.

Some overall highlights for the report; ALC is a good Atlantic initiative. We hope this report and our 25 recommendations will encourage necessary changes to ALC's governance framework and operating practices. We were pleased to see that ALC has already started to implement our recommendations.

That's sort of the presentation.

Chair: Questions?

Darlene.

Ms. Compton: Thank you, Chair.

I sat down and re-read the report again. It's been a while since we went through this and I'm sure you folks did as well, it's hard to retain it all but if we could just go back to chapter two, there are some questions that I have and bear with me. I know some of it maybe we touched back on November 1st. Starting with the Newfoundland AG declined to participate in the government's section. Why was that?

Jane MacAdam: That he didn't work on the assignment?

Ms. Compton: Yes.

Jane MacAdam: At one point he was deputy minister of finance in Newfoundland and he was on the ALC board. It was prior to the scope period of this work, but we didn't want any appearance of – we wanted to make sure there was independence and we didn't want any appearance of –

Ms. Compton: And there's not a separate Crown corporation in Newfoundland? It's through the finance department?

Jane MacAdam: It's through the minister. I believe it's the minister of finance, yes.

Ms. Compton: Is it typical for a Crown corporation to go 20 years between audits? Is there any kind of – do you look at timeframes as far as –

Jane MacAdam: There is a financial audit done every year on the Atlantic Lottery Corporation, but as far as a performance audit like the one that we have done here – it's quite an undertaking. It involves coordination among the four legislative audit offices. It's quite a bit of – there are a lot of logistics involved and each audit office has to have it in their timeline.

Ms. Compton: What caused Nova Scotia to audit ALC in 1996?

Jane MacAdam: In 1996 there was work conducted by various audit offices. Nova Scotia and New Brunswick did some work at that time and we participated, but not to the same extent as they did. We did some work on file reviews. We were involved in the planning, but we didn't dedicate as many full-time resources to that audit.

Ms. Compton: Back, I guess it was back then, Nova Scotia made 30 recommendations, most concerning governance and management control. Here we are, I think, facing the same problems today which were identified 20 years ago. I understand the complex structure of ALC and involving the four provinces, but if it is some kind of an entity that we can't really seem to control then we've definitely got problems. I'm just wondering why we keep going back to this. I understand ALC is an entity of the four provinces, but you said yourself: Trying to coordinate those four provinces working together is obviously creating some issues. I'm just wondering if you have any comments as far as the suggestions that were made by Nova Scotia and the recommendations, and are we carrying through on those with all four provinces?

Jane MacAdam: We made a number of recommendations here to the shareholder governments and they responded. They have a joint response to our recommendations and in all cases; I think there was one where they disagree, but in all cases they agree with the

recommendations so they are working together to address the recommendations.

Ms. Compton: How many of the recommendations that were brought forward in this Auditor General's report were also part of the recommendations back when Nova Scotia did it? Or do you have any idea?

Jane MacAdam: I'm not sure.

Ms. Compton: Are we just regurgitating the same recommendations, I guess, is the question?

Jane MacAdam: I'm not sure. I didn't go back and compare each one.

Ms. Compton: In 2.9, I'm just wondering if you could tell us who was interviewed from PEI in the course of this audit. You talk about interviews were held.

Jane MacAdam: Current and former board members? From PEI it was Dan Campbell, was interviewed –

Chair: Sorry.

Jane MacAdam: Dan Campbell.

Chair: Dan Campbell?

Jane MacAdam: Pat Mella was interviewed. Allen Roach was interviewed and Doug Clow was interviewed.

Ms. Compton: Also would like to get a list of all the individuals who were interviewed for the entire audit, and maybe we can make that – is that something we'll need to request at the end, Chair?

Chair: Yeah, I think so.

Jane MacAdam: I'll have to check with the other AG's as well as far as providing all this information, but we can put it on the list for sure.

Chair: Certainly. I'm going to jump over to – I don't know how many more questions you have, Darlene, but Chris Palmer –

Mr. Palmer: Well mine follows up with Darlene's, actually. I'm glad I could get in here now – around the operational audit that

the AG's have done 20 years ago and I think – does ALC need to have the AG do the audit, or can they get an external auditor to do an operational audit every whatever timeframe? Maybe that's a recommendation we can make, is that ALC gets an external auditor to come in and do an operational audit every five years, or whatever it is, because I do understand it is very difficult to coordinate everybody's time, but there are other folks that could do those kind of things. Is that something that – is that possible or does ALC have to be audited by the auditor general's of each province?

Jane MacAdam: They do have a financial audit –

Mr. Palmer: Yes.

Jane MacAdam: – every year. As part of that they could extend that and get some additional work done at that time if they so choose.

Mr. Palmer: Okay.

Jane MacAdam: That's one option because they have an audit firm engaged to do –

Mr. Palmer: The financial side.

Jane MacAdam: – the audit on the financial statements issuing an audit opinion on whether or not the financial statements are fairly presented. They could get their financial auditor to do some additional work periodically that could be one option.

Mr. Palmer: So they could expand their scope of work and include operational pieces around whatever (Indistinct)

Jane MacAdam: Internal controls and financial controls, things like that.

Mr. Palmer: Can we make note of that somewhere, that maybe (Indistinct) we think about as a recommendation that we as a committee can put forward? I assume we're putting forward recommendations because we're going to do a report on it.

Chair: Oh definitely, we will.

Mr. Palmer: Yeah.

Chair: I'd like to comment on that, though, at this time if I could.

I think for proper oversight, it would be best if body, being ALC, wasn't selecting and hiring and paying an external company to come in and do a performance audit on them. I think it's best still that we have a completely independent body that does that type of work. I'm not saying there's anything malicious or anything criminal taking place behind the scenes, but just again, this is taxpayers' money that has been garnered through gaming, tickets, what have you that I think we need to have as much independent oversight as we can.

Mr. Brown?

Mr. J. Brown: I might just ask if Jane can comment on that because having been around audits and that kind of stuff, I'm not so sure that your comments are well directed in that regard.

Jane MacAdam: As far as a performance audit, it's the legislative auditors that have the mandate to do performance audits. It depends what kind of an audit you're talking about. The Auditor General can go in at any time and do a performance audit on Atlantic Lottery Corporation, whether they are invited or not.

For PEI, that's not as clear but I know for Nova Scotia and Newfoundland and New Brunswick, their mandate is probably stronger than mine. I did get special permission through the legislative audit committee and the actual board of the lotteries commission to do this work to participate with the other AG's so it's a little different. At any time the AGs of those other jurisdictions can go in and do a performance audit.

Chair: Go ahead, Chris.

Mr. Palmer: I agree and I think that's a good thing from a shareholder perspective, which is what we are, to make sure that that's going well. From an operational management perspective, shouldn't the board or the CEO say: A 20-year gap in between operational audits might be too long. Can't we go out and find somebody that can help us do that? Whether the board hires somebody to do that operational audit

as opposed to the management hires someone to do it.

I guess all I'm saying is, there must be more – there must be an easier to do an audit then to try to line up all four AGs, which could take 20 years to do. What other gaps in management are happening in there that could easily be resolved if an outside set of eyes took a look at it?

Jane MacAdam: I just want to say one thing. The audit that we did is not an operational audit. It's a performance audit. There is a big difference.

Mr. Palmer: Okay.

Jane MacAdam: When you say, every so many years there is going to be an operational audit, they're not the same.

Mr. Palmer: Can you give me the short version of what's the difference between operational and performance audit? Maybe I'm just using the words interchangeably and I shouldn't. Maybe it should be performance audit then, instead of operational audit.

Jane MacAdam: A performance audit looks at issues of economy, efficiency and effectiveness. It's broader than an operational audit and we look at management practices and things like that.

An operational audit, any audit would have to have a scope. An operational audit could look at something just like internal controls, for example. It may just carve off that particular aspect. An operational audit and a performance audit are not necessarily synonymous. I guess I just want to point that out.

Mr. Palmer: That may be my fault. Inside my head, they were. So now I know that performance audit is really what I should have been talking about. Should we have someone come in? I guess the recommendation could the board look at that to see if that's a good solution? I think that's all I really wanted to do was just to recognize there are other people, there are other folks, that could probably help in management of ALC and the board could ask for that and maybe that could be our recommendation.

Chair: Okay.

Jordan.

Mr. J. Brown: In a way, just following up on this point. Honestly, I can't remember what section of the report it was in relation to it at this point in time. But I know one of your findings was that there was basically a lack of definition of possible issues conveyed from the management portion of the ALC up through the CEO and to the board in relation to the investment that they were investing in, which leads me to wonder what level, kind of an activity the board of directors in the ALC have in terms of the day-to-day operations of the ALC and what the province is expecting of them.

