

PRINCE EDWARD ISLAND LEGISLATIVE ASSEMBLY



Speaker: Hon. Francis (Buck) Watts

Published by Order of the Legislature

Standing Committee on Public Accounts

DATE OF HEARING: 2 NOVEMBER 2016

MEETING STATUS: PUBLIC

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

SUBJECT: AUDITOR GENERAL'S REPORT ON EGAMING

COMMITTEE:

Jordan Brown, MLA Charlottetown-Brighton [Vice-chair]
Dr. Peter Bevan-Baker, Leader of the Third Party, MLA Kellys Cross-Cumberland
Darlene Compton, MLA Belfast-Murray River (replaced partway through by Jamie Fox, Leader of the
Opposition, MLA Borden-Kinkora)
Bush Dumville, MLA West Royalty-Springvale*
Sonny Gallant, MLA Evangeline-Miscouche*
Hal Perry, MLA Tignish-Palmer Road*
Brad Trivers, MLA Rustico-Emerald, replaces James Aylward, MLA Stratford-Kinlock

COMMITTEE MEMBERS ABSENT:

James Aylward, MLA Stratford-Kinlock [Chair]
Darlene Compton, MLA Belfast-Murray (leaves partway through)

MEMBERS IN ATTENDANCE:

Jamie Fox, Leader of the Opposition, MLA Borden-Kinkora
Brad Trivers, MLA Rustico-Emerald, replaces James Aylward, MLA Stratford-Kinlock [Chair]

GUESTS:

Auditor General's Office (Jennifer Bowness, Jane MacAdam, Barbara Waite)

STAFF:

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

* served as temporary Chair when Jordan Brown recused himself as Chair

Edited by Parliamentary Publication and Services

The Committee met at 9:00 a.m.

Chair (J. Brown): Members, we'll bring the meeting to order.

If I could call for a motion to adopt the agenda.

Mr. Gallant: So moved.

Chair: Thank you, Sonny.

Ms. Compton: Chair?

I just wonder – there was a lot of discussion at the last meeting on how we should proceed and when we should ask questions.

I'd like to move a motion that we do this section by section and that we hold our questions until the end, and if we want documents for that section that we request them then. But if we could do it section by section. It's fairly complex. I mean, my book is highlighted and outlined, as is Peter's, I know, and a number of others. A lot of questions to be asked. If we could kind of keep it section by section.

I move that motion.

Chair: Thank you.

Do we have any commentary on the motion?

Jamie?

Leader of the Opposition: Just a question to clarify, Chair.

When you're saying section by section, I would take it, possibly, line by line?

Ms. Compton: That's (Indistinct) if that works for the Auditor General.

Jane MacAdam: When you talk section, egaming is one section, so when you finish all of egaming that's when you want to do questions? Okay.

Chair: I think what we had discussed last time, if I might just interject there, is that it goes paragraph by paragraph. But we had said in relation to the requesting of documents we'd go to the end of, like, a

recommendation section, section 1 or 2 or 3 or whatever. Is that what you mean?

Ms. Compton: Chair, I think if you look at – chapter 2, I'll say, there are a number of points within chapter 2. If we go from 2.16 back to 2.4 and jump around like that, it's very confusing because we all have notes as to what we're concerned about and what questions we wanted to ask.

It just would be easier for, I think, all of the committee to follow it in chronological order. I know I was struggling the other day with: Okay, where are we at and what section are we on and what notes did I have regarding that?

Just a motion as section by section, you know, 2.10-2.11.

Mr. Trivers: Chair.

When you say section, Darlene, you mean read 2.1, ask questions; read 2.2, ask questions; 2.3, ask questions, in order as opposed to –

Ms. Compton: Well, in some chronological order, you know, like as far as numerical order.

Jane MacAdam: Those are paragraphs. The table of contents has the sections here which is – there's sections 1, 2, 3, 4. But are you talking paragraph numbers or are you talking –

Mr. Trivers: Paragraph by paragraph.

Ms. Compton: Paragraph numbers.

Chair: I guess, maybe before we go there, because I know you started into a presentation last time that didn't appear to be totally linked to, like, you know, 2.6 and then 2.7 kind of thing.

Jane MacAdam: What we did last meeting was the introduction part, which is section 2, which we've completed. In terms of the slides we've completed, but not necessarily in terms of your questions, obviously.

Our presentation is basically by section. Based on the presentation, we're at the egaming which is section 3. We can go back to the other sections or whatever you prefer.

Mr. Trivers: Chair, maybe that is the suggestion.

You continue with your presentation as planned, but then we go through and ask questions paragraph by paragraph, if you know what I'm saying. You do your presentation (Indistinct) –

Chair: (Indistinct) presentation –

Mr. Trivers: Like, do your presentation on section 3, and then we go back to, say, section 3.1. Then, on that paragraph we can ask our questions. Because, of course, we have lots of questions prepared, and it'd be really tough to jump in during your presentation and ask them. It might just be more orderly that way all the way around.

Chair: I just want to get, Jane, your clarification on how you plan to – because I know we did see some of your presentation last week and it didn't appear to be like: this is section 2.1, 2.2, and whatever. Does that make sense to you? If you do your presentation, and then we go back through – like, you're doing them, section 2, and there's a piece of your presentation related to that, do I understand that correctly?

Jane MacAdam: Yes.

Chair: Okay, so if we allow you to do that and then go back and chronologically say: Paragraph 2:10, does anybody have any questions on that? Yes, no, carry on. Does that suit you okay?

Jane MacAdam: That's fine.

Chair: Is that what your intent is, Darlene?

Ms. Compton: Yeah, I just want to make sure that the questions that I've got listed under each paragraph are asked.

Mr. Dumville: (Indistinct) satisfy your motion?

Chair: Does anybody else have any issue, commentary?

Mr. Gallant: Mr. Chair, as part of that motion, Ms. Compton also said that we ask to bring back reports and things.

I thought there was a motion last time that we wait till the report is finished.

Chair: Yeah, and I think we're saying that –

Mr. Gallant: She'd have to amend the motion.

Chair: No, I think we're saying that because we're going to go through Jane's version of her section, and then when we get to the end of the section 2 we'd ask for the document reproductions.

Is that all?

Ms. Compton: Yeah.

Chair: I think we're all on the same page, so we'll proceed and see how we work out here.

Anybody contrary minded?

No, okay, recognize a consensus.

Anybody else have anything before we get going? I don't think there's anything else on the agenda. No.

I guess I have a preliminary question which is the Mi'kmaq Confederacy documentation that you had originally been seeking from them a year ago, or whatever it was. Have you received any of that or received any correspondence from them to date?

Jane MacAdam: No.

Chair: No? Do you expect to?

Jane MacAdam: Just based on public information I expect to. I haven't heard anything officially from anyone.

Chair: Did you provide them with a list of things that you wanted to get from them?

Jane MacAdam: There was various pieces of correspondence sent to them throughout the work that we were doing on the assignment and it indicated some of the – it didn't maybe have a full list, but it was just pointing to some examples of project information that we wanted. It was really just to make our point that we felt it was necessary to have a meeting and to get

information. It wasn't intended to be an exhaustive list.

Chair: Basically, you wanted to have a meeting with them before you –

Jane MacAdam: That was the intention early on was to have a meeting and go over a number of issues to talk about the information that they might have that we could obtain.

Chair: Peter.

Dr. Bevan-Baker: Obviously, things have changed since those first meetings, Jane. The Premier has requested that MCPEI release all documents with some provisos in there.

Has your department itself made a request to MCPEI for the documents?

Jane MacAdam: We made various requests throughout the assignment subsequent to –

Dr. Bevan-Baker: But since the –

Jane MacAdam: No, we haven't.

Dr. Bevan-Baker: No. Are you planning on doing that?

Jane MacAdam: I was waiting for them to contact me.

Dr. Bevan-Baker: Just wait for them to come forward. Okay. All right. Thanks.

Chair: Darlene.

Ms. Compton: Thank you, Chair.

I'm just wondering, since we went through section 2 as your presentation, now can we do that bullet by bullet, 2.1 forward, so that if anyone has any questions regarding each paragraph that we can ask them now? Because we have completed section 2.

Chair: What's the will of the committee in terms of that?

Some Hon. Members: Yes.

Chair: Okay, sounds good.

Ms. Compton: Thank you.

Jane MacAdam: As I previously stated, we finished section 2 in terms of the presentation.

Any questions that you have?

Chair: Darlene.

Ms. Compton: Thank you, Chair.

Just on 2.4, there are the two companies, Capital Markets Technologies and Simplex. It says: Capital Markets Technologies presented itself as a financial technology company.

I'm just wondering: Was it government that approached those companies or how that happened? What kind of chain of events were to use Capital Markets Technologies and Simplex as the two companies for this?

Jane MacAdam: If you go to the timeline on exhibit 3.1, in May of 2011 we say the egaming working group was introduced to CMT/FMT and Simplex by the former chief of staff. That was the first introduction of CMT and Simplex to the egaming working group.

Ms. Compton: It was through the former chief of staff, that's where the names came from?

Jane MacAdam: Yes, and the FMT director as well, which would have been Paul Jenkins as well. We mention that later in paragraph 6.14.

Ms. Compton: Thank you.

I apologize, it's just there's a lot of information and when you go back and forth it is a little bit confusing.

Chair: Jamie Fox.

Leader of the Opposition: Thanks, Chair.

Jane, in regards to paragraph 2.1 you reference related companies. Who are these related companies?

Jane MacAdam: Did you say paragraph 2.1?

Leader of the Opposition: Two point one, right at the very start of the introduction:

“Throughout our work on this assignment, we established that government had numerous dealings with the Mi’kmaq Confederacy of PEI, Capital Markets Technologies, Simplex and related companies.” Who are the related companies?

Jane MacAdam: In exhibit 2.2 we have some companies here that – we have a chart. There’s relationships. These were the main relationships with these companies. You can see that there’s a numbered company that’s a subsidiary of CMT and it was also referred to as Financial Markets Technologies and Trinity Bay Technologies. Then, Revolution Technologies, that was a target company, it was identified for a reverse takeover by Capital Markets Technologies. Those are some of the related companies.

Leader of the Opposition: What’s referenced in exhibit 2.2 in that graph is what the related companies are, who they are?

Jane MacAdam: Yeah, primarily, yeah.

Leader of the Opposition: Thank you.

Chair: Thank you, Mr. Fox.

I have a question, actually –

Jane MacAdam: Pardon?

Chair: Sorry. Are –

Jane MacAdam: No, that’s fine.

Chair: Okay. Where were we here? I’m going back to section 1, if I might. Sorry about that.

Ms. Compton: We’re all confused.

Chair: There was reference in section 1.9 to note that there was apparent “conflict of interest.” I’m just curious. Maybe you’re not the person to tell us this, I’m not sure, but were there actual conflicts of interest or apparent conflicts of interest?

Jane MacAdam: We didn’t conclude that they were actual, we concluded that they were apparent.

Chair: That’s all. Thanks.

Leader of the Opposition: Chair? (Indistinct).

Chair: I’ll put you on the speaking list unless there’s any issue with that –

Leader of the Opposition: I do have a question around that that you just asked.

Chair: A follow up question?

Leader of the Opposition: With the apparent conflicts of interest, who were they?

Jane MacAdam: The former chief of staff and a former deputy minister. It would be Chris LeClair and Melissa MacEachern.

Leader of the Opposition: Thank you.

Jane MacAdam: We talk about that later in paragraphs 6.14 to 6.23.

Chair: Peter, is yours a follow-up?

Dr. Bevan-Baker: It was, that was one of my follow-up questions was who were they. But I have another one also, Chair.

Chair: Just before you get to that I’m going to go to Brad first. I hate to be a stickler, but –

Dr. Bevan-Baker: On this topic? (Indistinct).

Chair: Oh, on that topic? Yeah, okay.

Dr. Bevan-Baker: It was: Are you aware as to whether any investigation was done into those apparent conflicts of interest within government?

Jane MacAdam: I’m not aware of any investigation.

Dr. Bevan-Baker: No, okay. Thank you.

Thanks, Chair.

Chair: Brad, on to you.

Mr. Trivers: Thank you, Chair.

Do you think it’s appropriate for our government to try to establish a loyalty card program, given that’s generally in the realm

of private enterprise? Or is that something that you would ever take into your consideration?

Jane MacAdam: That's a policy decision of government, whether they want to do something like that, so that wouldn't be something for me to comment on.

Mr. Trivers: Okay, thank you.

Chair: Mr. Fox.

Leader of the Opposition: I want to go back to this again. We noted situations of apparent conflict of interest between two senior executives. You identified who the two senior executives are. What was the conflict of interest? Or what was the apparent conflict of interest?

Jane MacAdam: We talk about that in paragraph 6. Like, for the former chief of staff it's in paragraphs 6.14 to 6.18. So –

Chair: I don't mean to throw this off, but I might suggest that we wait till we get there and she gives her presentation on that so we're not jumping all back and forth.

Leader of the Opposition: At least we know now it's addressed. (Indistinct).

Chair: I'm sorry, I know I asked that a little bit out of order, but anyway, just so we're not jumping around.

Peter, I had you on the order now, I don't know, I think it was in relation to your –

Dr. Bevan-Baker: Yeah, I'm back in section 2 though, so I don't know if you (Indistinct).

Chair: I think we're all back there. Okay, great. So go ahead, Peter.

Dr. Bevan-Baker: I have a series of questions around section 2.6, which is the table of the departments in government that were involved in this of which, as we know, there were seven: the then-premier's office, the Executive Council Office, the department of finance, IIDI, Innovation PEI, the department of justice, and PEI Lotteries Commission.

I have a series of questions around that. Did you identify a sort of a point person or people within each of those departments who was sort of key in making sure that that department's involvement was properly coordinated?

Chair: If I could just interject here. I just want to remind – if we go into – and department of justice I'm not sure, but remember, I have a conflict with any security stuff. If we're going to get into that, anything about securities, I need to get out of here. So let me know, please.

I just want to throw that back out there before we go down that road.

Dr. Bevan-Baker: Sure. Really all I'm looking for at this point, Chair, is names of people within each of those departments who are key in coordinating egaming.

Chair: And that's fine, I just don't know what the response is (Indistinct).

Jane MacAdam: With the premier's office, we know that Chris LeClair was involved in the egaming initiative and we know that the premier was aware of the egaming initiative, the former premier.