To Chris' point, given all of that, what's being done to ensure there is an adequate level of communication and that fiduciary duties are being met back to the provinces and all that kind of thing?

Jane MacAdam: There was a section of the report on the sort of board operations. I'm just looking for board governance. As far as the board itself we concluded that they have adopted and continued to implement many best practices related to board governance in terms of the board and how it operates.

Mr. J. Brown: Yeah.

Jane MacAdam: We did observe some oversights, some gaps in the oversight role. Is that what you're referring to? In general they have some strong practices, right?

Mr. J. Brown: Yeah.

Jane MacAdam: Where they nominate an independent board chair; they conduct annual board evaluations; they make good use of subcommittees; they orient new members. There are some good practices around the board.

Mr. J. Brown: Part of what my question relates back to and anybody that's had experiences with the interaction between boards and the operations of an entity would know that some boards are very active in directing the operations of the entity. Some boards are more hands-off and they would dictate policy and expect a strong reporting back to the board as to how that has gone.

But they're not actively you know, kind of – I shouldn't say they're not actively questioning what was done because that's often a big part their role, but they're not actively – say they were running a manufacturing facility you might not even see the board of directors on the floor of the manufacturing facility ever because that's not necessarily their role. Their role is to look at how the overall operation has gone and direct its present and future.

I'm wondering, just in terms of the connection between the board and ALC, if you can speak to that?

It seems to me more like ALC has a senior management group and a CEO that are doing most of the running and would kind of go to the board for approval of certain things at a higher level in terms of strategic direction, but by in large, they're driving most of what's being done on a day-in-day-out basis.

I guess if I was sitting on that board something that I would wonder about would be, okay, well, they're doing all of that stuff, or they're saying they're doing it, but are we sure that what is being said to us, particularly after we see some of the stuff that you've uncovered in this is what is being told to us, actually what is happening a good portion of the time and what internal controls do they have to ensure that's the case and it's being reported back to us as it is versus as they think it might be.

Jane MacAdam: The example that you're referring with the Geonomics that's clearly one example where there was poor communications or a disconnect between what information that management had and what the board had. I don't know that I have any other examples that I can provide in terms of –

Mr. J. Brown: I guess what I'm kind of driving at is are there recommendations that we should perhaps be looking at in terms of – and back again to Chris' point whether you call it a performance audit or an operational audit – if you're on the board, basically what could they be doing to start asking questions about these details to ensure that what they're being fed from time to time has had the appropriate due diligence and legwork done to result in some kind of a

recommendation being put to the board that they decide on this or that.

Should they be having some sort of outside source come in and look at decisions that involve investments over a certain amount or certain impairments of capital or whatever might be the case.

I guess if I'm a director on a public board I'd be wanting to make sure that what I'm getting is good information and it would probably worry me that what I'm seeing is really right from a lower management level I'm not getting that. I'd be wanting to put in place something to make sure that in the future I do get that.

Jane MacAdam: We did make a recommendation around – there are some recommendations on page 34, where we're saying, "When evaluating new or unusual business ventures, the ALC Board should critically evaluate the relevant experience and skill sets on the Board. As needed, the Board should supplement missing skills with contracted, independent, thirdparty support."

When major decisions are being made it's incumbent upon the board to determine whether or not they believe that the skill set of the board members is adequate to make that decision where needed. If there are gaps or deficiencies and it's nothing against any board member, but it could be a very complicated contract or a very risky decision as we observed with Geonomics. That, in those cases, they seek out additional third party advice and information.

We did bring that up as part of the audit that it doesn't necessarily have to be every single decision, but for key decisions that have a big impact on the organization, they should engage outside sources to make sure they have enough information to make a good decision.

Mr. J. Brown: Even at that wouldn't it still be garbage in garbage out? If they did not have a full slate of disclosure done in terms of the pros and cons of investing in Geonomics that goes up through the CEO to the board for a decision, and you have an outside firm come in and look at the pros and cons of the variables that have been presented to them. They don't have the full

list of variables in the first place. They're still going to be churning out probably the same kind of analysis that was given to them because they don't have the appropriate due diligence legwork done in the first place. I guess that's what I'm – there seems to me to be a gap there between on the ground operations and what the board knows about, and that. I was a director on the board I'd be hugely worried about that for my own sake because it puts them at risk anytime there is a decision being made.

Jane MacAdam: We didn't look at, operationally, day-to-day how management and the board interact day-to-day, but we point out some examples where it did work well. We focused on significant decisions.

Mr. J. Brown: Are there other public bodies that you're aware of that would have kind of a procedure that's set-up that (Indistinct) could look to, to see how that would maybe ideally work?

Jane MacAdam: There are lots of good governance best practices out there in terms of processes and structures around good governance and information for good governance. What kind of information should be provided to the board on a regular basis and what constitutes good information. How often it should be provided. There are lots of best practices out there around governance.

Mr. J. Brown: Thank you.

Chair: I had Darlene next on the list, and then Chris.

Ms. Compton: Thank you.

Just back to the people you interviewed. I'm just wondering why Wes Sheridan was not part of your interview list?

He was the minister responsible.

Jane MacAdam: Pardon?

Ms. Compton: Wes Sheridan was minister responsible at the time and he wasn't part of your interview list?

Jane MacAdam: In all cases we interviewed the most – the current one when we were doing the audit, the current

minister. For all jurisdictions all ministers were interviewed in all provinces and it was the current minister.

Ms. Compton: Getting back to 2.14, you mentioned earlier Newfoundland; they choose to hold their ALC shares in the Department of Finance rather than creating their own provincial Crown agency like the other three provinces.

Can you speak to that, at all, as to why they would do that?

Jane MacAdam: I'm not sure exactly why they have chosen to do that. It was a policy decision that they made rather than having it through their provincial gaming corporation. They don't have a provincial gaming corporation in Newfoundland, so that's one of the reasons why it would be through the minister.

Ms. Compton: I would think it just makes it a little more complicated as far as ALC –

Jane MacAdam: Just another layer.

Ms. Compton: Yeah.

Jane MacAdam: Yeah.

Ms. Compton: In 2.17 you talk about the unanimous shareholder agreement and it's mentioned that ALC has a broader mandate than the USA.

I'm just wondering how that came about? How, if you have a shareholder agreement and that's what ALC should be using as their mandate, why have they adopted even a broader mandate, I guess?

Jane MacAdam: The unanimous shareholder agreement, it just provides the authority for ALC to manage, conduct or operate lotteries on behalf of each of the provinces. ALC can set a strategy that is broader than that.

Are you asking why it's broader?

Ms. Compton: Yeah, you know it was stated they've adopted a broader mandate than the USA. You made that statement so I'm just wondering why that statement is there. Obviously, there must be some,

maybe not concern, or just questioning why they go outside the USA.

Jane MacAdam: The mandate, it's to achieve the objectives of the organization, which is to responsible gaming and generating profits.

The USA just sets up the framework for them to work together jointly on gaming. The strategy for ALC is sort of a blueprint on how to move forward together as an organization to generate profits and grow the organization.

Ms. Compton: That would be typical that a Crown corporation would unilaterally decide to broaden its own mandate from whatever agreement is in place?

Jane MacAdam: Right, but that's where we get into the input of the shareholder governments and how that has to be done in line with what shareholder governments' expectations are. In some cases that's not clear, I guess.

Ms. Compton: Right. And that's –

Jane MacAdam: That's kind of –

Ms. Compton: – why we're into –

Jane MacAdam: – the issue.

Ms. Compton: – the issues we are.

Jane MacAdam: Yes, right.

Chair: I have Chris on the list, too, but I can come back to you again, Darlene.

Jane MacAdam: Just to follow-up though, we make a recommendation in 2.1 there where the shareholder governments should complete an in-depth review of the mandate, and consider how the corporation fits into each government's gaming policy and public policy objectives.

Ms. Compton: That's kind of where that question was coming from, the fact that there are supposedly parameters in place and they do have a mandate, but yet they're operating above and beyond that mandate, or outside of that mandate.

Jane MacAdam: Right. It's because in some cases, different shareholder governments have different public policy objectives. It's sort of to bring those together and give the organization a clear vision of where to – how to proceed.

Chair: Chris.

Mr. Palmer: Thanks, Chair.

Does the board have a governance committee? It probably says in here somewhere, but I didn't see it.

Jane MacAdam: Yeah, there is a governance committee.

Mr. Palmer: That's all I wanted to ask.

Chair: Back to Darlene.

Ms. Compton: Just continuing on, in 2.21 you talk about a mandate letter was signed by New Brunswick, Newfoundland and PEI. I'm just wondering where the idea for that letter originated?

Jane MacAdam: ALC wanted some clarity on long-term objectives and to get – they had developed a growth strategy in 2009, so I guess they wanted to get clarity on whether or not each shareholder government was on side with that, as well.

Ms. Compton: I mean it says it was more of a letter of intent. It really wasn't binding.

Jane MacAdam: Right.

Ms. Compton: It states that ALC drafted the letter. Was this idea run through the ALC board before it was drafted? Do you know if they would reach out to the board about that mandate letter?

Jane MacAdam: It's my understanding that the board would have been involved.

Ms. Compton: Do you know if there would have been a vote in the board whether to move forward with that because we have three provinces signing on, three of the four provinces signing on, on that.

Jane MacAdam: It was brought forward to the shareholders to endorse and I guess not

all shareholders agreed to sign on and that was the issue.

Ms. Compton: Do we know why Nova Scotia didn't participate?

Jane MacAdam: Yeah, their gaming commission in Nova Scotia, there is a different set-up. There is an agency agreement and they just conduct and manage, but not operate, I believe. It's a little different and that, I think, could have been some of the hesitancy to sign on.

Ms. Compton: Is that something unusual that a Crown corporation would create this, basically, non-binding mission statement where you're really not getting all of the players to sign on. I'm just wondering what the end goal would be because we said that really, what they set out to do wasn't done anyway.

Jane MacAdam: That was an issue. We say early on in the report that the mandate of ALC is not clear.

Ms. Compton: Right.

Jane MacAdam: We have four sets of gaming legislation. We have the mandate letter that wasn't signed by all provinces. We have different provincial gaming corporations. We have different public policy objectives. All that just points to the need for some sort of guidance from shareholder governments on the mandate of ALC. All these factors that you're bringing up are reasons why the mandate has to be clarified.

Ms. Compton: I guess that's what I'm getting at and trying to wrap my head around, how we got from point A to point B and what the role of all of the four provinces are and how much power one has versus another. The fact that Nova Scotia is kind of an operating company, make it to their advantage versus PEI, and the fact that the ALC shares go through the department of finance in Newfoundland, how all of that fits into this picture is what we're trying to (Indistinct)

Jane MacAdam: I guess, you know, that's why governance is such a big issue at ALC. Governance can be a big issue in any organization, but when you have four

different provinces involved in a large corporation it's that much more complicated and it's that much more necessary to resolve in order for the corporation to move forward and to continue to grow in the future, and do responsible gaming, but bring profits back to each shareholder.

Chair: I'm going to move over to Bush Dumville.

Mr. Dumville: I think Darlene has pretty well poured down into this, but I can't understand how the ALC board responsible for a four-province entity could proceed without all players being involved. To me, that would send up a red flag, and to Chris's point: Maybe some recommendation out of this committee that you're in for a penny, you're in for a pound. That the ALC board, when they're evaluating different programs – because I know the CEO spoke to a service club here (Indistinct) 16 talking about the need for ALC to find new gaming strategies and some of the old ones, they die away and you have to always be on the lookout.

I think it's contingent that ALC – I know they are actively seeking out all different aspects of the gaming profession to be on the leading edge of the whole thing, and really in the whole gaming gambit, they're a very small player. They're a big player in Atlantic Canada, but not in terms of North America or the world. But would it be suffice to say that the board that's operating a four-province entity, that if half – 50% of the – two of the four provinces are not on side, it would be good policy for them to move away from that sort of – looking at a particular project?

Jane MacAdam: We have examples in the report here where the board agreed to move forward with certain initiatives. I don't know if that's what you're referring to, but I think it was iPoker and iCasino. But at the end before it was finalized not all shareholder governments agreed and they had to stop the initiative and it was, I think, \$640,000 – it's actually in paragraph 2.57.

These are the kinds of things that can happen when –

Mr. Dumville: Now when, say if ALC was making a pitch to any one of the four

provinces would they be making that pitch telling them that all provinces are on side?

Jane MacAdam: It gets back to the board membership again. We had that issue where there are two board members from each province. One of them is a public servant in each province. I think there's some confusion created in that situation because board members may assume that because there's a government rep on the board they're speaking for the government. But, they also have – if I do share a responsibility to the corporation – it puts them in an awkward position. It can easily happen that boards make decisions and they think they have shareholder government buy-in, but then before it gets approved they find out that: No, there isn't shareholder buy-in.

Mr. Dumville: What kind of a recommendation could we make to prevent that in the future?

Jane MacAdam: We have a recommendation – we say: “Shareholder governments should authorize updated governance structures and processes to reflect best practices for the composition and appointment of Directors”. That is recommendation 2.12 –

Mr. Dumville: What page are we on?

Jane MacAdam: On page 36.

Mr. Dumville: Okay.

Jane MacAdam: In recommendation 2.12 we say: “Board members not be elected officials nor employees of Government.” We talk about best practices for the composition of board members and we also say that: “Shareholder governments should change the role of public servants...” “...on the ALC Board to be non-voting, ex officio members in accordance with best practice.” Board members would be looking after the fiduciary responsibilities of the organization and the corporation and then the shareholder governments would provide their input separately and we had a recommendation on that earlier.

Mr. Dumville: And the next thing says: “Shareholder Response: Disagree.”

Jane MacAdam: Right.

Mr. Dumville: So they disagree.

Jane MacAdam: They disagree with that aspect. They wanted to keep the shareholder representative as a voting member on the board.

Mr. Dumville: Okay.

Jane MacAdam: From the work that we did, it does cause some confusion for the corporation.

Mr. Dumville: Thank you.

Thank you, Chair.

Chair: Next I have Jordan Brown.

Mr. J. Brown: I'll follow up on that a little bit, perhaps. Jane, back to the earlier comments that Darlene was addressing, and just for context throw another kind of variable in there that we on PEI, I think, need to be particularly concerned about which is Red Shores and it's something that affectively is the foundation of an industry on Prince Edward Island that employs a large number of people. Red Shores is run by the ALC, I understand. I gather that's confirmed in here to a certain degree, which would probably be outside the typical ambit of what they would do and in Nova Scotia, I understand, their gaming corporation runs the casinos and that kind of thing over there so they've drilled down kind of another level in that province.

I get kind of where Bush is going with things and overall, I think lotteries in our Canadian federation are something that has been an interesting subject in terms of the regulation of them and the role that government should be playing in them, versus the role that the private sector should have in them. I think, probably, part of the reason I would guess, and I don't have any insight into this other than what I could guess, that the government might disagree that it should be non-government folks that would have all of the voting power on the board, but I would see it that there be kind of a moral mandate that government maintains some oversight of these entities due to the protection of the public interest. Going back to the mandate as described on the top of page 19, I mean that kind of ties back to the protection of the public interest.

I wonder, some of the – like tying those two things together, it strikes me that the lack of a clear mandate would create the potential for problems going forward in terms of, to Bush's point, looking at new investments that you might be entering into and when you don't have a clear mandate, you don't typically understand exactly what it is that you're supposed to be doing. As an example, if you're a member on the board of directors you don't know – just to the conversation we had a few minutes ago – you don't know whether you're supposed to be actively trying to operate this company. You don't know whether you're supposed to be trying to make decisions as to what you go into. You're not really sure what you're mandate is because the mandate has not been clearly defined. It may be different in different provinces.

I take your point that that may be an issue and I wonder beyond that whether it needs to be that all of these things need to be linked back to a mandate, and for the sake of the committee and any recommendations that we might make, I would wonder what impact that might have or if you have thoughts as to what impact that might have on Red Shores and how it operates within the ambit of ALC at this point in time?

If we were to recommend that you need a clear mandate with concise kind of direction that should be looked at in relation to all operational decisions and all potential investment decisions, does that have an adverse consequence for Red Shores going forward?

Jane MacAdam: We have a number of recommendations that are directed towards shareholder governments. We say: "Shareholder governments should define and document their roles, responsibilities and authorities for oversight of ALC." And each shareholder government should clarify or give timely policy direction to ALC.

I think that each shareholder government can – they have to factor in their own public policy objectives and work together to provide a mandate to ALC.

If the government of PEI, whatever their policy decision is for Red Shores, it's important that as the shareholder

government they provide that input into ALC.

That's one of the things we found as a result of our work; there needs to be more clear expectations coming from shareholder governments in terms of what they expect from this corporation. It's up to each shareholder government, based on their own policy perspectives to communicate that, and they need to work together. Shareholder governments need to work together to give a clear message to the corporation.

Mr. J. Brown: Should that be something that – I guess what I'm wondering is, should they have a clearly defined mandate that is kind of agreed to or revisited at the corporate entity level every year, or four years or whatever it might be, and then all decisions feed back into that? Or is it something that we're basically saying: this is on an ad hoc basis. We would have to look back at our mandate and determine what input we should get from our governments as to what they want us to be doing?