In the Executive Council office there was the former clerk. Rory Beck was involved early on. Then there would be Steve MacLean, also a former clerk.

As far as the department of finance, the former minister of finance, Wes Sheridan, and then there was the former deputy minister Doug Clow, and Steve MacLean was also deputy minister of finance at one point so he was in two different roles.

The Island Investment Development Incorporated, the main person there would be Neil Stewart.

Innovation PEI, Neil Stewart was involved in that organization as well as Cheryl Paynter. There was a change in the executive director position.

In the department of justice it was the superintendent's office was involved. At one point it was Katharine Tummon. There was also Shawn Flynn, Sherry Gillis, those people were all – Sherry Gillis and Shawn

Flynn were in the Legislative Counsel office, which they have a dual accountability to Executive Council as well as department of justice. There was also the deputy minister, Shauna Sullivan-Curley. At one point Barrie Grandy was acting.

The Lotteries Commission, again, it would be the former minister of finance, Wes Sheridan, and there were other commissioners: Doug Clow at one point, Steve MacLean at one point. There's a third member. I'm not sure who the third member was, but those were the main ones.

Dr. Bevan-Baker: Thank you.

Chair: Peter.

Dr. Bevan-Baker: Thank you, Chair.

That's a long list of names. I'm interested – and some of these people were aware, both elected officials and public servants who are no longer in office. Could you just run through that again? I'm sorry, Jane, but this is important, I think, for everybody to know. Which of these people are still employed or working within government?

Jane MacAdam: Still employed or working within government would be, if I go across the list, again, Doug Clow still works for government but he's with IRAC.

Dr. Bevan-Baker: Yeah.

Jane MacAdam: Neil Stewart still works for government. Cheryl Paynter works for government. Sherry Gillis still works for government. Shauna Sullivan Curley, but she's now the ethics commissioner, but she's no longer in the department of justice.

Dr. Bevan-Baker: Okay.

Chair: Peter.

Dr. Bevan-Baker: I know that we will deal with this issue later, Jane, but I want to ask the question now.

Any of those people who are still employed with government, albeit mostly in different departments, were any of those people involved in the deletion of – did any of those people have their emails deleted? Let me put it that way.

Jane MacAdam: The people that are still in government?

Dr. Bevan-Baker: Yes.

Jane MacAdam: No.

Chair: No was the answer to that?

Jane MacAdam: No, not the people that are still in government.

Dr. Bevan-Baker: So all of the emails related to those people still exist. Thank you.

Thanks, Chair.

Leader of the Opposition: Chair?

On that question there, then, Jane, anybody that's no longer in government, were their emails deleted? So people that aren't employed anymore.

Jane MacAdam: Right. We talk about that later. Yes, some people that left government, there are government records that we got from other sources that we would have expected would have been retained. Some of those people that I listed, yes.

Leader of the Opposition: How broad –

Chair: If I might, Mr. Fox, I have a bunch of questions on that section, too. Maybe we can, just in the interest of –

Leader of the Opposition: Sure.

Chair: – going through it in an orderly way.

Going through section 2, does anybody else have any questions they want to ask?

Leader of the Opposition: I have one question in section 2.

Chair: Brad is up there first, so we'll go to him and then go to you.

Mr. Trivers: Thank you, Chair.

I noticed in section 2.5 you talk about and you note in that – sorry that paragraph, section 2.5 – is dedicated to noting that "...CMT was raising capital to support the reverse takeover of Revolution Technologies

Inc. to re-establish itself on a stock exchange.”

I was wondering if you could just give a brief overview of what a reverse takeover is and why a company would typically do that, and why you would want to note that specifically in a paragraph? I notice it’s not – I don’t believe I’ve seen it in your recommendations anywhere.

Jane MacAdam: Okay, so in the back, on page 52, we have a glossary of terms and we describe or define a reverse takeover. It’s “the acquisition of a public company by a private company so that the private company can bypass the lengthy and complex process of going public.”

In this case the private company was Capital Markets Technologies. It was trying to reestablish itself on the stock market and was going to acquire shares of or do a reverse takeover on Revolution Technologies, which was a company that was a public company. It was traded on the stock market.

Mr. Trivers: Chair, follow-up question?

Chair: Follow-up question.

Mr. Trivers: Were there shareholders, or more importantly people on the board of directors on Revolution Technologies Inc., that are related to egaming and some of the other projects that CMT was working on as investors that you know of?

Jane MacAdam: We don’t know who was on the board of directors of Revolution Technologies. It was a public company that was really a shell company.

Mr. Trivers: I’ll go one more, just one more follow-up here.

Once again, just to be clear: Why did you feel that you should note this in a paragraph? What was your concern there? What was the –

Jane MacAdam: It’s connected to our concern that we have with one of the apparent conflicts of interests with the former chief of staff because his spouse invested in Revolution Technologies.

Mr. Trivers: Ah, okay. His spouse was an investor in Revolution Technologies. Who was that again?

Jane MacAdam: Chris LeClair.

Mr. Trivers: Chris LeClair.

Thank you.

Chair: Brad?

Mr. Trivers: That’s all, thanks.

Chair: Jamie, next on the list.

Leader of the Opposition: Thank you, Chair.

The only question I have left is: In regards to the company information in Exhibit 2.2, can somebody on the committee ask that the committee be provided the shareholders and directors of those companies?

Chair: We’re going to wait till the end to ask for that kind of stuff, but I think we can. I guess before we get there we can ask Jane if you have that information at hand.

Jane MacAdam: We would have some of it, but I don’t know that we would have – for Revolution Technologies, for example, we don’t have that.

Chair: Shareholders and directors, Mr. Fox?

Leader of the Opposition: Shareholders and directors.

Chair: Does that include the publicly traded company?

Leader of the Opposition: Yes.

Chair: I guess the reason I ask that is that list would be public information filed in the stock – like, SEDAR would have that list.

Leader of the Opposition: If they’re registered in the province would they not be also listed in (Indistinct)?

Chair: They might be and they might not be. It’s a publicly traded company.

Leader of the Opposition: Yeah.

Chair: Could be exempt.

Jane MacAdam: I guess the other thing to note, too, is these directorships would have changed. They could have changed throughout the scope period as well. There wouldn't be necessarily one list that would cover the entire scope period.

Leader of the Opposition: I guess you just have to –

Jane MacAdam: It could have changed.

Leader of the Opposition: You'd have to look at the term, the date the investigation started, or I guess when the whole project started until –

Jane MacAdam: Okay.

Leader of the Opposition: – the project – yeah, I would say that.

Jane MacAdam: Okay.

Chair: I would point out, too, we already have, as a public document, the list of shareholders of CMT which was filed in the Legislature. I could table that here now if we want it. It would really leave the other – Simplex and the numbered company.

Leader of the Opposition: Yeah.

Thank you, Chair.

Chair: On to Darlene next.

Ms. Compton: Thank you, Chair.

On 2.9 I've read this paragraph over a number of times. I understand the egaming initiative hinged on all of the provinces coming onside. Is that correct?

Jane MacAdam: I don't know that there had to be all of the provinces, but at least the bigger provinces would have to come onside.

Ms. Compton: In that paragraph it talks about if the provinces weren't, or some of the provinces weren't, on side that it would be outside the Criminal Code. Is that a fair understanding of –

Jane MacAdam: If there were agreements with other provinces, then to establish this regulatory platform and license and tax, it was considered to be within the Criminal Code based on the legal advice or legal opinion that was obtained by the Confederacy and used by the working group.

Ms. Compton: So that didn't happen, so then there was legal advice sought from an Aboriginal law expert and it was deemed that it was outside the Criminal Code.

I'm just trying to get my head around how those two options were not reviewed before they even went down this road. Because if plan A doesn't work then we need plan B to work, and if plan B doesn't work then we're throwing it all out the window. I keep coming back to that. Why was that not done? If plan A is to have all the provinces on side and that will work within the Criminal Code, but if that doesn't work we're going to go to plan B, but we don't even know if plan B will work until we consult an Aboriginal expert after we're already into this, and then we have to throw it out.

Can you comment on that at all?

Jane MacAdam: The primary focus of the initiative was to work on plan A, so that was the focus, to get agreement with other provinces, and that's where a lot of the effort was spent on the egaming initiative. But it was towards the end where – like, in February 2012, they – actually it was December 2011 they determined that agreements could not be reached with the provinces, and then it was in February 2012 that they sought the legal advice of Tom Isaac, which said that plan B wouldn't work based on the Criminal Code of Canada.

Ms. Compton: Okay.

Chair: I have a couple of questions on that, Jane, if I might.

Tom Isaac, you've mentioned, I think he was the Aboriginal law expert that was referred to in your report. You had mentioned that they had sought his advice. Who was "they" in this case?

Jane MacAdam: It was Shauna Sullivan-Curley that contacted him in February 2012, and it was after there was a presentation made to government where they were looking to proceed with plan B because at that time they knew plan A wouldn't work. There was a presentation made to government seeking approval to proceed to work on plan B, and that's what triggered the seeking of the legal opinion from Tom Isaac.

Chair: And at that time Shauna Sullivan-Curley – I think you had mentioned, I just want to make sure I'm correct in this – was the deputy minister of the department of justice?

Jane MacAdam: Yes.

Chair: Okay. I just want to make sure I'm clear on this. So government did get its own independent legal advice, then, on the proposed scheme?

Jane MacAdam: This Tom Isaac, they got advice from Tom Isaac in February 2012 as to whether or not to proceed with plan B.

In terms of the legal advice they got before that, the working group was using the legal opinion that the working group had obtained, and that was the one from Michael Lipton who worked for Dickieson Wright. That was the legal opinion that they were working with.

In terms of what happened within the working group, I can't talk about what other conversations might have been held because I haven't seen any minutes, I haven't been able to talk to McInnes Cooper, so in terms of whether or not there was other legal discussions around the table, I'm not sure.

Chair: Overall the working group got an opinion from Michael Lipton at Dickinson Wright, I think you said. They went through one option, it sounds like, to its completion, and were looking at a second option, and after a presentation Shauna Sullivan-Curley, on behalf of the department of justice, got a second independent legal opinion in relation to just that option?

Jane MacAdam: Yeah, I believe it was just plan B.

Chair: Okay. Is that the reason – Mr. Isaac's legal opinion – is that the reason why that initiative was put to an end?

Jane MacAdam: That's why government decided to end its involvement with the gaming initiative.

Chair: Okay, thank you.

I think Jamie had his hand up first there.

Leader of the Opposition: Thank you, Chair.

Paragraph 2.9. I take it "based on legal advice" – is that referencing back to McInnes Cooper? On page 7.

Jane MacAdam: No, that was the Dickinson Wright legal opinion.

Leader of the Opposition: That was the Dickinson Wright. Okay.

If you flip the page, I'm interested in "...it was determined..." Who determined that it would be offside with the Criminal Code, what's allowed under gambling, or gaming?

Jane MacAdam: Again, that was the opinion that was sought from Tom Isaac.

Leader of the Opposition: So he's –

Jane MacAdam: Shauna Sullivan-Curley contacted Tom Isaac, who was an Aboriginal law expert, and asked him his opinion, and he said, based on his opinion it wouldn't work, based on the Criminal Code of Canada it wouldn't work.

Leader of the Opposition: (Indistinct). Thank you.

Chair: Peter.

Dr. Bevan-Baker: The crux of this, the centre of this 2.9-2.10, is that – sorry, just 2.9 – is that there were conflicting legal opinions and advice. Some of that advice went to MCPEI and the working group and that second piece of advice from Tom Isaac went, apparently, to government, but without all of the pieces here it's impossible for us to ask fully informed questions. It's impossible for Jane to give fully informed answers.

At this point I'd like to put forward a motion:

that this committee write to MCPEI and request that they immediately release the documents to the Auditor General.

Chair: In other words, we request that the documents go to Jane (Indistinct).

Dr. Bevan-Baker: Yes. Two weeks has passed now since the announcement that MCPEI, with government's willingness, was going to make these documents available. Jane has not received anything yet, and I think in order to give us a full picture of what happened here it's critical that Jane have access to those documents.

That's my motion, that we write to MCPEI and request that they immediately release those documents to the Auditor General.

Chair: Okay, and you may – that's kind of the direction I was headed in when I asked my first question. The only hesitancy I have is that Jane had not developed a list of documents that she wanted at that time, which I wouldn't want to funnel things into her.

I guess to put it to you a different way, Jane – if I might kind of interject, Peter, just in discussion of your motion – I think the committee has an interest in helping you move that forward if we can, and I appreciate last time you said you feel that your mandate may be complete in any event, but I think we all have an interest in ensuring that the completeness of your investigation is there.

If we were to seek to help you, I guess, in this way, or seek to make that information available to you in this way, would there be information that you would kind of have at the ready to request from them?

Jane MacAdam: We would like all documents related to the egaming initiative. I'm not sure exactly what exists because we haven't – as far as what McInnes Cooper has, we never met with them to review even what they have. I would just say all documents related to the egaming initiative would be.

Chair: Peter, back to you. It's your motion. Do you wish to have the wording reflect that position?

Dr. Bevan-Baker: Yeah, certainly, all documents. I realize there are certain restrictions in there with third parties, and that was mentioned in the announcement a couple of weeks ago. I understand that. But I would like all appropriate documents, or all documents, given those restrictions, be made available to the Auditor General as soon as possible.

Chair: Okay. (Indistinct) discussion on this –

Mr. Trivers: Yes. The motion is to ask MCPEI for the documents for the Auditor General?

Dr. Bevan-Baker: To, for the –

Mr. Trivers: For the Auditor General. But –

Dr. Bevan-Baker: I'm just trying to move this along, Brad.

Mr. Trivers: Right, yeah. The documents are really coming from McInnes Cooper, though, are they not?

Dr. Bevan-Baker: I would imagine both parties have copies. I don't know.

Mr. Trivers: I mean, is it MCPEI we should be writing to or should it be McInnes Cooper directly? That's what –

Some Hon. Members: Both.

Mr. Trivers: Or both. Yeah, that's what I'm thinking.

Dr. Bevan-Baker: Sure. I'm cool with that.

Chair: Okay, so before we go, Peter, your motion, do you want to restate the wording so we –

Dr. Bevan-Baker: Yeah. I don't actually – can I ask the clerk to restate what I said?

Thank you.

Clerk Assistant (Reddin): As I understand it, your motion is:

that this committee write to MCPEI and request the immediate release of documents to the Auditor General, further specified meaning that those documents are all documents related to the egaming initiative, keeping in mind that there are some restrictions about third parties involved.

Dr. Bevan-Baker: I'd just add after MCPEI at the very beginning: and McInnes Cooper.

Chair: Brad.

Mr. Trivers: Just one more on the motion. I don't know, was there any time line in that motion? Or maybe immediately or as soon as possible or something like that.

Dr. Bevan-Baker: I think immediate was in (Indistinct).

Mr. Trivers: Was it immediate? Great. I just want to make sure.

Chair: Anybody else have any commentary or questions or points on the motion?

Anybody have any issue with the motion?

The Chair recognizes a consensus, then, so we'll have the clerk draft a letter, Peter, have it executed and sent off.

Jamie, I think I had you next on my speaking list.

Leader of the Opposition: No, I asked about the Criminal Code, Chair, unless we're – if you want to move up to section 2.14 on page 9, I'm interested in: "...the Superintendent of Securities established that CMT had raised over \$700,000 from 36 Islanders."

My question is: Did these Islanders lose that money in whole or was there any settlement with them so that they got some money back, or was it all – they invested, then they lost it?

Jane MacAdam: Some of these investors got their money back. If they weren't accredited they were entitled to their money back.

Leader of the Opposition: Can you explain that, Jane, by being if they were accredited?

Jane MacAdam: If they were accredited investors they would have more knowledge of what they were investing in and they would have more knowledge about investments. They would have more – based on your income, as well, and assets you would have more ability to withstand a loss on the investment.

Leader of the Opposition: But more than likely then they lost.

Jane MacAdam: There's a list for the criteria for accredited investor.

Chair: It's a defined term in the regulations and securities act.

Leader of the Opposition: I'm trying to understand this, Chair. If you tell me it's a good idea to invest in this company and I take \$10,000 and I give it to you to invest in this, would I have any hope of ever getting that \$10,000 back or would it just be gone?

Chair: I'm not sure, Mr. Fox. If you're asking me to answer that question I don't know.

Jane MacAdam: Anyone that makes an investment takes a risk, right? There's no guarantee with anything. But an accredited investor, there is a definition of what it – there are criteria for what constitutes an accredited investor. It includes things like your knowledge of investing and the securities that you might invest in, your income and assets and things like that.

Leader of the Opposition: Okay for now.

Thank you.

Chair: Follow up? Okay.

Mr. Dumville: Would you know of any of the prominent ones that are on the list here that – we could use Chris LeClair's wife, for an example, and there's a couple of others in here. Would you know whether they backed out of the deal or whether they lost any money?

Jane MacAdam: As far as Chris LeClair's spouse, she invested directly in Revolution Technologies, so that would be separate from CMT. Like, we're talking about CMT

here in paragraph 2.14. But as far as the other ones –

Mr. Dumville: I'm just curious, this particular document that we had.

Jane MacAdam: Yeah, that's a list of investors in CMT, I believe.

Mr. Dumville: Yes.

Jane MacAdam: Some of those people did get their money back or they were offered to get their money back, but not everybody got their money back.

Mr. Dumville: Would you know who got their money back and who didn't?

Jane MacAdam: No, I don't have that list.

Mr. Dumville: Thank you.

Chair: Mr. Fox.

Leader of the Opposition: With that, if Jamie Fox is in government and I'm involved in something, and I get my wife to invest in it or to whatever, are there any ramifications or anything to prohibit that, morally and ethically, I guess?

Jane MacAdam: There are conflict of interest rules for deputy level employees, and we comment on that later in the report. We note that the former chief of staff was in an apparent conflict of interest because of his spouse's investment in Revolution Technologies.

Leader of the Opposition: Could he be charged for that? Is there anything he could be charged with or she be charged with?

Jane MacAdam: In terms of the policy it was non-compliance with the policy. I think, as far as anything criminal, that would be whether or not there was a financial gain and things. There are other factors to consider. In the report we note that there was no financial gain in this case.

Chair: I'm just going to follow up on that. Sorry, I kind of just heard you out the corner of my ear. Did you say Chris LeClair or I can't recall his wife's name were in a conflict of interest this time?

Jane MacAdam: An apparent conflict.

Chair: Apparent conflict of interest.

Peter, was it a follow-up question you had?

Dr. Bevan-Baker: It's on this topic.

Chair: Okay, then Jamie we'll go to you on this topic.

Peter, go ahead.

Dr. Bevan-Baker: I'm interested about other jurisdictions and whether there are other jurisdictions in Canada where there exists civil liability for high-level high-ranking civil servants in a situation where they violate policy or legislation.

Jane MacAdam: That wasn't something that we looked at as part of this assignment. We didn't compare with other provinces.

Dr. Bevan-Baker: You're not aware of whether such legislation exists in other –

Jane MacAdam: No, not aware.

Chair: Mr. Fox.

Leader of the Opposition: Thanks, Chair.

Going back to 2.14 on page 9, you said that some people got their money back and some people didn't or some people took a settlement. Who determined who made the offer of the settlement or who determined that?

Jane MacAdam: It was part of the settlement agreement that they had to offer money back to non-accredited investors. That's part of the settlement after the securities investigation was completed.

Leader of the Opposition: Am I getting it right, that somebody told the company: You have to do this?

Jane MacAdam: That was part of the investigation that was done by the PEI Superintendent of Securities.

Leader of the Opposition: Ms. Tummon.

Jane MacAdam: Katherine Tummon.

Chair: Are we done on that train of thought, Peter, on that?

Dr. Bevan-Baker: I do have something to add to that, please, Chair.

Again, it's coming back to what we do in a situation on Prince Edward Island when things go wrong and people in positions of high authority overstep the mark.

As far as I'm aware, no charges have been laid here at all. In fact, no disciplinary action has taken place to any of these individuals. I know you mentioned at the very beginning of your report, Jane, that you feel, to a large extent, the rules and the regulations and the framework of accountability, if I can put it that way, is sufficient in Prince Edward Island to stop this from happening if only people would follow the rules.

But when people don't follow the rules, do we have a framework of accountability that will hold those individuals to account? In other words, are you aware of any disciplinary action which is being taken against any of the individuals that you named half an hour ago?

Jane MacAdam: No, I'm not aware of any.

Dr. Bevan-Baker: Okay, thank you.

Thank you, Chair.

Chair: So we're done there?

Darlene, you're next on the list.

Ms. Compton: Thank you, Chair.

I'm looking at, as you word it, the four main events. Looks like three schemes to me and four main events ending with the securities investigation. I'm just wondering who was driving this whole initiative. Looking at first of all an egaming initiative and: Okay, that doesn't look like it's going to pan out, so let's go to a loyalty card program. And: Oh well, that doesn't work so let's go to a financial services platform.

Am I right in saying that Chris LeClair and Garth Jenkins are behind driving all three of these initiatives? Would that be a fair statement? Because they're the original two,

is what I understand, who approached CMT and Simplex.

Chair: Just before I get into that I'm going to have to declare conflict of interest in relation to that because Garth Jenkins, as I had stated, was a client of our firm.

Ms. Compton: So someone else will have to take the Chair.

Chair: We'll have to get somebody else to take the Chair.

Clerk Assistant: Basically, could someone nominate a temporary Chair?

Some Hon. Members: (Indistinct).

Mr. Dumville: You beat me to the punch, Sonny.

Clerk Assistant: Just a second.

Any other nominations? Jamie –

An Hon. Member: (Indistinct).

Chair (Dumville): Where were we?

Ms. Compton: I just asked the question. I'm trying to get a handle on the whole egaming report, the fact that there were three initiatives within that report, if I'm correct. Then there was an investigation by the Securities Commission to CMT.

You did say to me earlier that the former chief of staff, who I'm assuming was Chris LeClair, and Garth Jenkins were the two people that approached both CMT and Simplex regarding the first egaming, I guess.

Jane MacAdam: It was Paul Jenkins –

Ms. Compton: Oh, sorry, Paul.

Jane MacAdam: Paul Jenkins. But they were involved only in the egaming initiative part. They weren't involved in the loyalty card program or the MOU for the financial services platform.

Ms. Compton: Chair?

Chair: Yes.

Ms. Compton: Still the same company we're dealing with, though?

Jane MacAdam: Yes, there's overlap in the companies to some extent.

Ms. Compton: Can you just maybe shed a little bit of light on how we went from the egaming initiative to the loyalty card program? Was that all part and parcel from the very beginning? It doesn't look like it on a timeline, but –

Jane MacAdam: If you look in the timeline the loyalty card program ended before the egaming ended, but the connector is really the companies CMT and Simplex.

CMT and Simplex were introduced to the working group that was pursuing the egaming initiative. They were introduced to the working group by Chris LeClair. Simplex did prepare a report for the working group.

Ms. Compton: So –

Jane MacAdam: Those companies were involved in egaming in that respect. But then both companies were involved in the loyalty card program and that was with the department of tourism.

Ms. Compton: Two separate programs, egaming and loyalty cards, two different departments not really connected at all as far as what we're looking at here in the report, other than the companies that they looked at were or were working with were CMT and Simplex. Is that correct?

Jane MacAdam: Yes. If you look at Exhibit 2.3 where we have the government's involvement in the different events, the loyalty card program was the department of tourism, but it doesn't touch on any of the same entities in government that was looking at the egaming initiative. It was more the companies that were overlapping.

Ms. Compton: To me it just smells a little fishy that we have those two companies that are in question and then we have a new program, loyalty card, which is with tourism.

After that we move into the MOU for financial services platform. That happened

after both the egaming initiative and the loyalty card. It was like: Strike one, strike two, let's try number three. Was it still CMT and Simplex for this?

Jane MacAdam: Yes. The MOU was with a subsidiary of CMT.

Ms. Compton: Okay, thank you.

Chair: Brad, you're next on the list.

Mr. Trivers: Thank you, Mr. Chair.

My question was actually along the same lines of what Darlene was getting at. I'm looking at paragraph 2.11. It's talking about the loyalty card program, and how, again, Capital Markets Technologies and Simplex were chosen to do that.

I'm assuming, first of all, this was an untendered thing. They just decided they were going to work with that.

The second thing was it ended after the deputy minister was moved to a different department, in this case innovation and advanced learning.

I wanted you to comment, if you can, on what internal government processes are for choosing vendors. Because again, like Darlene was saying, it's kind of odd that the CMT and Simplex, it's like they were the go to vendor. I'm not sure if this was really their area of expertise or not.

The second thing I wanted you to comment on was whether you think the project was actually being driven by the deputy minister and that's why it ended when they left the department.

Jane MacAdam: In paragraph 4.3 on page 28 we say that in May 2011 the former deputy minister of tourism contacted the vice president of CMT so she was driving the establishment of the loyalty card program.

We do talk about the rules for contracting there and we say that Treasury Board policy was not followed. It wasn't competitively bid. The work on this loyalty card program was not competitively bid. The work began without a documented contract between either CMT or Simplex, and the department

of tourism and culture instructed Simplex to bill for its services through a third party service provider that had an existing IT contract with the department. We note that was serious deviation of internal control in the department.

We have numerous examples where Treasury Board policy was not followed.

Mr. Trivers: Thank you.

That answers my question for sure.

Thank you very much.

Chair: I have nobody on the speaking list. Oh, go ahead, Mr. Fox.

Leader of the Opposition: Thank you, Chair.

On your comment there you said there were numerous instances where Treasury Board wasn't followed. Can you explain how they got around it?

Jane MacAdam: As we indicate in the report, they just didn't do a competitive process. They made arrangements with contractors to get work done. In some cases with no competitive process and with no documented contract, that was the case with the loyalty card program.

Leader of the Opposition: Thank you, Chair.

Chair: Okay.

Leader of the Opposition: I find it very disturbing, actually, to be honest with you.

Chair: At this time what I think I'll do is declare a small recess to bring the Chair back. We're out of that line of questioning. Okay?

Thank you.

One-minute recess.

[Recess]

Chair (J. Brown): Just to let the record reflect, Jordan Brown is now back in the Chair from out of the room.

Leader of the Opposition: So Chair, part of (Indistinct) I asked you a question to Jane about how they skirted Treasury Board and made decisions. I'm curious on that.

When they went around the rules and policies and regulations of what was supposed to happen in taking the thing to Treasury Board, the people that did this, did they do any due diligence or did they do any – did they go to this policy besides just not going to Executive Council or Treasury Board?

Jane MacAdam: Are you talking about the loyalty card program still?

Leader of the Opposition: Either.

Jane MacAdam: We had numerous examples where Treasury Board policies weren't followed, and contracting was one of the policies. We have an appendix at the back, appendix D, and it lists the various policies that weren't followed.

Leader of the Opposition: So they didn't follow the policy. Did they do any due diligence? Did they at least take that step?

Jane MacAdam: For the loyalty card program and the MOU, we do comment that there was not adequate due diligence conducted on the companies before the arrangements were entered into.

Leader of the Opposition: Thank you, Chair.

Chair: Okay, so my list, I think is now come to its end. Is there anybody else on that wished to be on the speaking order in relation to section 2? Peter.

Dr. Bevan-Baker: Jane, I'd just like to – in section 2.15, we're talking here about the \$25 million lawsuit filed by CMT against the government for a supposed breach of contract.

Some Hon. Members: (Indistinct).

Dr. Bevan-Baker: Oh, am I (Indistinct) – sorry, Jordan –

Chair: No, it's all right. It just depends on where you're going with it, I guess. (Indistinct) related to (Indistinct).

Dr. Bevan-Baker: All right, I'll try and ask the question in such a way that you can stay where you are.

Mr. Trivers: You know, I have some questions as well, and I'm sorry, I should have (Indistinct).

Chair: We need a call for a motion (Indistinct).

Mr. Dumville: I motion that Sonny Gallant take the Chair.

Some Hon. Members: (Indistinct).

Ms. Compton: Nobody wants the Chair.

Mr. Dumville: I've got to get even.

Ms. Compton: There you go. Forgive and remember.

Chair (Gallant): All right, let's reconvene.

We had Peter Bevan-Baker questions, and then Brad Trivers.

Dr. Bevan-Baker: Thank you, Chair.

My question surrounds the notion of having of having a breach of contract for an MOU. I realize this may be outside the scope of your expertise here, but in my limited legal mind it seems strange here that there could be a breach of contract filed against something which is just a Memorandum of Understanding. Have you ever come across this previously in any of your work?