I guess what I'm saying is, one provides a clear direction for an organization overall, the other seems to be, you know, our direction will be determined on a decision-by-decision basis. Back to Bush's comment that leads to, well, two of us want to invest in something, but the other two don't because it doesn't fit within our government objectives.

Jane MacAdam: Right. We talk about this in the report. There's a balance between an organization that has autonomy, wanted to have autonomy, and be able to make decisions for it to achieve its objectives. At the same time there has to be the public policy decisions of government. There has to be transparency and accountability back to the shareholder governments. There is a balance there, but the mandate of the organization needs to be clear and it has to be based on shareholder expectations. I think that's the point that we drive home around this governance piece.

Because we have examples in the past where a couple of shareholders signed on to an investment like Geonomics and other shareholders didn't. That's one big example. I think originally when the corporation started it was all shareholder governments

were working together on the same initiatives. That is something they will have to sort out.

Mr. Dumville: I think there is a certain amount of protection in there. If there was some sort of rule that you're operating on four entities and you can't slice and dice. Even if we missed a good one, or it might prevent us from picking up a bad one going forward, especially, with ALC looking, if there's such a transition in their business according to this gentleman that spoke to the service club. If you listen to him you'd think: Oh, my gosh this is great. It's on a roll. I don't know how we stick that rule in.

The other thing is, I guess, we have our representatives on there and then we have a minister, but the final approval whether we're in or out of something has to go to Cabinet.

Jane MacAdam: Yeah.

Mr. Dumville: What kind of a recommendation is going to Cabinet? I think Cabinet would feel a lot more comfortable if all were in and not half were in. I'm just curious: What kind of advice did our Cabinet get in regards to we're all in, originally, or not?

Jane MacAdam: With Geonomics?

Mr. Dumville: Yes.

Jane MacAdam: It was approved by Cabinet.

Mr. Dumville: Yes, but what advice did they get? Did they get, everybody's in, or only two provinces are in?

Jane MacAdam: No, at that time, PEI was the first province to sign on, so I'm not sure. I don't know what they were told. I don't know if they were told that it's expected the other three are coming on board. I don't know.

Mr. Dumville: Maybe government, for their own protection, has to give advice and work out with the other three entities that we're all in, or we're not all in. Especially, when this corporation has got a very substantial mandate to go out and look for new gaming opportunities.

In the gaming industry there is always big risk. I think it would be nice if it was assessed as a complete entity as you can't go helter skelter; in for a penny, in for a pound.

Jane MacAdam: Right. I think that's where the guidance from the shareholder governments has to come. I think if the shareholder governments said that to the organization, to ALC then that would be a clear direction that they would have.

Mr. Dumville: Should it be a recommendation coming out of this committee?

Jane MacAdam: We have a recommendation here: "Shareholder governments should define formal expectations for ALC that are clear and publicly communicated."

If one of their expectations is that, like you say, we're either all in or we're not on major – that could be a performance expectation that is given to ALC.

"These performance expectations should be updated annually as part of the shareholder governments' oversight and strategic direction."

Jane MacAdam: I think there is a recommendation there that those performance expectations be outlined by shareholder governments and it could, in fact, include what you're talking about.

Mr. Dumville: Okay, thank you.

Thank you, Chair.

Chair: Jane, I just want to clarify something there. It's to continue on with what Mr. Dumville was speaking about with regards with Cabinet approval or Order in Council.

My understanding, I believe, back in November, you had told us that there was an Order in Council approving that this move forward?

Jane MacAdam: No, it was an executive – it was approved by Executive Council.

Chair: By Executive Council.

Jane MacAdam: I don't know if it was an Order in Council.

Chair: We asked for and received a copy of the legal opinion from McInnes Cooper written by Gary Scales to the hon. Wesley Sheridan on October 26th, 2011.

It appears to me that we don't have to have a specific Order in Council to approve a project, that there is already a provision in place for the lotteries commission to go on their own and approve participating in the new product.

This was roughly \$4.3 million of future revenues, or essentially monies that would have come to PEI that didn't have to get a specific approval by Cabinet, that it was approved by lotteries commission. Is that correct?

Jane MacAdam: But it was approved by Cabinet. There was a Cabinet approval. The legal opinion said that there didn't have to be Order in Council.

Chair: Right.

Jane MacAdam: But there was approval by Cabinet before the investment was entered into.

Chair: Did Cabinet, to your knowledge, receive any expert advice from someone that's knowledgeable within the gaming world, whether or not it would be a good idea to proceed with this or not to proceed with it?

Jane MacAdam: The minister of finance, the former minister of finance, did seek some investment advice.

Chair: Who did he seek that from?

Jane MacAdam: It was McInnes Cooper.

Chair: Do you know who at McInnes Cooper would have had this –

Jane MacAdam: It was Mike O'Brien.

Chair: Mike O'Brien.

Jane MacAdam: Yeah.

Chair: Interesting, okay.

Would you deem Mike O'Brien to be an expert in the gaming world? That he could advise the government or the lotteries commission that this would be a good venture, moving forward?

Jane MacAdam: Well, he provided some information. He looked at some information and provided some comments. He certainly didn't make – he didn't issue a formal opinion on whether or not it was a good investment.

Chair: Do you have access to that opinion that he provided?

Jane MacAdam: I did look at the document. It wasn't an opinion. It was just – he took some information and provided some commentary. I wouldn't call it an opinion.

Chair: Does Mike O'Brien also sit on the lotteries commission here in Prince Edward Island, or did he at that time?

Jane MacAdam: Not at that time.

Chair: Does he currently?

Jane MacAdam: No.

Chair: Was he at one time on the lotteries commission?

Jane MacAdam: When he was the deputy minister of finance he would have been on the lotteries commission.

Chair: Okay, thank you.

Darlene Compton.

Ms. Compton: Thank you, Chair.

Just a couple of things, I want to go back to comments made by Bush there about all in or the autonomy that each province would have, especially with Red Shores. We know why the province is involved with Red Shores. We want to continue to be the Kentucky of Canada, which is really important to the province and to all of the spinoffs from that. I don't know whether – again, it's that balance. I think that's a totally different issue than Geonomics and the fact we're all in or we're all – that's broad-reaching and I'm of the understanding

that all of the expenses with Red Shores, we incur those as a province?

Jane MacAdam: Yes.

Ms. Compton: Yeah, that goes through – that’s part of our profit.

Jane MacAdam: Profit distribution, yeah.

Ms. Compton: Right. I think that’s a totally different entity and again, I think it comes back to balance so recommendations we make, I think we have to be very careful about that and especially with what we have. I think if all of the Atlantic Provinces were able to do some type of Red Shores model, we’d be in a much better place, especially for rural communities.

A while back you touched on, Jane, your need for approval of the legislative audit committee to do this audit and I’m just wondering: Your, I guess, mandate – do other AGs in other provinces need that same approval? Do they have a stronger mandate or a different mandate? I just want to clarify that.

Jane MacAdam: I should clarify: I went to the legislative audit committee to seek approval to table my report outside my normal tabling schedule. That was one thing, but in the bylaws – I believe it’s the bylaws of the lotteries commission. There is a provision to ask the Auditor General to participate in an audit of Atlantic Lottery Corporation. It was through that clause that I got the mandate to work with the other AGs to do this assignment. The AGs in the other jurisdictions have more direct mandate to audit Atlantic Lottery Corporation, to do a performance audit.

Ms. Compton: Is that something that we maybe need to recommend as a committee, that you have a clearer mandate and more power to do that?

Jane MacAdam: It would be helpful. I had to go through a different process than the rest of the AGs did.

Ms. Compton: Which is a stumbling block to begin with for your department. I just wanted to clarify that.

Back to 2.23, the shareholder agreement, it has a requirement to be reviewed every three years by the shareholder governments and was last reviewed in 2007?

Jane MacAdam: Yes.

Ms. Compton: Can you elaborate on what reasons were provided why our governments didn’t really update this agreement for 10 years?

Jane MacAdam: It got postponed. In 2012, we say in 2.25: “...further review was put on hold pending the governance reform initiatives ALC was pursuing...” ALC was pursuing some governance work. They had a governance committee and they were looking at new governance structure so that was part of the reason for putting it on hold. ALC did some work on it and presented it to the shareholder governments, but it just didn’t get done.

Ms. Compton: There seemed to be a few false starts or –

Jane MacAdam: Yeah.

Ms. Compton: – starts and stops, you know?

Jane MacAdam: Exactly. Started a few times, but then it was – it just didn’t get completed.

Ms. Compton: Was that because of the specific government’s reform that they were trying to initiate?

Jane MacAdam: I think the governance reform was part of it, for sure.

Ms. Compton: Do you know if it involved online gaming?

Jane MacAdam: Not to my knowledge. I don’t necessarily think that was the specific reason. They were looking at the growth strategy, though. There was a growth strategy that they had in 2009. ALC had developed a strategic plan and there was some uncertainty with that. There were a number of reasons it just did not get done, but under the unanimous shareholder agreement it’s supposed to be reviewed every three years.

Ms. Compton: That's why I ask whether it had to do with online gaming, because we know that the gaming industry is changing and obviously that was part of, probably, why they went that way but I just wondered if you knew of any of the specifics as to whether it was around online gambling.

Jane MacAdam: I don't think it was specifically that.

Ms. Compton: In 2.26, it says you found a disconnect between ALC's desired commercial strategy and what the governments were actually willing to approve. Can you kind of elaborate on the disconnect?

Jane MacAdam: In this case here, ALC was pursuing a growth strategy and they were interested in sort of lines of business outside their traditional area, like iCasino and iPoker. They were interested in expanding into those areas and this is one of the examples I talked about before. ALC believed they had shareholder buy-in and it could have been because the board members around the table, they assumed they were speaking on behalf of government so they were pursuing it. But before it was finally approved shareholder governments did not support it. That's the disconnect. There's a disconnect between what the board of ALC wanted to pursue and what the shareholder governments agreed to in the end. In this case, there was money invested, I think we say \$640,000 invested and then they had to stop work on that initiative.

Ms. Compton: It comes back to that, as Bush mentioned, in for a penny, in for a pound if you're looking at big-picture projects in ALC?

Jane MacAdam: Right, and if you're going to invest, you need shareholder government approval early on before you start working on an initiative that they don't support.

Ms. Compton: With the iPoker and iCasino, it's my understanding there was no province signed off on the Internet poker or the casino games at all? There wasn't any province that was interested in that?

Jane MacAdam: There were some that were interested, but at the end –

Ms. Compton: They never did sign off?

Jane MacAdam: – it never did move forward.

Ms. Compton: And that's where the \$640,000 was incurred?

Jane MacAdam: I'm looking for the number. It's in the report.

Chair: Are you looking for the \$640,000?

Jane MacAdam: Yes.

Chair: It shows up on top of page 29 there, or back on 28, 2.57, where it talks about the write-offs and capital expenditures totalling \$640,000.

Jane MacAdam: Right.

Chair: Question for you there, Jane: That \$640,000, would that have been evenly split between the four shareholder provinces?

Jane MacAdam: I believe it was split using their 30/30/30/10.

Chair: Oh, okay.

Darlene, did you have anything else?

Ms. Compton: Yeah, according to public record, ALC spent in the range of 3 to \$4 million between 2009 and 2011 on online poker and casino game development. This figure doesn't include any work from 2012 onward.

I'm just wondering how ALC could spend that much public money without the scheme being approved by the shareholder governments. How do you get in that far without having any kind of agreement? Can you elaborate on that? That's a lot of money from the public coffers on just ideas.

Jane MacAdam: What was it spent on again?

Ms. Compton: Three to four million dollars between 2009 and 2011 on online poker and casino game development.

Jane MacAdam: They do have some online games to my understanding. There are some online games that you can go on the website

now. I'm just not sure what games that refers to.

Ms. Compton: My understanding is that this was public money spent and nothing was approved from that amount. This was just research done to see how much was spent on development, is basically what it is. What checks and balances would be in place through ALC or the board to ensure that once you go down a road so far –

Mr. Palmer: Are those numbers in here?

Ms. Compton: No, it's research that we did.

Mr. Palmer: Oh, okay.

Ms. Compton: Yeah.

Mr. Palmer: From reports, annual reports?

Ms. Compton: Well, from – yeah
(Indistinct)

Mr. Palmer: (Indistinct)

Jane MacAdam: I'm not sure. I don't have that number.

Ms. Compton: I'm just trying to get a feel. We know ALC, in some ways, is becoming you know the old school of gaming, and we're trying, as all four provinces, trying to still recoup the profits that we got through that company. As Crown corporations or as provinces and as a board, what checks and balances are in place to ensure that we don't keep going down rabbit holes and not coming out with a winner.

Jane MacAdam: Yeah.

Ms. Compton: I guess that's my concern. Whether that was addressed at all with what you did with the audit in your talking to board members or interviewing Prince Edward Islanders, too, that were involved.

Jane MacAdam: I don't know that we would have – that example that you're pointing to, I don't know if that would have been – I know that we didn't get into that issue. In general, I mean all of the recommendations that we make around governance to the shareholder governments and to the board in ALC, at the end of the day that's what you want. You don't know

your organization investing heavily its resources into initiatives that are not going to be supported.

We use a couple of examples here, the \$640,000 for those online games that the shareholder governments didn't support. But certainly if there was other examples I think you can – the message is the same. Whatever the examples are I think it speaks to the need for shareholder governments to be in agreement before large dollars are invested in any initiative.

Ms. Compton: Again, I'll come back to Red Shores and how that plays into this big picture because we need that balance, right?

Jane MacAdam: Right.

Ms. Compton: I guess I would look to where, in their mandate is, provinces have the autonomy to do what they want to do, but yet, we all need to be all in for other things and who decides what those other things are?

Jane MacAdam: Right. I guess that goes back to the shareholder governments and their expectations.

Under the unanimous shareholder agreement you can have different arrangements. Nova Scotia has a different arrangement. It has an agency agreement. PEI has an agency agreement for Red Shores. The framework that is set-up allows provinces to have different arrangements to achieve their public policy objectives.

In this case, Red Shores. We want to have Red Shores. Not every province may want that. That's a policy decision around sort of casinos and things.

Shareholder governments have to decide at what level those expectations are. You can have those kinds of things under the unanimous shareholder agreement, but maybe if you're talking about getting into new initiatives like online gaming or things like that, that certain expectations where you have to have all provinces agree. And then in other cases it's not necessary for all provinces to agree.

Ms. Compton: I guess I'm asking, when is it we're all in, full stop and we're either all

in now or we shut it down, and who decides that, I guess is my question.

You've got four provinces that you want to agree and we've got some really – some schemes. If Nova Scotia thinks it's a great idea and New Brunswick does, but Newfoundland and PEI don't, do we put the brakes on because we've spent X number of dollars and we're no further ahead. I guess that's my concern is who decides that?

Jane MacAdam: We have a recommendation in 2.7: "Within the accountability framework, shareholder government should clarify which level of government authority is required to enter into transactions."

Specific public policy objectives of their own government, there has to be a certain level of authority there, as well. But then moving forward, like I said, I think it's up to the shareholder governments to decide collectively on some of these things.

Chair: Anything else, Darlene?

Ms. Compton: Is there someone else? I can keep going, but –

Chair: No, I was just curious if you had any other questions.

Ms. Compton: Yeah, I do.

I'm wondering about the off-shore consulting services. Can you tell our committee which governments supported ALC operating as an off-shore consultant for other jurisdictions?

Jane MacAdam: Do you know what paragraph that is?

Ms. Compton: I'm just looking 2.28. You talk about provisions of off-shore consulting services is one of the bullet points.

Jane MacAdam: This was ALC providing consulting services outside Atlantic Canada.

Ms. Compton: Right.

Jane MacAdam: They were starting to do some of that and that wasn't supported by all four shareholders.

Ms. Compton: Can you elaborate on what the foreign jurisdictions were? Where were they looking at at doing this?

Jane MacAdam: It was going into Europe and in the UK providing some consulting services with regards to gaming.

Ms. Compton: I have, in my notes Albania was one on the places? Senior executives travelled to Albania on business prospecting trips.

Jane MacAdam: I'm not sure about that.

Ms. Compton: And you don't know how much money was spent?

Jane MacAdam: No.

Ms. Compton: Also, I think they were involved with Illinois State Lottery, they travelled to Illinois, maybe? You don't have any –

Jane MacAdam: I don't have any details, no.

Ms. Compton: Strange places, I guess, ALC would look to invest. I'm guessing Illinois State Lottery would have plenty of, I guess, experience in that department. Why ALC would think that they would make any in-roads there.

With Geonomics and the issue of GeoSweep, PEI and New Brunswick supported it while Nova Scotia and Newfoundland did not. What was the reasoning, do you know, behind that? Why did Nova Scotia and Newfoundland, why were they not interested?

Jane MacAdam: We're just looking to see what – I think there was a period of time where they were looking into it. I guess based on their due diligence that they had done, they rejected the idea.

We say: "...Newfoundland and Labrador rejected the idea the following year." That's after New Brunswick and PEI joined. Then, again, Nova Scotia decided not to participate. I think, maybe, at one point there was discussion about all participating, but there wasn't agreement early on that they were all going to participate.