Jane MacAdam: This Memorandum of Understanding?

Dr. Bevan-Baker: Yeah, where somebody has filed a claim against another party for breach of contract where that contract extends only as a Memorandum of Understanding.

Jane MacAdam: That's not something that we would normally even look for.

Dr. Bevan-Baker: We need a lawyer in the room to answer that question.

I have a follow up question and I – sorry, Chair. Again, I'm not sure you can answer this, Jane, but do we have any sense of the

legal costs that the government has incurred defending itself from this legal claim?

Jane MacAdam: In paragraph 2.16 here we say the actual costs incurred for defending the lawsuit – and this was as of March 31st, 2016 – was \$200,000, and \$35,000 of that was ordered by the Supreme Court to be reimbursed by CMT. I'm not sure if any –

Dr. Bevan-Baker: Okay. Sorry, I should have read ahead and seen that. My apologies.

Thank you, Chair.

Chair: Peter.

Brad Trivers, a question.

Mr. Trivers: Thank you, Chair.

I have a couple of questions for the record and just to clarify things. Can you explain your understanding of the issues at the heart of the litigation between CMT and their subsidiary companies, Garth Jenkins, Wes Sheridan, and Chris LeClair, amongst others? What's at the heart of that litigation there?

Jane MacAdam: We didn't include that in our scope of our work. We just put this in here for information purposes only, basically. We didn't look at what was being claimed by the plaintiff and things like that. We didn't get into that as part of the audit.

But we do know it involves the MOU that was signed between Innovation PEI and the subsidiary of CMT.

Chair: Brad Trivers.

Mr. Trivers: Yes, so following up: What was the role of Mr. Garth Jenkins in this entire matter? What was his role?

Jane MacAdam: I guess he's related to Paul Jenkins who we reference in another paragraph. But really, our report doesn't talk about Garth Jenkins per se. We mainly looked at government and government's involvement in the egaming initiative.

Mr. Trivers: So really, Garth Jenkins is not part of your report, per se?

Jane MacAdam: Well, he was connected to Paul Maines who was the vice-president of business development for CMT, but really, when we talk about the companies and the connections, it's mainly CMT and the subsidiary of CMT, as well as Simplex and Revolution Technologies.

Mr. Trivers: Okay, so really the connections have to do with these people being investors and Mr. Jenkins being an investor in the company.

We talked a little bit earlier about reverse takeovers, and thank you for pointing us to the definition of that. There's 36 Islanders who invested, as you mentioned in the report. In a reverse takeover scenario, if you invested, say, in a subsidiary of CMT and then CMT did a reverse takeover, say of Revolution Technologies, would there be substantial gain to be had by owning those shares when it went public?

Jane MacAdam: Yes, the potential existed.

Mr. Trivers: The potential, okay. Do we have a list of the 36 Islanders that did invest?

Chair: That's – we do.

Mr. Trivers: That's the one there? Okay, great. Just wanted to make sure. Just covering all the bases here.

Now, do you have any documents that relate to Garth Jenkins in particular that you've reviewed?

Jane MacAdam: No, there wasn't a lot of documentation with regards to Garth Jenkins.

Mr. Trivers: So there were some documents. For example, the investors list, his name was on that list.

Jane MacAdam: Right, and there may have been some emails and some things like that, but as far as the report, it was mainly CMT and Trinity Bay and the companies that we talk about here.

Mr. Trivers: Okay.

Thank you, Chair.

Chair: All right.

Darlene Compton.

Ms. Compton: Thank you, Chair.

Just following up on what Brad had (Indistinct), there was \$700,000 invested in CMT by 36 different Islanders.

I'm just wondering about the status on the second claim that can be filed. We're down to 2.16. Has there been a second claim filed?

Jane MacAdam: No. As of July 31st there was no further legal action, and that was when we finished our audit work.

Ms. Compton: You said it was a cost of \$200,000 defending the lawsuit. I'm wondering what law firm was used for that.

Jane MacAdam: It was Stewart McKelvey.

Ms. Compton: Okay. Thank you.

Chair: Okay, Jamie Fox.

Leader of the Opposition: Sticking with Darlene's question on \$700,000 from 36 Islanders, who approached these Islanders and gave them the sales pitch? How was that delivered?

Jane MacAdam: We didn't specifically look at that as part of this assignment. That was something that the securities commission looked at when they did their investigation. But we know that there was an investment broker that –

Leader of the Opposition: Who was the investment broker?

Jane MacAdam: Shane MacEachern.

Leader of the Opposition: Shane MacEachern.

Thank you.

Chair: Seeing no further questions, I will do as the previous vice-chair did and call a recess and bring the Chair back in.

Clerk Assistant: Did you just want to check with the committee if (Indistinct) this point?

Some Hon. Members: (Indistinct).

Ms. Compton: I think we're good.

Chair: Okay? All right. (Indistinct) for a minute.

[Recess]

Chair (J. Brown): We're good to go. Jordan Brown is back in the Chair.

I'm just going to check. I had some questions on section 2. Just let me quickly (Indistinct). I apologize if we're covering the same ground. Two point one three, if we could flip there. We were talking about the MOU in 2.13.

In that section you stated that: Limited progress was made on the negotiations during the first 60 days. Is it true that government was asking for more information from this company but the company was not providing the requested information?

Jane MacAdam: Government wanted them to prepare and ask what exactly did they want from government. So yes, they were asking for more information.

Leader of the Opposition: Chair?

Chair: Jamie.

Leader of the Opposition: With your section there, Chair, you say that the former deputy minister of Innovation and Advanced Learning agreed to extend the MOU for just the 30 days. Did he have the authority to do that?

Jane MacAdam: Yes.

Chair: Anybody else have anything on that section?

Just bear with me a second. I'm going to go back to 2.4, if I might. In that section you'd indicated that CMT had "...presented itself as a financial technology company..." and also that it was dissolved between 2009 and 2012. Is there a reason for the choice of that wording, "presented itself"?

Jane MacAdam: CMT and Simplex both, they came to government, they were looking

to do business with government, and they were explaining what they were able to offer to government. That's why we used the words "present themselves."

Chair: Were they actually financial technology companies?

Jane MacAdam: That's how they described themselves and that's why we put it in here because they actually presented themselves as having a financial connection as well.

In our report we talk in paragraph 4.6, we basically say that "...we could not substantiate that there was an ownership interest between CMT and Simplex..." They presented themselves as working together on a number of initiatives and that they had an ownership interest, that CMT had a 30% ownership in Simplex. But based on our review of the audited financial statements, we could not substantiate that there was an ownership interest between CMT and Simplex. I guess collectively together they would have more to offer in a unit.

Chair: Bush, before you do your follow-up question I have a related question that probably tie it all in.

In Exhibit 2.2 you state that CMT "[o]perated under multiple names since 1995." Again, was there an inference as to why that would have been indicated?

Jane MacAdam: No, we were just providing some background information.

Chair: Bush, you had a –

Mr. Dumville: Yeah, just as a follow-up on that. Were there any other companies in this field that the government could have reached out to or analyzed the competitive – how CMT were representing themselves? Or was it trying to keep it all in-house so that this wouldn't leak out? From a competitive point of view, I'm just wondering: Were there any other companies that could provide this kind of service, more bona fide companies than CMT turned out to be?

Jane MacAdam: We didn't really assess that as part of our work.

Mr. Dumville: Okay. Thank you, Chair.

Chair: Anybody else have any questions on section 2?

No. We had indicated that we would at the end of each section talk about documents to be requested. We did have an ask from Mr. Fox in relation to shareholders and directors, I think, of companies in Exhibit 2.2. Does anybody wish to make a motion for Mr. Fox on that in that regard?

Ms. Compton: I'll move that we request those documents.

Chair: It's Exhibit 2.2. Maybe just if I might, in terms of suggesting where he's requesting them from the Auditor General – and I don't want to put the words in your mouth or on your motion – but if we can request the documents that she has in her possession, I think some of them are public documents too. Does that suit?

Ms. Compton: Yes.

Chair: Brad on this (Indistinct)..

Mr. Trivers: I have some other documents to add to that as well.

Any documents including the emails you might have in relation to Garth Jenkins. I don't think you need to leave, don't worry, (Indistinct). You make that call if you need to recuse yourself.

Ms. Compton: (Indistinct) Paul Jenkins (Indistinct).

Mr. Trivers: It was Garth that –

Chair: Garth I (Indistinct) have the issue with, yeah. I do need to leave (Indistinct) entertain a motion related to Garth Jenkins.

Mr. Trivers: (Indistinct) –

Clerk Assistant: (Indistinct) that as a second motion?

Mr. Trivers: You want to do that as a separate motion?

Clerk Assistant: Yes.

Mr. Trivers: Okay, we'll pass this one then you can leave.

Chair: Okay. Darlene's first. Does anybody take any issue with Darlene's motion which is to – I'm going to paraphrase and we'll see if the clerk can get the exact wording down. As I understand the motion, the motion is to have whatever list the Auditor General may have in her possession or control relating to the shareholders and directors of the four companies listed in Exhibit 2.2 produced to the committee.

Is that fair? Does anybody have any comments or issues with that? No. The Chair recognizes consensus on that.

Before Brad makes his motion I'm going to call for a nomination of a sit-in Chair.

Some Hon. Members: (Indistinct).

Mr. Trivers: Isn't it Hal's turn?

Dr. Bevan-Baker: It is Hal's turn.

Mr. Perry: No, it's not my turn.

Some Hon. Members: (Indistinct).

Chair: One of you guys, Brad or Peter or Darlene, I don't think you've ever chaired a committee before.

Can somebody –

Mr. Gallant: I nominate Bush.

Mr. Dumville: Any other nominations?

Clerk Assistant: Any other nominations?

Please take the Chair, Mr. Dumville.

Chair (Dumville): I'll call the meeting back to order. Bush Dumville, Chair.

Mr. Trivers, would you make your –

Mr. Trivers: Thank you, Chair.

I'd like to make a motion that the Auditor General provide all documents, including emails, that she has in relation to Garth Jenkins.

Chair: Discussion?

Jane MacAdam: I just want to make it clear to the committee that a lot of the working

papers that we have as part of our audit are in terms of our rules of professional conduct. I mean, I have to look at whether or not those can be provided directly from me or whether they may have to just be requested from government.

Chair: There'd have to be a proviso in here for –

Jane MacAdam: I'm just saying it may be more appropriate to get them from government directly than from me.

Chair: Would you change your motion?

Mr. Trivers: I'll amend the motion to say:

that the Auditor General provide all documents, including emails, in relation to Garth Jenkins, and for those that she thinks might violate her code of conduct, provide a list of those that we may request from the appropriate government departments.

Chair: I'll open the floor for any comments.

Hearing none, your motion is carried.

A short recess to bring the Chair back in unless there's any – is there anything else coming up in regards to individuals, or can I bring the –

Mr. Trivers: I'm okay, I think.

Chair: You're okay?

All right, just a short recess. We'll bring the Chair back in.

[Recess]

Chair (J. Brown): Are we finished with documentary requests for section 2?

Hearing no others. I'm going to suggest that we take a 10-minute break just because it's going to be a long morning if we don't, if everybody's fine with that? Any issues?

Okay, let's take a 10-minute recess then. We'll reconvene at 10:30 a.m. by that clock, which is a little bit off.

[Recess]

Chair (J. Brown): Okay, I think everybody's back. We're ready to resume.

I would note for the record that Darlene Compton had to leave and I do have a letter from Mr. Fox in respect of Mr. Fox filling in as a committee member for Ms. Compton.

With that, you guys have a presentation that you'll go through in relation to section 3. We'll hold questions until the end and then we'll do what we just did.

Jane MacAdam: Okay.

The egaming section of the report is divided into three main parts: the relationship between government and external parties, funding and costs, and financial reporting.

The core working group for this egaming initiative included the former minister of finance, the executive director of the Confederacy, and three representatives of a local law firm providing legal and other services. These were two lawyers and an accountant.

Additional people were invited to attend meetings on occasion, including public servants, consultants, and others. The working group met on a regular basis.

Both the former minister of finance and the executive director of the Confederacy have acknowledged publicly that egaming was a joint initiative.

We concluded that the law firm was providing project management services not only to the Confederacy but also to government.

Government was the primary player in this initiative. All of the risks and the majority of the benefits were with government. The project could not go ahead without the support of government.

We were advised the Confederacy could not finance investigating the concept of egaming without government providing grants and a loan. Repayment of the loan was conditional on the success of the project.

If successful, documentary evidence obtained from government indicated almost all the revenues of the project for PEI would

belong to government. Government support would be required for legislative changes to proceed, along with agreements with the government of PEI and the governments of each of the participating governments.

It was ultimately government's decision to end the investigation into the project in February 2012. So the Confederacy could not advance the project without government.

Government did not provide us with any contract or any type of agreement documenting the terms of the relationship or outlining clauses on conflict of interest, confidentiality, and access to information.

Because of the nature of this arrangement and the funding of the initiative through the Confederacy, this significant government project operated outside the regular control framework of government. Government did not have an agreement outlining its access to project information and we could not examine important project management information including, for example: contracts with third parties; due diligence completed on CMT and Simplex; minutes of the working group; further information on travel. Those are just some examples of information that we couldn't obtain.

We made one recommendation in this section, and that is 3.24:

When engaging in joint initiatives with external parties, government should ensure taxpayers' interests are protected through written agreements. These agreements should address, at a minimum, roles and responsibilities, conflict of interest, confidentiality and government access to files and information.

Now, I'll get into the funding and the costs.

Between September 2009 and January 2013 three grants totalling approximately \$432,000 and one loan for \$950,000 were provided to the Confederacy.

The three grants were provided by Innovation PEI. Only the first grant was supported with an application. The other two were approved to pay for costs that had already been incurred.

Government made the decision to stop working on the initiative in February 2012. However, work continued on this file and some of the invoices were paid by government through a third grant from Innovation PEI.

The approval sheet and grant agreement prepared by Innovation PEI indicate what the funds will be used for and was indicative of events yet to occur. It indicated one-time funding to address an economic growth opportunity that would allow the Confederacy to explore further opportunities and economic development.

This grant was disbursed January 31st, 2013, and was used to pay bills that had already been incurred in the prior year from March 2012 to June 2012. In addition, the funds were advanced before the letter of offer was signed.