Ms. Compton: Can you maybe elaborate on or explain to us how we lost over \$5 million without any public knowledge or debate on this? That's what we're into this for, over \$5 million.

Jane MacAdam: There would have been financial statements of the lotteries commission, that they did have some information about the investment. Those would have been public at one point. I'm not sure of the actual dates when they were public.

Gerri Russell: 2014. They recognized an impairment of about 500,000 and then again in 2015, it was the remaining 3.8; and throughout the years, there would have been costs related to legal or setting up costs, so –

Ms. Compton: It's definitely a big bill for something that amounted to nothing, and again it comes back to me, to the whole: When do we put the brakes on, on any of this?

GeoSweep was pitched to the ALC board the same month the company admitted missing their player projection by over 96%. I'm just wondering: Who presented the game to the ALC board. Do you know who pitched this to the board?

Jane MacAdam: It would have been the executive of ALC. I'm not sure if any particular executives were supporting it more so than others, but –

Ms. Compton: Do we know who from PEI would have been pitching this? We know we were into this for a lot of money. Just wondering who from Prince Edward Island at the time would have been part of that.

Jane MacAdam: As far as who was on the board, I can tell you who was on the board. In 2011, it would have been – so it was Doug Clow and Pat Mella that were on the board of ALC at the time.

Ms. Compton: As far as the public knowing about this, it was withheld from the blue books until after it broke in the news, so there wasn't really an opportunity until it came out in the news. The public really didn't have the opportunity to know that this was happening. Again, another concern that we have as public accounts; \$5 million that

was basically lost and there was no indication to the public until after it broke in the news.

Chair?

Chair: Yes, keep going with – you're currently the only one on the list.

Ms. Compton: Well, I do have questions. Reading through this again, you look at the missteps that are being made by a very important entity for all of the four provinces.

I'm just wondering what the basis for the ALC board being told: The risk was low and that the return was 510%. I mean, that's what was pitched to the board: Low risk, 510% return on your money. We've heard this in public accounts with the e-gaming: Get it while it's hot and you have to jump in quickly.

Again, do you know where that came from? Who was pitching that, that it was low risk, and that we had this phenomenal return?

Jane MacAdam: There was a report provided to management. They did get a third party to look at this, and some information was given to the board, but not all the information about the investment was provided to the board. I think we raised that as an issue.

Ms. Compton: I'm just wondering: Who did the due diligence on GeoSweep for ALC? I mean, who was involved in that?

Jane MacAdam: It was PricewaterhouseCoopers that did the work for ALC.

Ms. Compton: Do you know who at PricewaterhouseCoopers?

Jane MacAdam: I'm not sure who did the actual –

Ms. Compton: Someone who is an expert on e-gaming and –

Jane MacAdam: I'm not sure who did the work, but that was the company that was contracted by ALC.

Ms. Compton: Okay.

Chair: Okay, Chris Palmer –

Some Hon. Members: (Indistinct)

Chair: – (Indistinct) come back to you, Darlene.

Mr. Palmer: I want to go along the same line, is that that full investment proposal and term sheet and business plan in section 2.67. Do we have a copy of that or can we have a copy of that? And I don't know what insight I would have into it that somebody else on the board may not see, but I'd still like to see it because that's the one, I think, if I go back up to 2.65, is that – if I understand this correctly, that full investment proposal and term sheet and business plan did not include some information? There was some information withheld by senior management of ALC that they didn't put into that? Is that – do I understand that correctly?

Jane MacAdam: Well, we say in 2.65: “Reports to the Board were missing key information on the investment risks.”

Mr. Palmer: And were those the March 15th investment proposal, term sheet and business plan? Is that –

Jane MacAdam: I'm not sure if those were the specific documents –

Mr. Palmer: Okay.

Jane MacAdam: – that were missing.

Mr. Palmer: Okay. So reports to the board were missing key information on the investment risk. Does that mean they weren't aware of the investment risk, or they knew it and just didn't put it into the report that went to the board?

Jane MacAdam: Well, we know they got a – they did get a report. We say: “The risk analysis within the proposal” identified a capital risk – “the investment proposal included an estimated five-year return on investment of 510 percent.” So that's pretty risky.

Mr. Palmer: But it says there was no risk.

Jane MacAdam: Right.

Mr. Palmer: It says there was no risk in (Indistinct) –

Jane MacAdam: So they weren't –

Mr. Palmer: – and that's terrific.

Jane MacAdam: We say in here that they weren't provided with full information on the investment.

Mr. Palmer: So is that full investment proposal, term sheet and business plan, is that what was prepared by PricewaterhouseCoopers did you say, or they did the due diligence on that investment proposal?

Jane MacAdam: Well, they did the – they provided the term sheet, business plan; PricewaterhouseCoopers did.

Mr. Palmer: Oh, they did? So that March 15th in 2.67, those documents were generated by PricewaterhouseCoopers? They weren't internal senior management documents from ALC?

Barbara Waite: (Indistinct)

Jane MacAdam: There was a combination of reports provided. So there was a PricewaterhouseCoopers report, and some of the information in that report was given to the board, but not all the information.

Mr. Palmer: So was it – PricewaterhouseCoopers, were they retained by the board or by senior management?

Jane MacAdam: They were retained by senior management.

Mr. Palmer: So senior management –

Jane MacAdam: They were retained by ALC.

Mr. Palmer: So senior management at ALC asked for a report from PricewaterhouseCoopers, and they got the report, took out the parts they didn't like, and what was left over they sent to the board –

Jane MacAdam: I don't know if they took out parts –

Mr. Palmer: – so they could make a decision?

Jane MacAdam: – or they summarized it a certain way.

Mr. Palmer: Oh, okay.

Jane MacAdam: I'm not sure, but the end result was that the reports to the board were missing key information on investment risks. So –

Mr. Palmer: So we would assume –

Jane MacAdam: They didn't get as much information as management had.

Mr. Palmer: So management had more information than the board when they made a decision.

Jane MacAdam: Yes.

Mr. Palmer: So we assume that the ugly parts of the report were taken out before giving it to the board, which is a – so that was requested by senior management and they gave whatever it was, summary or pieces of it or something, back to the board to make the decision. So the board's information was: We can make 510% with something that has zero risk. But, that wasn't the full story. Senior management knew more than the board.

Jane MacAdam: But in 2.68 here, we say: "the Board authorized the \$8 million investment pending management's completion of its due diligence work."

Mr. Palmer: Is the PricewaterhouseCoopers, that due diligence? Or did they do that initial report?

Barbara Waite: (Indistinct)

Jane MacAdam: It was further work that was supposed to be done.

Mr. Palmer: Oh, okay; and did they – so they authorize 8 million investment pending management's completion. Management's completion, not the board's completion –

Jane MacAdam: Right.

Mr. Palmer: – of due diligence work and getting the legislative – so did they do that

management completion of due diligence? Did management do that?

Jane MacAdam: They needed to get completion of due diligence work and legislative authority from at least one shareholder government. We knew the one shareholder government – PEI was the first government to sign on.

Mr. Palmer: With legislative authority, but that doesn't deal with the due –

Jane MacAdam: Right.

Mr. Palmer: – diligence part, does it?

Jane MacAdam: But PEI did get some legal –

Mr. Palmer: Oh, that's Mike O'Brien.

Jane MacAdam: – advice. Yes.

Mr. Palmer: Okay.

I think I'm okay. I think what I – I think there was a report done and given to the board which was the full investment proposal and term sheet, and after that PricewaterhouseCoopers was engaged by the senior management to say: Review all this and tell if this is a good investment piece or not. They did that and the board summarized it and gave that information?

Sorry, senior management summarized that and gave it to the board. Was that kind of how it flowed? Does that make sense?

Jane MacAdam: I think, in general.

Mr. Palmer: The board and I think, going kind of following along with that, I think one of your recommendations in here is for the board to retain – the board should go out and get external advice to get folks to do due diligence around larger investments or special projects or something like that?

Jane MacAdam: It's in 2.9. We say: "When evaluating new or unusual business ventures, the ALC Board should critically evaluate the relevant experience and skill sets on the Board. As needed, the Board should supplement missing skills with contracted, independent, thirdparty support."

Mr. Palmer: So the board should do that to make sure that the information they're getting from senior management is accurate?

Jane MacAdam: Just –

Mr. Palmer: To verify that?

Jane MacAdam: – because if it's a major investment. It's a new or unusual business venture. It could be to supplement –

Mr. Palmer: Right.

Jane MacAdam: – what management has provided to the board.

Mr. Palmer: So the theory would be, and I don't know if this is fair, but I'll ask it; so the theory would be if the board had all the information that management had they may not have made the same decisions because the risk pieces were eliminated to the summary report that went to the board. Is that fair –

Jane MacAdam: I really can't speculate on it.