We also noted issues with the monitoring of these grants. Monitoring was not conducted in accordance with the letter of offer. A clause in grant one required the Confederacy to submit all final copies of the reports prepared by the consultants to Innovation PEI. We noted that not all final reports funded by the grant were obtained by Innovation PEI.

For the second grant we also noted there was no documented monitoring consistent with the terms and conditions of the grant. Innovation PEI did not confirm that the Confederacy paid its required 20% of costs related to this grant. We made two recommendations on grants in paragraphs 3.56 and 3.57.

Now I'll talk about the loan.

The loan was provided by IIDI. In October 2011 a business plan was submitted to IIDI by MCPEI for funding of \$950,000. In November 2011 a loan was approved by the IIDI board.

Considerable costs of \$600,000 had already incurred prior to the loan application, and by the time the loan was approved by IIDI costs incurred were 750,000. The first advance on the loan was \$50,000 on November 29th, 2011. This was before the letter of offer was signed on December 14th, 2011 and before

the registration of the security was complete on February 28th, 2012.

We made a recommendation on disbursement of loan proceeds in paragraph 3.58: IIDI should not disburse loan proceeds prior to signing loan agreements and obtaining security.

The Board of Directors of IIDI indicated the security provided by the Confederacy was not adequate to support the loan and would not approve the loan without obtaining additional security. A guarantee letter was signed by the former minister of finance. This letter stated that:

“...in the event of default by MCPEI, the Department of Finance accepts responsibility for the ultimate repayment of this loan to IIDI. The Department of Finance will meet its obligation with respect to this debt by providing an increase to the Innovation PEI budget in the year of default by an amount equal to the outstanding loan balance... which will enable Innovation PEI to repay the IIDI loan on behalf of the Department.”

The *Financial Administration Act* and Treasury Board policy for loans and guarantees requires Treasury Board and Executive Council approval. Neither Treasury Board nor Executive Council approval was obtained for this guarantee.

We had a recommendation in paragraph 3.59: In accordance with the *Financial Administration Act* and Treasury Board policy, government loan guarantees should be authorized by the Lieutenant Governor in Council.

We identified other costs. The majority of the funds spent on the E-gaming initiative were accessed by the Confederacy, most of which were paid to the local law firm for costs incurred as depicted in Exhibit 3.2.

If we go to Exhibit 3.2 it shows that most of the costs were incurred for professional fees, travel, meals, administrative and consultants. That was the bulk of the costs that were paid through the loan and the grants.

There was no separate appropriation account set up by government for E-gaming. Such an

account would typically be used to segregate and compile all costs incurred. Throughout this assignment we identified some additional expenditures totally approximately 65,000 and we expect there were other costs associated with E-gaming. But based on our work we were able to conclude there was a minimum of \$1.5 million spent on E-gaming.

The next section is on financial reporting.

In February 2012 government made a decision to end its involvement with the E-gaming initiative. Based on the terms and conditions in the loan agreement, the loan to the Confederacy was no longer repayable to IIDI at that date. The loss on the loan should have been reflected in the 2011-2012 consolidated financial statements of the province, but it was not reflected until 2012-2013. Although this transaction was not material to the 2011-2012 financial statements, it should have been recorded.

At March 31st, 2012, IIDI reported a loan receivable from the Confederacy. We were advised there was no provision for loss recorded because the department of finance provided a guarantee letter to IIDI. The guarantee by the department of finance was a related party transaction of IIDI, but was not disclosed in the notes to IIDI's consolidated financial statements as required.

As at March 31st, 2016, the loan remains on IIDI's books with a full loan loss provision. Based on accounting standards this loan should be written off.

The final issue on financial reporting relates to reporting to Treasury Board. On January 9th, 2013, Treasury Board directed the Department of Innovation and Advanced Learning to develop a standard quarterly report to be effective for the March 31st, 2013 year end. The quarterly report was to include all loans that met certain conditions. One of these conditions required that loan accounts with a specific provision for loss be included in its quarterly reports.

By March 31st, 2013 the loan from the Confederacy had a specific provision for loss. We reviewed the quarterly reports to Treasury Board up to March 31st, 2015 and this loan was not included as required.

We made a number of recommendations in financial reporting in paragraphs 3.66 to 3.69 to address all those financial reporting issues identified.

The next section is on the loyalty card program.

Chair: Do you want to just end there and go back through?

Jane MacAdam: (Indistinct) .

Chair: Yeah, okay, if you don't mind.

Jamie, Peter, Brad, Bush. Go ahead.

Leader of the Opposition: Thank you, Chair.

Just going back a couple of statements you made there, Jane. You stated the loan should be wrote-off back a minute ago. Can you give your reasoning behind that or what you're basing that opinion on?

Jane MacAdam: In accordance with accounting standards, if a loan is no longer collectable, if you're not expected to collect any money from a loan, it should be written off.

Leader of the Opposition: So it's safe to say in your opinion, then, that there's no hope of any of that money being returned back to government for what was spent or invested in egaming?

Jane MacAdam: No. Government made the decision to end the egaming initiative in February 2012. At that point the loan was no longer repayable.

Leader of the Opposition: One more question there for now, Chair.

You said that the loan was not showing in the books, I take it, in 2015. Could you make a statement (Indistinct)?

Jane MacAdam: It wasn't in the quarterly report to Treasury Board.

Leader of the Opposition: Do we have why it wasn't in that or why it wasn't showing?

Jane MacAdam: It was just an oversight. It should have been.

Leader of the Opposition: It should have been but it was an oversight.

Jane MacAdam: In the reports to Treasury Board it should have been noted because it had a loss provision. One of the criteria for reporting loans to Treasury Board includes any loans with a specific (Indistinct) –

Leader of the Opposition: Whose responsibility would that have been to make sure that was in the report?

Jane MacAdam: It would have been senior management at IIDI.

Leader of the Opposition: Would that also fall back on the minister of finance presently, or whoever the minister was in charge of IIDI at the time?

Jane MacAdam: I'd just look to see who the minister of finance was at the time, but it's usually senior management that's involved in – senior management prepares those reports for Treasury Board. The minister wouldn't necessarily be involved in examining those reports.

Leader of the Opposition: At the time, who was the senior management?

Jane MacAdam: For which date? There were some changes throughout our scope period in who would have been the CEO of IIDI. Are you talking March 31st, 2013 or –

Leader of the Opposition: Fifteen.

Jane MacAdam: Fifteen? It would have been Jamie Aiken. He was the CEO of IIDI.

Leader of the Opposition: At the time.

Jane MacAdam: At the time.

Leader of the Opposition: Thank you for now.

Chair: I have a couple of follow-ups on that. Peter, do you have separate questions?

Dr. Bevan-Baker: (Indistinct) yes.

Chair: Like Jamie, I'm a little bit – get into the accounting stuff, and it's not my area of expertise so I get a little bit confused.

If I might direct you back to paragraph 3.60 just to ask some questions there. In particular the last four lines of the paragraph say: "The loss on the loan should have been reflected on the 2011-12 consolidated financial statements of the province, but it was not reflected until 2012-13. Although this transaction was not material to the 2011-12 consolidated financial statements, it should have been recorded."

For the layperson that hears the word material and looks at those and thinks it's just because accountants say, what's the issue? What does material mean, and what are the issues that indicate it should be in one year versus the next year?

Jane MacAdam: The loss should have been recorded in 2011-12 because by February 2012 the egaming initiative was ended and they knew – government should have known – that there was – the Confederacy was not going to be repaying their loan to government.

At that time there was a guarantee letter issued by the minister of finance, so that was internal to government. It wasn't like there was an external party that guaranteed that loan. It was internal to government. On a consolidated basis there would be a loss to government, and it was known at that time and should have been reflected for the year ended March 31st, 2012.

Chair: The date of that, the date when – so the trigger date is really the Isaac's opinion and whatever the reaction to that was. Is that correct?

Jane MacAdam: The trigger date would have been when government decided to end the egaming initiative.

Chair: Beyond the Isaac's opinion, is there a date certain, if you will, that Executive Council made a decision or a minister made a decision or a department decided: No, we're done, or –

Jane MacAdam: There was no documented decision that I have seen that said as of this date. But we know from doing our work that

that's when government – government did make a decision in February, and they notified the Confederacy that they were no longer supporting the initiative.

Chair: When were the final payments made pursuant – you had referenced the department really should follow through on its letter of offer and the terms of it. When were the terms of the letter of offer complete? So, like, the payments out –

Jane MacAdam: Some of the payments were not made until 2013 when there was the \$390,000 bill that came from McInnes Cooper looking for payment of the bills. Some of these were paid later, but as of March 31st, 2012 there was \$750,000 disbursed on the loan and that should have been reflected as a loss.

The entire \$950,000 wouldn't be reflected as a loss because it was not all disbursed, but at least \$750,000 was, and that should have been reflected as a loss.

Chair: Just one final follow-up question on that. So 3.65 we go forward to say: "We reviewed the quarterly reports to Treasury Board up to March 31, 2015 and this loan was not included as required." Do you know what the status – like, today's date – do you know what the status of that is?

Jane MacAdam: Not today's date, no.

Chair: Okay. Thank you, that's – then I think we were going –

Mr. Trivers: I have a follow-up as well.

Chair: Okay, follow-up, guys. Follow up questions? Okay, we'll go Brad first, then Jamie, then Peter on the follow-ups.

Mr. Trivers: Just again expanding on Mr. Brown's questioning, you said that the government decision to end its involvement with egaming was not documented in any way, but you know that it stopped because they notified the Confederacy.

Jane MacAdam: Right.

Mr. Trivers: How did they notify the Confederacy? Was there an email, was it a phone call? I'm just trying to figure out how you know this.

Jane MacAdam: We have a timeline here. Maybe if I refer back to Exhibit 3.1, it's on page 13. There was a meeting held, we're saying February 24th, meeting held with government officials, and that was Steve MacLean and Shauna, and the Confederacy and the local law firm: "Government informs of its decision to stop E-gaming initiative. Loan no longer repayable." This was information that we obtained from interviewing various people within government.

Mr. Trivers: There were no minutes of that meeting?

Jane MacAdam: We don't have the minutes of the working group.

Mr. Trivers: Is that something that you can ask for?

Jane MacAdam: It's in the documents that are being requested from the Confederacy.

Mr. Trivers: Oh, it is. Okay. Just to be clear, again, you said it was by interviewing these –

Jane MacAdam: It was by interviewing various people in government.

Mr. Trivers: That's how you know that that meeting occurred and that's when the decision was made. Okay.

Jane MacAdam: We interviewed multiple people, former and current senior officials and former elected officials. We corroborated that information through several different interviews, as well as the Confederacy. We talked to them and they confirmed that as well.

Mr. Trivers: Just a quick follow-up, then. I'd be interested in getting a list of people that you interviewed, and in particular I'd be interested to know if you interviewed people who are currently elected officials and possibly sitting in Cabinet. Because that would show their level of involvement and what they knew at that time.

For example, was the current Minister of Finance interviewed at that time as part of their role in that?

Jane MacAdam: We did interview the current Minister of Finance.

Mr. Trivers: Would you be willing to provide a list of people you interviewed?

Jane MacAdam: Yes.

Mr. Trivers: Is that a request for a document I need to make at the end?

Chair: We'll wait and leave it till the end. Just make a note of it.

Mr. Trivers: Okay, very good.

Thank you, that's all I'm at talking for now.

Chair: I think I have Peter next on the follow-up questions.

Dr. Bevan-Baker: Thank you, Chair.

This, of course, is where things get really twisty. Chair, you mentioned a minute ago that you were a little confused, and I suspect that was the intent of all this. There was nothing straightforward, there was nothing logical, there was nothing open about how all of the funds were gathered together in order to facilitate this egaming initiative.

My question to you, Jane, is: In your opinion, do you think that the way this was constructed was a premeditated, concerted effort to move this forward in a manner that kept it from public scrutiny?

Jane MacAdam: I do comment in paragraph 1.4, for example, that: "A number of decisions and actions demonstrated a lack of due regard for transparency and accountability." I mean, there are transparency issues throughout this assignment.

For example, no Order in Council for the guarantee. The normal process to approve a guarantee would go through Lieutenant Governor in Council and that would be a public document.

Dr. Bevan-Baker: Exactly, so that's one of the –

Chair: Sorry, I just wanted to get clarification there, 3.14 or –

Jane MacAdam: No, 1.4 on page 1, where we summarize. It's the last sentence: "A number of decisions and actions demonstrated a lack of due regard for transparency and accountability."

Chair: Thank you.

Jane MacAdam: That's, I guess, part of the issue that you're raising. We did have issues with transparency.

Dr. Bevan-Baker: Yeah, and I mean, this did go on for some time sort of undetected. I'm wondering how much more difficult it made your job to sort of dig down into this and figure out where the funds came from.

Do you think your job would have been made easier had the manner in which the funds were gathered together been done in accordance with all of government rules and regulations?

Jane MacAdam: Yes, it would have been easier because there would have been a separate appropriation account with all the costs related to egaming recorded, like, segregated and recorded.

Chair: For a follow-up?

Dr. Bevan-Baker: Yeah. In relation to the former minister of finance, Wes Sheridan, giving a guarantee to the loan, as you pointed out it was necessary for him, if protocols were followed, to obtain approval from Executive Council, Treasury Board, which was not done.

Do you feel in doing that – and I realize, Jane, that the scope of your job is in accounts – but do you feel that Wes Sheridan was in violation of the *Financial Administration Act* in doing so? In your opinion.

Jane MacAdam: We do say in the report that there was non-compliance with the *Financial Administration Act* because the guarantee should have been obtained through Lieutenant Governor in Council approval.

Dr. Bevan-Baker: I'm just trying to be absolutely clear here that there was an act, a law, which was violated by the finance

minister of the day. Would that be a fair representation of what happened there?

Jane MacAdam: Yeah, and we do point out in the report there were a number of people involved. There was the former minister of finance, there was also the board of IIDI at the time. I think we make a – in 3.46 we say: It's reasonable to expect that the former minister of finance, the IIDI board and the executive director of IIDI should be familiar with the authorization requirements for guarantees outlined in Treasury Board policy and the *Financial Administration Act*.

There were numerous people involved in the decision to not seek Lieutenant Governor in Council approval.

Chair: Are we following up still?

Dr. Bevan-Baker: Yes, actually, it's the same section.