Mr. Palmer: Okay.

Jane MacAdam: What they may or may not have decided.

Mr. Palmer: Right. Okay, but we do know the summary information they had was back to five-year return to 510% –

Jane MacAdam: Yeah.

Mr. Palmer: – and very low risk.

Mr. Dumville: (Indistinct)

Mr. Palmer: Yes. That's the information that the board received from senior management: "The risk analysis within the proposal to the Board identified the capital at risk from this investment as low, but the investment proposal included an estimated five-year return on investment of 510 percent."

Jane MacAdam: That's with the board.

Mr. Palmer: That's the information the board received and that's the information they used in making their decision assuming

their senior management were giving them all of the information.

Jane MacAdam: Yeah.

Mr. Palmer: Okay.

Mr. Dumville: Can I interject?

Chair: Bush Dumville.

Mr. Dumville: Thank you very much, Chair.

It kind of looks like from, Chris' pouring down there, that the senior management was driving these decisions as opposed to the board. The board was more or less adopting whatever was said by senior management. Is that a fair statement? Do you –

Jane MacAdam: We saw it as a problem, especially with this initiative. That's why we made the recommendation – is that for large or unusual ventures, the board needs to do more due diligence and ensure that management has all the facts and are presenting all the information and that the board has all the information it needs to make a good decision. We do recommend that in these kinds of cases the board needs to do more –

Mr. Dumville: Yeah.

Jane MacAdam: – to make sure that they have enough information.

The Atlantic Lottery Corporation responded to that recommendation and they said they do agree with our recommendation. They say: "It is now the Boards practice to engage third party, independent advice for major investment decisions to evaluate and mitigate risk and to compensate for specific skill or experience deficiencies." On the board, so they agree with the recommendation and intend to implement that.

Mr. Dumville: Thank you.

Thank you, Chair.

Chair: Jane, quick question for you. Going back again to 2.68: "On April 21, the Board authorized the \$8 million investment pending management's completion of its

due diligence work and getting legislative authority from at least one shareholder government.” You indicated that that was Prince Edward Island was the first in.

So that’s what ALC needed to go forward. Then, on May 11th there was a letter written by Wes Sheridan, as the chair of the Prince Edward Island Lotteries Commission, and on letterhead from the PEI Lotteries Commission authorizing ALC to go ahead.

Basically, it says: This is to advise that the Prince Edward Island Lotteries Commission confirms the decision to fully participate in the equity investment of the Atlantic Lottery Corporation Inc. ALC in Roboreus Limited the details of which and it goes on and on it refers again, back to April 21st.

Why would it be the lotteries commission authorizing this and not actually coming from either the finance minister representing Cabinet or a legislative branch?

Jane MacAdam: Cabinet did approve the investment.

Chair: Yeah.

Jane MacAdam: The minister of finance is the chair of the lotteries commission and it’s the lotteries commission that is the shareholder of ALC. It’s the shareholder that was providing the approval for the corporation to enter into the arrangement. It really had to go through the shareholder of the corporation so that’s why it went through the lotteries commission.

Chair: Do you have documentation from Cabinet authorizing the lotteries commission to move forward with this?

Jane MacAdam: We have looked at the decision of Executive Council that authorized the investment.

Chair: Could you make that available to this committee?

Jane MacAdam: I’ll have to check. It’s a confidential working paper, so I would say no.

Chair: Okay. I guess we’ll have to try to get it through another means, then.

Any other questions?

Ms. Compton: I can keep going.

Chair: Okay, Darlene.

Ms. Compton: Back to the investment and legal advice from McInnes Cooper. It was presented to the PEI Lotteries Commission, I think that’s what you said last fall that the advice was presented to the lotteries commission, but you don’t know who from McInnes Cooper specifically presented the advice or gave the advice.

Jane MacAdam: The legal advice was Gary Scales.

Ms. Compton: Okay.

Jane MacAdam: The investment comments, I wouldn’t call it an opinion was Mike O’Brien, both from McInnes Cooper.

Ms. Compton: So, we’re assuming, then Mr. O’Brien has some knowledge of investing in GeoSweep or Geonomics?

Jane MacAdam: That’s –

Ms. Compton: Was Chris LeClair involved in any capacity with the GeoSweep file through McInnes Cooper or ALC or the PEI Lotteries Commission?

Jane MacAdam: No, not to my knowledge.

Ms. Compton: Do you know how much was billed to the taxpayers for the investment advice they go through McInnes Cooper? Is that a separate invoice that you would have or –

Jane MacAdam: That was one of the invoices that we talked about in e-gaming. It was the – it was actually billed by the law firm to the confederacy.

Ms. Compton: So that’s part and parcel with the GeoSweep and the e-gaming?

Jane MacAdam: In our report on e-gaming we referenced that some of the work that was done by the law firm was actually for a Crown corporation and it was the PEI Lotteries Commission.

Ms. Compton: So that was all in one invoice.

Jane MacAdam: That was billed by the law firm to the confederacy and used – the loan funds were used to pay for these.

Ms. Compton: But there wasn't specification how much one versus the other or were they an integral part of two big –

Jane MacAdam: No, we couldn't tell there was a break down.

Ms. Compton: (Indistinct)

Jane MacAdam: It was just –

Ms. Compton: Back to getting legal advice, which I think is something we should look at as public accounts where we're getting this legal advice and who the experts are. Do you know if there are any qualifications or credentials provided to say they were able to do this? Did they have any qualifications at all to provide legal advice or investment advice, or whatever we're going to call it, to the province or to the lotteries commission? Do we know that?

Jane MacAdam: It was a lawyer that provided the legal advice.

Ms. Compton: On a lottery scheme.

Jane MacAdam: Right. I don't know if they had specific knowledge around gaming laws and things like that. The legal advice was more whether or not they needed an Order in Council.

Ms. Compton: The investment advice.

Jane MacAdam: The investment advice would be more – excuse me. Yeah, he's a chartered accountant.

Ms. Compton: It's just concerning, I guess, that we went looking for advice from someone who possibly doesn't have any credentials in GeoSweep or Geonomics or e-gaming of any kind.

Mr. J. Brown: It's Mike O'Brien that didn't have credentials?

Ms. Compton: Well as far as giving advice on e-gaming or GeoSweep or anything.

That's something – and again, legal advice on – what made them experts? I guess is what I'm asking.

Mr. J. Brown: (Indistinct)

Ms. Compton: Something we have to look at.

Chair: It's almost 11:50 a.m. I was hoping to conclude the meeting at 12 today. I do have another meeting that I'm going to have to get to shortly after 12:00 p.m. I don't know how many more questions there are, but what I'm going to suggest now is that we move past questions. We do have a couple of items that were talked about or asked for bringing some information back.

Mr. J. Brown: Chair, just before can we canvas that? I don't know how many more questions, to your point – my preference would be: Let's get this done. The AG has got another report that's going to be tabled next week –

Ms. Compton: (Indistinct)

Mr. J. Brown: We still haven't finished the – well, I'm sure we can put that off.

Ms. Compton: No, it's about a constituent issue. We won't put it off.

Chair: Okay, well you can go to the meeting. To be serious, we have a lot of work that we need to get done here that has to be done in a timely fashion and unless there are hours and hours worth of questions, then let's stay and get it done.

Chair: We certainly have a couple of more weeks moving forward that we can schedule more meetings for, vice-chair.

Mr. J. Brown: The next report comes out next week. We still have yet to finish the last report so I would say let's start to get the meetings scheduled and go through them.

Chair: Well again as Chair, I'm calling for an adjournment at 12:00 p.m. because I have another meeting that I have to be at. Ms. Compton just indicated as well that she has a meeting with the minister. Again –

Mr. J. Brown: Just my point: Can we canvas how many more questions there are?

I'm not sure what time everybody's meeting is. We've got 10 minutes. Ask the questions until they're done and –

Mr. Palmer: I don't have any more questions.

Mr. J. Brown: I don't have anything.

Mr. Dumville: I'm done.

Chair: Bush. Hal?

Mr. Perry: I could stay here all day.

Chair: Okay. How many more questions do you have, Jordie?

Mr. J. Brown: None.

Chair: Okay, well –

Ms. Compton: I still have a number (Indistinct)

Chair: I probably still will have some more questions as we go through the report. Unless your intent is to just not have any more questions and just move on?

Mr. J. Brown: No. We're obviously quite prepared to have questions asked and entertain them and stay through the questions.

Chair: Okay, well we can do that at our next meeting, but at this time I would like to ask any members if there's specific information that you would like to have brought back from the Auditor General.

Darlene?

Ms. Compton: We indicated how much was being spent on sponsorship.

Chair: Yes.