Chair: I might just – I know Bush had a direct follow-up to your last question. Jamie, I know we've kind of jumped over you. Was yours a direct follow onto Peter's?

Leader of the Opposition: Direct to you.

Chair: On mine? Okay, maybe we'll go to Bush first and then to you, if you don't mind.

Leader of the Opposition: Okay.

Mr. Dumville: I'll be quick. I would like other questions later on, Chair.

But I have a direct follow-up to Peter's. In 3.35 there was draft request for a \$1.2 million grant and Innovation PEI did not have sufficient funds. Rather than have a special warrant issued the loan request on 3.36, supporting documentation, was reduced to \$950,000 and the threshold to IIDI was a million.

They skirted Treasury Board approval in that. There was kind of a little bit going on there to undercut the \$1 million reporting threshold?

Jane MacAdam: Yes.

Mr. Dumville: Okay. Thank you, Chair.

Chair: Now to Mr. Fox.

Leader of the Opposition: Piggy-backing on what you said, Jordan – and it actually touches a little bit what Peter said – given that the minister, Wes Sheridan, guaranteed a loan that he didn't have authority to do, and you being an accountant, would you not – in your opinion is there any – knowing what you know about the Criminal Code as an accountant, you know that you can't defraud people. Do you think there was a deliberate attempt here to defraud or that parts of the Criminal Code could have also been breached? Not only the *Financial Administration Act*?

Jane MacAdam: We didn't get into motive or anything like that as part of this audit. We note that there's non-compliance with the act and the Treasury Board policy.

Leader of the Opposition: Did the bell ever go off and you say: Geez, they also could have went against the Criminal Code of Canada?

Jane MacAdam: We weren't –

Leader of the Opposition: You didn't look at that –

Jane MacAdam: – looking at criminal issues.

Leader of the Opposition: Okay.

Jane MacAdam: We were just looking at compliance with the legislation.

Leader of the Opposition: With that, then, when they partially fronted some of the money, the loan approvals of \$100,000 here and \$100,000 here, did they provide any supporting documentation that supported what they've done up to that point to trigger the next release of funds?

Jane MacAdam: Yeah, there would be. There were invoices provided to support the drawdown of the loan funds.

Leader of the Opposition: Final thing, Chair, is we go into Peter here a little bit, I guess.

I'm curious that, in your opinion, would you be concerned that we have elected members

and people still in positions of authority now continuing to be involved in this process? I'll take it right to the Minister of Finance. The Minister of Finance or at the time of the minister of the time – Al Roach was a minister under this scheme. Now he's the Minister of Finance and he's also in charge of review.

In your opinion, would that not be a concern?

Jane MacAdam: That's government's decision in terms of how they want to follow up on these recommendations. That's not for me to comment on.

Leader of the Opposition: Thank you.

Chair: Peter next, and then Brad.

Dr. Bevan-Baker: Thank you.

We've been using some terms here this morning: violated the *Financial Administration Act*, which I mean, basically that, in layman's terms; they broke the law. That's what that means. Violating an act is breaking a law.

I'm interested to find out if any of the people – and we know the former finance minister is no longer in government – but are any of those people who knowingly violated the *Financial Administration Act* still present in government today?

Leader of the Opposition: Basically what I just said.

Dr. Bevan-Baker: Yeah.

Jane MacAdam: Neil Stewart would be. He was the executive director of IIDI. I'm not sure who was on the IIDI board at the time. Michael Mayne was the chair of the IIDI board, and Doug Clow was on the board of IIDI.

Leader of the Opposition: Minister Roach.

Jane MacAdam: He wasn't on the board of IIDI.

Dr. Bevan-Baker: I have more questions, but not directly related to that topic.

Chair: Sonny first, then (Indistinct).

Mr. Gallant: It indicates in here that procedures were not followed along the way and people didn't do due diligence.

When you look at your chart on 3.1 here it says on February 24th, 2012: "Meeting held with government officials, MCPEI, and the local law firm. Government informs of its decision to stop E-gaming initiative. Loan no longer repayable." Then on March to June 2012: "The local law firm and MCPEI continued to meet..." Did you follow-up on that? Why did they continue to meet if the initiative was off the table?

Jane MacAdam: We did follow-up on that. We determined that approximately \$100,000 was spent during that time and it really – really, government made the decision to stop so they shouldn't have continued to incur costs. We point that out in the report. I'm just looking for –

Mr. Gallant: So they continued –

Jane MacAdam: No, and we don't know specifically why they met during that time. That's another reason why we'd like to get more information from the law firm and the Confederacy.

Mr. Gallant: They obviously stopped their initiative, but they continued to pay the bills.

Jane MacAdam: Right.

Mr. Gallant: Okay, thank you.

Chair: I'm going to go – Brad had a follow-up on Sonny's follow-up and then Bush had a follow-up on Sonny's follow-up, so we'll do that.

Mr. Trivers: Thank you, Chair.

The question that was asked previously by Mr. Bevan-Baker and Mr. Fox was talking about: Are there any senior government officials that are still in government that were part of the people who made this decision not to include that loan loss?

My related question really is: Do you believe that the minister of innovation and advanced learning at the time was aware that that loan had been defaulted on? Then, possibly, did you ask him that when you interviewed him?

Jane MacAdam: He stated that he wasn't briefed on the file when he became minister. He was not aware of the guarantee letter by the minister of finance.

What was your question again in terms of the loan?

Mr. Trivers: My question is: Do you believe that he knew that the loan had been defaulted on? The \$950,000 loan that you mention in 3.63 and 3.64, 3.65.

Jane MacAdam: I'm not sure if that was a direct question that we asked him or not.

Mr. Trivers: Okay, that was my main follow-up question on that.

Chair: We'll go to Bush, then, for a follow-up question.

Mr. Dumville: I believe this is related, Chair.

On 3.22: "Further, documentation from the Legislative Counsel Office indicated that a partner of the law firm, who was on the working group, was providing legal representation to the former Minister of Finance..."

Who would be the partner in that law firm?

Jane MacAdam: It was Gary Scales that we're referring to.

Mr. Dumville: Gary Scales, okay.

Going a little farther, it says: "...the local law firm was billing MCPEI for providing legal and investment advice to the former Minister of Finance on an investment decision for the PEI Lotteries Commission, a provincial Crown corporation." This was a form of double billing there because it was an extra \$65,000 that they pulled out of Atlantic Lotto –

An Hon. Member: Sixty.

Mr. Dumville: Sixty, was it? Sixty thousand dollars. So there was – they're gathering up the money more or less.

Jane MacAdam: That's a separate issue, though.

Mr. Dumville: Is it?

Jane MacAdam: That's not the 60,000.

Mr. Dumville: Okay.

Jane MacAdam: That's a separate issue.

Mr. Dumville: Thank you.

Chair: I had a follow-up question somewhere here back to Peter's. I just wanted to be – because Peter had used some loaded wording there. I just wanted to clarify that we get a proper answer to the question.

He had said something to the effect that: Is it your opinion that certain individuals had knowingly violated the *Financial Administration Act*? There was another piece of legislation – I can't recall.

I just wanted to make sure that we – again, Peter obviously intended something by that wording and I'm not sure that the answer reflected kind of the intent that was there.

Is there a specific finding that certain individuals knowingly violated the *Financial Administration Act*?

Jane MacAdam: No, we don't – we just say that the *Financial Administration Act* was not complied with. We didn't look at motives behind that or we don't speak to motives, we just present the facts. The facts are that it wasn't complied with.

Mr. Dumville: Two words just to add to that. Personal gain. There was no personal gain in any of this?

Chair: That's a question for –

Mr. Dumville: Oh, sorry. There was no personal gain in any of these –

Jane MacAdam: No.

Mr. Dumville: No.

Jane MacAdam: No –

Mr. Dumville: Okay, thank you.

Jane MacAdam: – we didn't observe any personal gain.

Chair: Mr. Fox.

Leader of the Opposition: On what he's saying, is there any evidence of staff told government officials: You can't do this? You tell me you're going to do something and I'm the staffer and I say: Jane, you really can't do that because it's – was there any evidence of that that came out?

Jane MacAdam: It was raised as a question as to whether or not it would require Lieutenant Governor in Council approval, and I think we reference that in the report under the whistle-blower – on page 44, at the top, we say – it's the beginning of paragraph 8.5 I'm reading now, on the previous page:

Other concerns were raised by senior officials and staff of IIDI and Innovation PEI throughout these projects. For example there were concerns about the need to obtain Treasury Board or Executive Council approval for the loan guarantee.

That was in issue that was raised. It was more of a question. It wasn't a statement that said you need to obtain, it was a question: Is it necessary to obtain? It was posed as a question, not as a statement.

Chair: Follow-up, Mr. Fox?

Leader of the Opposition: Did you have anybody express to you that things were done illegally?

Jane MacAdam: No.

Chair: I have a follow-up question on that point. Back to 3.22 in your indication a minute ago that Gary Scales was providing advice to the minister of finance on (Indistinct) points. Was he providing advice or opinions in relation to this particular loan approval and security priorities and that piece of it?

Jane MacAdam: Not sure. We just have email. We had emails and concerns raised by the Legislative Counsel Office that the partner in the law firm was providing legal representation to the former minister of finance.

Mr. Dumville: Chair, just a follow-up to your question (Indistinct).

Chair: Sure.

Mr. Dumville: On 5.4 it says: "...Innovation PEI's legal counsel..." Is that also Gary Scales? Because it said: "...who was also a CMT investor..."

Jane MacAdam: No.

Chair: Where are we here now?

Jane MacAdam: In paragraph 5.4?

Mr. Dumville: Yes.

Jane MacAdam: No, that's not Gary Scales.

Mr. Dumville: Who was that?

Jane MacAdam: That was Bill Dow.

Mr. Dumville: Okay.

Chair: Can we just leave that for now and perhaps come back to it, Bush?

Mr. Dumville: Sure.

Chair: Any down the trail that we've just been on, are there any further follow-up questions?

So I'm to Brad next.

Mr. Trivers: Thank you, Chair.

I just wanted to start right back at 3.1. These questions may seem fairly specific, but I think they're important.

You use the term: "The Government of PEI entered into a relationship with both MCPEI and a local law firm..." If we look at that term, "Government of PEI," what does that refer specifically to? Who was it? Does that mean it was the premier, the finance minister, a senior? Like, was it –

Jane MacAdam: It's just a –

Mr. Trivers: – a document that was signed? Who signed the document?

Jane MacAdam: We're saying that government entered into a relationship with a law firm and the Confederacy.

Mr. Trivers: Sorry, I just missed it.

Jane MacAdam: We're building a case that there should be an agreement documented to outline the relationships and the arrangement. That's why we're using the "Government of PEI." It's just three separate parties working together and the need for an agreement.

Mr. Trivers: Just to be clear here. You're using the "Government of PEI" because, indeed, there was no specific person who signed a document. You don't know who it was in the government that actually entered into the relationship.

Jane MacAdam: There was no document. That's the problem. There was no document that outlined the arrangements between the three parties. We do know that it was the former minister of finance that was on the working group that was working with the law firm and the Confederacy.

Mr. Trivers: You use "Government of PEI," but really it was the minister of finance that entered into a relationship.

Jane MacAdam: On behalf of government.

Mr. Trivers: I just wanted to clarify that because, I mean, it really was, specifically, the minister of finance on behalf of the government of PEI.

Now, again, I just wanted to know, just to be very clear, when you say, "entered into a relationship," what does that mean, or what do you mean by that bullet point? Does that mean – again, with no documentation – does it mean they had a conversation he said he was going to give them money?

Jane MacAdam: It was the working group. In 2010 there was a working group established. We indicate that in the timeline there on page 13. February 2010: A local law firm begins working on the E-gaming initiative with the Confederacy and the Department of Finance. The E-gaming working group begins to meet.

This is when the working group gets established and they meet on a regular basis throughout the initiative. That's the relationship that's established.

Mr. Trivers: Just to be clear, we do have a list of all the people who are part of that working group?

Jane MacAdam: We indicate the main people are: the former minister of finance; there are three representatives from the local law firm; and the executive director of the Confederacy. I'm just looking for the paragraph.

Mr. Trivers: Just for the record, can you name all those individuals?

Jane MacAdam: Yes. It was former minister of finance Wes Sheridan; the three individuals from McInnes Cooper were Gary Scales, Kevin Kiley, and Mike O'Brien; and the executive director of the Confederacy was Don MacKenzie.

Mr. Trivers: Did the working group record minutes of their meetings that you've been able to get a hold of?

Jane MacAdam: I haven't been able to find out whether they have minutes or not.

Mr. Trivers: Have you requested them?

Jane MacAdam: That's part of the information that I've been trying to obtain from the local law firm.

Mr. Trivers: Did you interview all of those people on that working group?

Jane MacAdam: No, we interviewed the former minister of finance and we interviewed Don MacKenzie. We interviewed Mike O'Brien. But the other two individuals from the local law firm would not meet with us.

Mr. Trivers: Again, coming back to this word "relationship". The working group was formed, but was there a legal document that put them in a legal relationship at that point or was it just a verbal agreement borne out through a working group?

Jane MacAdam: They were just meeting as a working group, there was no documented agreement.

Mr. Trivers: That's good for now. Come back to me later.

Chair: Thank you.

Any follow-up questions on Brad's line of questioning?

I do have one. You had mentioned that the government of PEI did not have any formal agreement – or I should say perhaps written agreement – with MCPEI and the local law firm. Are you aware as to whether MCPEI had a retainer agreement with the local law firm? I know we all know that they've indicated that they had a solicitor-client relationship, but I'm wondering more specifically about whether there was a formalized agreement.

Jane MacAdam: We did ask the executive director if he did have an agreement and he said there was a long-standing relationship with the law firm, and he didn't have a specific documented agreement with regards to egaming.

Mr. Trivers: I have a follow-up on that.

Jane MacAdam: He just –

Chair: Go ahead, Brad.

Mr. Trivers: How was the working group conceived? Who decided who was going to part of the working group? Was this the minister of finance choosing people? How do you believe that this working group was conceived?

Jane MacAdam: Based on our interviews, some people indicated that the local law firm – with Mike O'Brien being at the local law firm, he had some expertise around gaming because he was a former deputy minister of finance and he was a former member of the Lotteries Commission. That was one factor that was taken into consideration.