Ms. Compton: Request of a complete list of all individuals who were interviewed for the entire audit. That's all I've got.

Chair: Chris?

Mr. Palmer: I would like to have a copy of the full investment of proposal, term sheet and business plan that were presented to the board on March 15th, and to know – and I

assume if we have that we'll see who the author of those are as well.

Chair: Okay, and the only thing that I was looking for and the Auditor General has already indicated that it's part of her working papers so she can't provide it to the committee, but I would like to request that a letter be sent to executive council requesting any correspondence to the lotteries commission authorizing the green light to move forward with this investment.

Moving along, if there's no other requests for information, are there any motions coming forward from today's meeting? Okay, I think we need to look at number five, scheduling of additional meetings, at this time. I know, I believe that the clerk and the AG had sort of a quick discussion prior to the call of order of this meeting. What's your agenda like the next (Indistinct)

Jane MacAdam: Next Wednesday is – I'll be tabling my 2017 annual report and then I'm out of the province the next two Wednesdays.

Chair: Okay, so basically for the next three weeks you're unavailable and then shortly after that we're into the Legislative Assembly. What about members around the table? Could we schedule a non-Wednesday meeting to reconvene?

Ms. Compton: As long as it doesn't conflict with other committees.

Mr. J. Brown: The other committees, yeah. I do know that health and wellness, I think, has one set for next week and there's education and economic development, I think (Indistinct)

Chair: Health is Tuesdays.

Ms. Compton: This Tuesday afternoon.

Mr. J. Brown: Morning, actually.

Mr. Dumville: Education is Wednesday afternoons.

Chair: What about Thursday of next week?

Mr. J. Brown: I'm away, Chair, from the 14th to the 23rd, I think it is.

Chair: Yes.

Mr. J. Brown: Whatever that's worth.

Mr. Dumville: Infrastructure and energy is on Thursday afternoon.

Chair: What about Thursday morning?

Mr. Perry: I have something in my constituency (Indistinct)

Chair: Okay.

Mr. Dumville: Why don't we leave it up to the clerk to see if he can find us a spot?

Chair: All right. I'll work with the clerk and we'll send out some possible suggested dates, and of course working through the Auditor General's office as well.

Jane MacAdam: Okay.

Chair: Is there any new business to be brought forward today?

Mr. J. Brown: Chair, there's something I do wish to address and I guess maybe I'll preface it. There was an article in yesterday's *The Guardian* there indicated that member Myers, who is not a member of this committee but had participated in some of the meetings, felt that I had bullied him by asking him for certain documents. I guess to – this wasn't printed in the article, but those documents were asked for by the committee, and to you perhaps, Mr. Chair, as to whether you felt bullied to write and sign that letter, those letters, and if you did perhaps I owe an apology to you and to the other committee members and go from there.

Chair: No. I mean, I didn't feel bullied. I was honouring a request from you as vice-chair to request the information. Mr. Myers wasn't a witness. He was here as a MLA, which has the full right to participate. We have requested a lot of other information as well that, unfortunately, we haven't been able to receive or that the majority of this committee has voted against.

Whether those emails are made available to you as the person that put it forward to request them from Mr. Myers, or my understanding too is that it was part of an

investigation report by Bruce MacDonald that I believe I may have tabled in the Legislative Assembly so they should already be public documents.

Mr. J. Brown: I don't – I mean, that –

Chair: You might want to access them that way too if –

Mr. J. Brown: That was indicated in the article, but we had no prior knowledge and I know Ms. Compton, you were here one of the days and I think it was Matt Mackay was here another one of the days and we asked for the articles and they were asked for with unanimous consent. I just wanted to make sure that nobody felt that I was bullying them into providing their consent to have the committee send those letters out. It was not my intention, I'll say that here, to bully anybody and I think when you have unanimous consent to the committee to do something the inference would be otherwise.

Chair: Yes.

Mr. J. Brown: But, I have my pink tie on here today. It's – I think that's the first time in my life I was ever accused of bullying anybody so it's something that I don't take lightly. I just want to make sure that, Chair, you didn't feel bullied in particular and Ms. Compton and Mr. Mackay as well, and I talked to the other Liberal members on the committee and they have indicated they didn't feel bullied so anyway. I just wanted to address that because it's something, like I say, I take it seriously. I take those – the allegations, I guess, that were made in the House seriously and the documents that founded them and that's why I had asked for them and I don't mean to be obstructionist in any way.

I don't think I was inferring, or I did not intent to infer that Mr. Myers couldn't ask questions and the reason that I had asked for them, and I think I stated this at the time but I'll state it again, was that those documents had not been referenced in the AG's report or by the AG and it was an event that wasn't referenced by the AG either so I felt it was within the scope of the work that we were doing on that project and that's why I had asked for them and Mr. Myers had indicated to a level of knowledge that I myself didn't

purport to have and I would be interested to see.

Chair: Yeah, well again – go ahead Chris.

Mr. Palmer: I would like to speak to that as well. I don't think that we were asking for, as a committee, we weren't asking for the information because Mr. Myers was here. I thought it was because in the House one evening, I think I recall, he said he had information that was relevant to it. I know I'm new here and I didn't – maybe you can – maybe part of it is to say: I have information in the Legislature. But choose not to share it? Maybe that's something that is common practice. I don't know, but I thought that the information was declared to say: I have it, it's useful but – I don't know.

I guess that's the part of me maybe not understanding the procedure, is that you can declare you have it but not share it and I think that's why – and I think it must have just been an oversight by Mr. Myers because I wouldn't think he would be intentionally withholding it, and I think that was the letter that we had sent to remind him that: Hey, you said you had some information and we would like to have a copy of it. Chair, I wouldn't want to suggest it's because he was attending. Whether he was sitting over here or not, I think it was still important for us to have that, especially since he declared that he had it.

Chair: Yes.

Mr. J. Brown: In fact, if I could just address that a little further – the first day he was here we asked him the question and then very quickly I said that we didn't make a motion. I think, Chair, you had asked me that and I just said: No, I would be fine with writing a letter to him. My recollection is, anyway, that you had asked the committee and that's the direction that we had gone in.

I had asked you at the end of the last meeting whether you were going to follow up on him with that and you had indicated you were. I don't know whether you did or had a chance to talk to him, but particularly given that he is saying now that he feels bullied – I am interested to know and I sincerely, if he feels that he was bullied, I would like to have a chat with him and I

would like to indicate to him that it's definitely not my intention to bully him.

Chair: Yes. No, I think that would be an excellent avenue for you to take, is to contact Mr. Myers –

Mr. J. Brown: Yeah, I'll (Indistinct)

Chair: – and ask him for a face to face and if you need somebody there to mediate, I would be more than happy to be there myself or assign, perhaps, someone else to do so –

Mr. J. Brown: Sure.

Chair: – just so that –

Mr. Palmer: I think I would like to –

Chair: – everybody is fine.

Mr. Palmer: I think I would like to attend or maybe I'm going to reach out to him as well because it was a letter from the committee so I don't think it was specific to any one person. I think, probably, collectively we may have unintentionally bullied him because that was a letter from the committee, not just a letter from Jordie. I'm going to reach out to him as well and apologize.

Chair: Okay, and Mr. Palmer, I just want to mention something else to you that you referenced. He talked about having these documents and he wasn't prepared to share them. That happens, unfortunately, in many circumstances in the Legislative Assembly, particularly when we're going through budgets and capital budgets and we're in committee of the whole, in which you've chaired the committee quite often. You have the minister or the staff member with the minister sitting there at the front table and they have a full briefing book and they have a lot of documents and we as opposition have quite often asked: Could we have a copy of that? Because it would make our job so much better if we could have as much information as you do.

But unfortunately, we're yet to receive any of those full packages and briefing books. We will continue to ask –

Mr. J. Brown: You guys get more than we do.

Chair: – in the Legislative Assembly –

Mr. Dumville: That's right. We don't get anything.

Mr. J. Brown: We don't get anything. You guys get more than we do.

Chair: That's because we're paying attention and we ask questions.

Anyway, if there's no other business today I would ask for –

Mr. J. Brown: He did –

Chair: – adjournment.

Mr. J. Brown: Chair, I will just clarify that a little. He did say – it was in Question Period that he asked about this stuff first and he did say he was going to table those documents –

Chair: Yes.

Mr. J. Brown: – which he never did do. That was the first question that I asked him: Could you table them. He said no.

Chair: All right.

Mr. J. Brown: Anyway, I'd just like to say I'm sincere in saying that. The last thing I would want to be accused of is being a bully. Like I say, that's the first time to my knowledge, first time anybody has told me that they felt I was bullying them.

Mr. Dumville: Chair? (Indistinct) close it.

Chair: Thank you very much.

Meeting adjourned.

The Committee adjourned