Mr. Trivers: Who was it that formed the working group, that initiated the forming of the working group?

Jane MacAdam: I think it was probably discussions between the Confederacy and the government.

Mr. Trivers: Again, to be more specific about it, do you mean the minister of finance of the day called up the executive director of

the Confederacy and said: Hey, we should form a working group and this is who we think should be on it?

Jane MacAdam: If you look at the timeline, the Confederacy approached government in 2008, and again in 2009, about gaming initiatives, and then it became more specific to egaming. It started out with the Confederacy and government talking about gaming and possible opportunities. I believe that's where it was started, if you look at the timeline there, and it evolved.

Mr. Trivers: I think it's important to note, though, that the government member in the working group was the minister of finance. It wasn't the deputy minister, it wasn't the senior bureaucrat. Can you verify that that is indeed the case?

Jane MacAdam: It was the former minister of finance, yes.

Mr. Trivers: The working group was formed with the minister of finance on that, so that would imply to me that it was the minister of finance that was one of the key people involved in actually initiating the working group. Do you think I can make that assumption? Would you make that assumption?

Jane MacAdam: The department of finance took the lead on the egaming initiative and the former minister of finance was definitely quite involved in the initiative. But I think the history is that the Confederacy approached government regarding gaming and it just evolved.

Mr. Trivers: Another question, Chair, if you're okay with that.

At the meeting on February 24th, 2012 where you said this was the key meeting where government decided not to pursue egaming any longer, do you know who was at that meeting?

Jane MacAdam: I know that Steve MacLean was there and Shauna Sullivan Curley, representatives from McInnes Cooper, as well as the Confederacy, were at that meeting.

Mr. Trivers: Can you name those people?

Jane MacAdam: I'm not sure exactly if all the members were there from the law firm at the time. I don't know, I don't have a complete list with me.

Mr. Trivers: It seems to me like this was a very key meeting, especially given the fact that government regulations weren't followed in terms of reporting the loan. That's why I'm really – I think it's important we find out exactly who was there. Is that information you might be able to get or is that something that you don't have?

Jane MacAdam: If I have it I can provide it. I'll check (Indistinct).

Mr. Trivers: Do you want me to make a motion at the end there, Chair?

Chair: (Indistinct). I did have a couple of follow-up questions. Anybody else have follow-up questions further to Brad's there?

No, okay.

Just back to – I get interested about solicitor-client relationships, obviously, with my background a little bit and knowing a little bit about them. The law firm, they obviously, given what we've heard publicly, have maintained that they did not have a solicitor-client relationship with government. As far as you're aware, is that the indication from them?

Jane MacAdam: The indication from them is that they were retained by the Confederacy and because of solicitor-client privilege the Confederacy was not willing to allow them to release information to us.

Chair: Do you know, like – have they indicated, I guess, was that a joint retainer or just a sole retainer from the Mi'kmaq Confederacy?

Jane MacAdam: We're not aware of any joint retainer.

Chair: Basically, you're not aware of government retaining McInnes Cooper to do work on this?

Jane MacAdam: Right. But we do know that the law firm assisted government.

Chair: Okay.

Mr. Trivers: I got another follow-up (Indistinct).

Chair: I just have a few more. Just further on that point, 3.17, you had indicated that third party contractors were engaged by the law firm which, I take from the wording, to mean kind of experts in the area.

I guess the first question would be, if you could let us know who the third party contractors were. Were they experts in a particular area or were they –

Jane MacAdam: There are some contractors that we know about, but like I said, I'm not sure if we have them all.

One of them was Simplex that we referenced early. They did a transaction platform report. Patrick Orr did some work around making legislative changes. There's Edelman, which was public relations work. Those are three that I know of.

Chair: Would you be aware that it would be the typical practice in the legal field for a law firm to engage experts on behalf of their client? In other words, if you were going to engage an expert witness or an expert to provide a report it'd typically be the law firm.

Jane MacAdam: In this case we have correspondence from the law firm indicating that government requested them to contract with these – for the law firm to contract rather than government contracting with these third parties. It was a specific request by government.

Chair: Did that go through MCPEI or did it go directly to the law firm?

Jane MacAdam: To the law firm.

Chair: Okay. In that same paragraph, 3.17, it states that: "...management services are not protected by solicitor/client privilege." Did your office have a legal opinion on that?

Jane MacAdam: Yes, we did.

Chair: Who provided that?

Jane MacAdam: We had, actually, two opinions. We had one from – his name was Bernard Richard from New Brunswick, and the other legal advice was sought through our national professional practices group, which is through the Canadian Council of Legislative Auditors.

Chair: I think that was all I had on that.

Brad, I think you had –

Mr. Trivers: Yeah, I'm going back to – still on 3.1 here.

As you mentioned here, they didn't document the terms of the relationship or outline any clauses on conflict of interest, confidentiality, or access to information. Do you believe there were people in conflict of interest within the working group?

Jane MacAdam: The main issue around conflict of interest was basically that the law firm was in the relationship and to avoid confusion in terms of who they were representing in their discussions. I don't have any evidence that there were any conflicts, but again, I don't have a lot of information either.

Mr. Trivers: So you do believe that individuals from that law firm that were part of the working group had the potential conflict of interest. That's what you're trying to find out, or that's what you're concerned about.

Jane MacAdam: I think it's just good practice when government is entering into an arrangement where there could be conflicting objectives in that arrangement that there are clauses there to protect each of the parties.

Mr. Trivers: Who was it that prepared the business plan that they were using at this working group? Presumably it was the core of their discussions in there –

Jane MacAdam: It was prepared by McInnes Cooper.

Mr. Trivers: Who specifically at McInnes Cooper, do you know?

Jane MacAdam: I'm not sure exactly who specifically prepared it.

Mr. Trivers: Do you have a copy of that business plan?

Jane MacAdam: Business plan?

Mr. Trivers: Yes.

Jane MacAdam: Yes.

Mr. Trivers: There was no individual name on that?

Jane MacAdam: There was no individual name attached to the business plan.

Mr. Trivers: Okay.

Chair: Jamie had a follow-up question, I think, to one of those.

Leader of the Opposition: Thank you, Chair.

I'm interested in this arrangement and this relationship. Can you give us a more in-depth overview of this arrangement and relationship?

Jane MacAdam: It was really the working group is what we're talking about. When we talk about the relationship and the arrangement it was three parties coming together and working out an initiative.

Leader of the Opposition: Were there any clear-cut job descriptions or responsibilities that were assigned to individuals of the working group? Because to me, I'm thinking here, that from what I'm hearing, it's fine to say third party privilege or that McInnes Cooper was hired as a law firm to provide legal advice, but from what I'm hearing they're a very active player in everything that was going on. Is it fair for that assumption?

Jane MacAdam: McInnes Cooper?

Leader of the Opposition: Yes.

Jane MacAdam: Yes.

Leader of the Opposition: With that, were there any clear guidelines or job descriptions or anything like that that would say: You're responsible for this, you're responsible for that, Hal, you take care of this and come

back to us, Bush, so – was there anything like that?

Jane MacAdam: No, and that's the finding we make. We say in 3:15: "Government did not provide us with a contract or any type of agreement which would set out the terms of the arrangement with MCPEI and the local law firm." And we say: "This is important, not only to provide a clear understanding of the relationships, but also to protect the confidentiality of government information." Those things were not outlined in a document.

Leader of the Opposition: Chair, when was this actual relationship first entered into?

Jane MacAdam: It was in February of 2010. We indicate on the timeline, Exhibit 3.1, that the local law firm "begins working on the E-gaming initiative with MCPEI and the Department of Finance."

Leader of the Opposition: Okay, so during this time is it safe to say that McInnes Cooper is in bed with the group, but they're also billing at the same time? If you and I are active partners and we're trying to work on an initiative, the three of us, we'll say, then I take it does Hal – is McInnes Cooper billing at the same time? If so, what were the rates that they were charging the government or this working group in this relationship?

Jane MacAdam: We indicate in Exhibit 3.2, I believe, these were the costs that were incurred. There were some professional fees that were paid, costs that were incurred for this initiative, and those were billed from McInnes Cooper.

Leader of the Opposition: Thanks for now, Chair.

Chair: We have Peter, I think, had a follow-up question.

Dr. Bevan-Baker: Thank you, Chair.

I'd like to just reiterate something that Jane mentioned there, that before they made their statement in this report that they felt that there was no solicitor-client privilege here in the release of documents, that you sought two legal opinions before you made that statement, which seems to me like a very responsible thing to do, and I'm assuming

both of those legal opinions were in accord, that those legal opinions agreed with each other. It would be nice if government had done something as responsible at the beginning of this so we didn't get into this.

On this particular issue I'm interested – because this is really central to the whole thing as far as I'm concerned – what role – I'll ask an introductory question first of all. What role did MCPEI, other than being the necessary body to allow this to sort of – to sort of facilitate this scheme to go forward – what other active role did they play in egaming, or is that something we won't know until we get the documents that you have requested?

Barbara Waite: (Indistinct).

Jane MacAdam: They were a full participating member of that working group so they were very involved from the very beginning.

Dr. Bevan-Baker: I understand that in order for this to even be considered to be a project that might have plausibility that there had to be an Aboriginal component, a First Nations component in this.

Later on in the document, and I can't remember which section it is – it's in this third part of your report – the reason that Wes Sheridan had to provide security for the loan, which was really a grant, was because MCPEI could not provide sufficient security in order to allow that loan to go forward.

This, to me, is really central because at that point government had to find another way of making these funds accessible for this project. Given that the way that all of this was constructed – where figures for loans were just below the threshold that would have required Treasury Board approval, that no separate account was set-up for this, that there was a lack of documentation regarding applications and approval of applications – that all of those things, in my mind, it's just implausible to imagine that they happened accidentally. I think this was clearly conscious, I think it was a concerted effort to do this.

My question – and again, I understand that you may not be able to answer this – but it strikes me that it was far from accidental

that Wes Sheridan and the others who were involved in guaranteeing this loan and avoiding Treasury Board and Executive Council approval, that that was in no way accidental. That that was a conscious, absolutely premeditated move in order to allow this to go forward.

Do you think that's a fair assessment?

Jane MacAdam: As we indicate in the report, we believe they should be familiar with the policies and the legislation at the time.

Dr. Bevan-Baker: Again, I'm just trying to make the point that it's implausible, as far as I am concerned, and I think any reasonable person, to think that this was just an accidental – an oversight on their part.

Thank you, Chair.

Chair: I have a follow-up question before Brad there on that very point.

Going back to your timeline, do you know if MCPEI had already retained McInnes Cooper by, say, October of 2008 or July of 2009?

Jane MacAdam: We do know from our interview with the Confederacy that they had an ongoing relationship with McInnes Cooper. They had used McInnes Cooper for other legal work in the past before this initiative.

Chair: Did you guys see documentation back at that time that would indicate McInnes Cooper has been talking with – I guess to put it a different way: What did the approach from MCPEI look like in October of 2008 or July of 2009?

Jane MacAdam: I'm not sure. What was your question again?

Chair: What did the approach look like? Was it a proposal that was sent to government? Was it a meeting? Was it a –

Jane MacAdam: The Hill+Knowlton – there was a – in paragraph 3.6 we talk about it: In September 2009, government in conjunction with the Confederacy began working on creating this draft legislative framework.

They had hired a company, or a consultant, Hill+Knowlton. This was a report that outlined the steps needed to start the initiative. At that time government was working with the Confederacy.

Chair: Okay.

Jane MacAdam: This report that was done by Hill+Knowlton, it outlined the steps including legal approach, economic analysis, and regulatory work that would have to be done.

Chair: I guess, whether it was McInnes Cooper or Hill+Knowlton, what I'm wondering is by the time we get to September 2009 – I guess, to take it back, I mean, from a commonsense perspective, October of 2008 or July of 2009, presumably – I'm not even sure if Don MacKenzie was the executive director of MCPEI at the time, but somebody from MCPEI says to government: Hey, we have a great idea, we'd like to talk to you about it. They would have formulized that idea in enough detail to actually be able to pitch something to government. Did you guys see anything to indicate that?

Jane MacAdam: No, we didn't see anything formal. They wanted to get more revenue and they were just exploring possibilities. They were talking about maybe getting a share of ALC revenues or getting involved in some gaming initiatives. It wasn't specifically egaming. But I don't think there's an official document that talks about that.

Chair: Okay, and then between October 2008 and September 2009 do you have any sense of how it transpired that Hill+Knowlton got some sort of a mandate and \$245,000 to move that mandate forward?

Jane MacAdam: The Hill+Knowlton report was provided to government. Then the other amount that you're referring to, that was the first grant that was given to the Confederacy. I believe it was \$232,000.

Chair: Okay.

Jane MacAdam: With that grant money, that wasn't used for Hill+Knowlton, there were three other consultants. Michael Lipton

did the legal work, that was included in the first grant. There was HLT Advisory Ltd. where they did a financial and economic impact assessment. There was Catania Consulting Group was another consultant that was used. There were some consultants hired with that first grant that was provided to the Confederacy.

Chair: Okay, maybe if I can clarify this, then. To Exhibit 3.2, is the – what did you say now? I can't remember the number for Hill+Knowlton. Is that included in that grant number on the top second column?

Jane MacAdam: In the 432,000 there?

Chair: Yes.

Jane MacAdam: No, it's not included there.

Chair: Okay. Hill+Knowlton provided a report to government, then, that said – and maybe I'll get you to fill in the blanks there – MCPEI has an idea that we think there's some merit in following?

Jane MacAdam: It was a report. It laid out the steps needed to start the egaming initiative. That report was actually paid for by the Lotteries Commission.

Chair: This is the Hill+Knowlton.

Jane MacAdam: The Hill+Knowlton. We know that at least \$3,600 was paid by the Lotteries Commission for the Hill+Knowlton report. I don't know if there's any other –

Chair: The PEI Lotteries Commission?

Jane MacAdam: The PEI Lotteries Commission.

Chair: I guess that kind of doesn't really provide me with much clarity, but I what I would presume looking at this – and the timeline would be McInnes Cooper is really not just a partner – sorry, not McInnes Cooper. MCPEI is not just a partner, they're really the one that was driving the bus, but I'm not so sure, I don't know that. How would you clarify who was the party that initially had this idea and wanted to move it forward, then?

Jane MacAdam: I would say it started with the Confederacy. That's what we indicate in our timeline.

Chair: I think I'm done of my follow-on questions.

I think Brad actually had a follow-on question before you, Jamie.

Mr. Trivers: It's related to the timeline, but going back to the business plan, can you confirm whether Chris LeClair could have been involved in writing the egaming business plan as part of his post-government employment at McInnes Cooper as an advisor and lobbyist? –

Jane MacAdam: The timing wouldn't work. He was still in government when the business plan was prepared.

Mr. Trivers: Okay.

Chair: Mr. Fox.

Leader of the Opposition: Thank you, Chair.

Jane, you mentioned as well that this relationship was entered into without any clauses on conflict of interest. Why did you mention this?

Jane MacAdam: It was a concern raised by the Legislative Counsel Office. It was one of the factors.

Leader of the Opposition: You found conflicts of interest with government officials. Did you find any conflicts of interest between the other members of the relationship?

Jane MacAdam: We didn't find any conflicts of interest with government officials. There were apparent conflicts of interest like (Indistinct) –

Leader of the Opposition: Apparent. Okay, so you found apparent conflicts of interest with government officials. Did you find any apparent conflicts of interest with other members of this group in this relationship?

Jane MacAdam: We didn't see any minutes of the working group. I'm not really sure

what all the discussions were held with the working group.

But the point we're making in the report is that a documented agreement would help ensure that any potential conflicts would be appropriately addressed by all parties, and that there's a clear understanding of what steps to be taken if there are conflicts between the objectives of the various parties in (Indistinct).

Leader of the Opposition: It's safe in saying there's no documentation whatsoever outlining guidelines or policies or anything like that.

Jane MacAdam: Not that we could obtain.

Leader of the Opposition: Thank you. One final question.

You mentioned back a minute ago, I think when Jordan asked a question, there was a \$3,600 or a \$3,800 bill that was paid out of the Lotteries Commission.

Jane MacAdam: Yes.

Leader of the Opposition: Did you find any other bills or invoices that were paid from different sections of government, different departments?

Jane MacAdam: Yes. As we indicate on page 25 there were other costs. There was travel. In our paragraph 3.54 there was travel by the former minister of finance and the former chief of staff. There was a contractor hired by the department of finance to conduct research on the technology requirements for egaming, and that contractor was paid \$23,000 from the department of finance. There were legal and consulting fees paid by the Lotteries Commission between March 2009 and August 2010, and there were other miscellaneous costs totalling approximately 20,000.

Leader of the Opposition: Would you agree with the statement or my statement that, in my opinion, from what I'm hearing from that and reading, that there was a blatant attempt to hide bills in other departments? Would that be fair to say?

Jane MacAdam: We indicate that there was no specific appropriation account set up to accumulate all the costs associated with egaming.

Typically, if there was an account like that set up I would expect that these things would have been charged to that account. It wasn't set up the way it normally would be. I don't necessarily think there was a blatant attempt to hide it all in various departments. I just think if there had have been an account that they could have charged these expenditures to, they would be all in one place and it would have been easier for us to find them and accumulate them and be certain that we have them all.

Leader of the Opposition: Thank you, Chair.

Chair: I must confess I'm getting a little punchy. Out of all questions, to Jamie's first question, can you just remind me what it was because I lost it in my own mind. It was something good, I assure you.

Leader of the Opposition: Yeah, I know that. You mentioned back I think it was in regards to conflict of interest, wasn't it?

Chair: Yes. We're looking at this now with our new kind of conflict of interest policy that relates to government deputies and all the like.

Back at the time – I just want to be clear – and you had indicated an apparent conflict of interest, I think, to a deputy and whatever Chris LeClair was. Was there a policy at that time that dealt with those individuals being in an apparent conflict or conflict, or is that only the new (Indistinct)?

Jane MacAdam: No, that was the policy at the time. We applied the policy at the time for all our findings on apparent conflicts.

Chair: Does the new policy do more to catch that kind of thing?

Jane MacAdam: There are post-employment restrictions, for example, in the new policy that weren't in the old policy. That's just an example of one way that it was strengthened.

Chair: Are there others that you think should be added to what's there?

Jane MacAdam: We don't highlight anything specific in the report. We know that there's meetings held with the ethics commissioner on an annual basis. There's more requirement, there's more information gathered by the commissioner, than there was before.

Chair: Thank you.

I actually have Bush next on the speaking list, and that was a long time ago.

Mr. Dumville: I know and I don't know how to ask the question now, Chair, but I'll give it a shot and maybe you could even answer this.

We're talking about conflict of interest inside government, but the legal community – obviously you've been jumping out of your chair here – has very stringent conflict of interest. I'm just wondering, the legal counsel for innovation gave advice to the minister of advanced learning in regards to the MOU on TBT which is a subsidiary of CMT. I'm just wondering: Should he have excused himself in that instance?

My other question would be, while you're thinking about that, is okay, he was acting for innovation. We have another lawyer in 3.22 that I asked the previous question and he was acting for the minister of finance. Is there any particular legal advice or is there a point – is there a legal advice person for the government or would the government be getting conflicting advice on different matters?

Chair: I might just clarify, too, Bush. I know you're on section 5 point something –

Mr. Dumville: I'm on 5.4, but I'm referring back to 3.22 where the minister of finance got legal advice in 3.22, and the minister of innovation got legal advice on 5.4.

I realize there's different specific requests, but how many lawyers does government have anyway working on this?

Jane MacAdam: In 3.22 we're talking about the egaming initiative so I think they're separate. This was the department of

finance, and the other one it was innovation. I mean, they're separate.

Chair: Five point four is the innovation.

Jane MacAdam: Right, 5.4 is innovation and 3.22 is department of finance.

Mr. Dumville: Right. I'm just wondering. I guess this legal advice to innovation was specific to an MOU, but would the government be getting conflicting advice? Because this is all kind of entangled together.

Jane MacAdam: I don't necessarily think they'd be getting conflicting advice. I think every department makes their own decision on whether or not they are going to get legal advice and who they're going to get it from and if there's any resources within government that they can access. I mean, these are decisions that senior management makes on a case-by-case basis.

Chair: We're about three minutes to 12. I have two people left on the speaking order. We're just kind of talking amongst ourselves here a little bit. I had Jamie and then I had Peter, and a couple of members have indicated they have significantly more questions on section 3.

We could break for the day, before which I think we'd go through any documentary requests that we wanted to do on section 3.2 to 8 or we can keep going for a little bit. I think there are a couple of members that have obligations at 12:30 p.m. I don't envision that we go that much longer, but if somebody had kind of one important follow-up section they wanted to go at or (Indistinct).

Mr. Trivers: Chair, I have a motion I'd like to make here, and it does regard Garth Jenkins. I do want to make that one today as opposed to – so I don't know how you want to address that.

Chair: We'll just leave that right to the end, if you don't mind, and then we can kind of go on, if that works for you.

Aside from that, though, does anybody want to – our options would be to continue on a little bit longer or proceed to request

whatever documents we want, proceed, and then wind up for today.

Leader of the Opposition: Chair, I would suggest that we maybe look at what documents are needed thus far, and get them entered into the record and prepare for the next meeting.

Chair: Anybody have any issue with that? No?

Okay, let's do that then.

In terms of documents – I'm trying to read my own handwriting here – I had a note here –

Mr. Trivers: I had 5.4 in my list as well.

Chair: Yeah, so I don't know who these came from and it's not an official list. I just was taking down notes. I think a couple of them are actually yours, Brad.

Request for a document with the list of everybody interviewed, a list from the February 24th meeting if you had it.

Mr. Trivers: The people who are there, yeah.

Chair: A copy of the McInnes Cooper business plan if it is available, and that's all I had. Does anybody else –

Mr. Trivers: I've got another one.

I wanted to get a copy of that report, if you have it, from the Hill+Knowlton lobbying firm that they provided to the Lotteries Commission way back when. I don't know if that is one – do you have a copy of that report?

Jane MacAdam: Yeah, we do, but again, I'm not sure whether I can provide that or if that's something that you can get from the Lotteries Commission, but we're going to look at that when we finish the whole list.

Mr. Trivers: Yeah, and Chair, I think like we discussed earlier on, if it's a document that you can't provide and should be from somewhere else you're going to come back and let us know, right?

Jane MacAdam: Yes.

Mr. Trivers: Okay. The other one – the working group itself. If you have any documents related to the work they were doing, whether that be meeting minutes or emails with summaries between the members, those are the sort of things that I would like to have provided as well.

Chair: You can answer the question before we –

Jane MacAdam: I know I don't have any minutes, but as far as emails, I have to see whether I could take them out of my files or whether they'd have to be requested from someone else.

Chair: Does anybody have any issues with any of those documentary requests? No?

We have consensus on them.

Mr. Clerk, do you have a summary of them there?

Clerk Assistant: Perhaps. A request for the list of people interviewed –

Mr. Trivers: During the investigation as a whole, right?

Clerk Assistant: Do you mean during the Auditor General's entire (Indistinct) –

Mr. Trivers: Yeah. Who did the Auditor General – 50 people or whatever, yeah.

Clerk Assistant: Okay. A list of the people attending at the meeting of February 24th, 2012.

I'm not sure on this one. I think you said a copy of the McInnes Cooper business plan.

Mr. Trivers: Yeah, the egaming business plan written by McInnes Cooper.

Clerk Assistant: Okay. A copy of the report written by the Hill+Knowlton firm.

Chair: I think that was to the –

Mr. Trivers: To the Provincial Lotteries Commission.

Clerk Assistant: And whatever documents are available related to the working group,

because we know that we don't have minutes –

Mr. Trivers: The egaming working group maybe just to be (Indistinct).

Chair: We have consensus that we will request those documents from the Auditor General.

Anybody else have any documentary requests? No?

We'll move on from that.

Anybody else have anything other than Brad's Garth Jenkins-related motion?

Mr. Dumville: Can't you entertain Brad's motion? I mean, we're not going to discuss it here today, it's just simply –

Chair: I'd rather not be here when the motion's made, if we can avoid that.

That being the case I'd call for a nomination of a Chair.

Mr. Gallant: I nominate Jamie Fox.

Mr. Trivers: I nominate Bush Dumville.

Mr. Dumville: I decline the nomination.

Mr. Trivers: You're declining as well, right, Jamie?

Leader of the Opposition: I decline.

Mr. Dumville: He'd be a good chair. I want to see him (Indistinct). I want to see (Indistinct).

Leader of the Opposition: I don't feel comfortable with that, Bush, I don't feel comfortable to sit in the Chair's position at this time.

Some Hon. Members: (Indistinct).

Mr. Trivers: You're the one with the most experience.

Chair: Perhaps the clerk might be able to handle it.

Leader of the Opposition: Would you nominate Hal Perry (Indistinct)?

Dr. Bevan-Baker: Absolutely.

Mr. Trivers: Hal, there you go.

Mr. Perry: We have two nominations on the floor.

Clerk Assistant: We do indeed.

If I'm clear, the nominations are for Jamie Fox but he'd prefer not, and so we have a nomination for Hal Perry.

Mr. Perry: I'll do it.

Mr. Trivers: Thanks, Hal. Got to get the beard in the Chair.

Mr. Perry: I'd like to get a motion to get rid of that post.

Chair (Perry): Okay. We have a motion from Brad Trivers, or you would like to make a motion.

Mr. Trivers: I would like to make a motion, and what I'd like to propose is that:

the Public Accounts Committee bring in a number of people to talk about the origins of the project and the specific role they played, and that includes: Garth Jenkins, Paul Jenkins, Melissa MacEachern, and Chris LeClair.

That's my motion.

Chair: Is everyone clear on that? Is there any discussion?

Clerk Assistant: Just for clarification, to come in and talk about the role they played –

Mr. Trivers: The origins of the egaming project and the specific role they played in the – I'll call it the egaming project or egaming initiative. I'm not sure what's the proper term. E-gaming Initiative and Financial Services Platform. That's what the official name is here.

Mr. Gallant: Chair.

Chair: Yes, Sonny Gallant.

Mr. Gallant: I just have a comment to that motion by Mr. Trivers.

The Auditor General did extensive study on this, she did a report, we've asked extensive questions here today. What do you feel you're going to accomplish by bringing in witnesses? We know how it started, we know what the intent was, we know there was some due diligence and some conflicts. She's reported that. We've questioned that. To bring in witnesses, what are we going to accomplish on that?

Mr. Trivers: Chair, if I may.

Chair: Brad Trivers.

Mr. Trivers: Specifically, the origins of the project going back – I'm not sure all the people that were interviewed by the Auditor General, or if any of these people are on that interview list or not, but that's really, I think, at the root of the egaming. I mean we heard lots of questions to that as well from Mr. Brown. Was it the Confederacy that came in and were they the ones driving it? At what point did government start driving it? Who was part of the working group?

These are the sorts of things that the Auditor General has alluded to, but may not have all the details on. That's why I think, specifically, to understand the origins of the project and the roles that were played by individuals, especially these ones on the list, I think it's important that we talk to them directly.

Mr. Gallant: Mr. Chair?

Chair: Sonny Gallant.

Mr. Gallant: I'm not trying to block this. What I'm trying to find out is – there was an idea. The Confederacy approached government. They thought it was a good idea. Yes, they spent quite a bit of money, but it's all there. So where are we going to stop? How many witnesses do you propose we bring in? The Auditor General interviewed 50 people, and then there's other people that were involved. How many – like, I guess, is it necessary?

Chair: Brad Trivers.

Mr. Trivers: Chair, one of the things we've been discussing is what role was government playing, what role was the Confederacy playing, and what role was

McInnes Cooper playing in driving the different things that happened?

Mr. Bevan-Baker had talked about how it seemed that there was a trend where there were a bunch of we'll call them errors and omissions, that although the Auditor General can't say they're related to each other, if you look at them as a whole it really does appear that they probably are related. I'm thinking these people specifically could really help shed some light on that. Because they can give opinions as well, whereas the Auditor General is not allowed to give opinions, per se, it's reporting of facts.

Chair: Jamie Fox.

Leader of the Opposition: Thank you, Chair.

I think, in fairness to Brad's motion and your comment, I think we need to know what the frame of mind was here of these individuals. What was their intent? Was there any motivation here behind them to put this forward?

I think I alluded to it too. Did staff sit back and say: Geez, I really don't feel comfortable about this, but yeah, okay, I can't stop you because you're the minister.

In all fairness to the AG and her staff, I think they've done a terrific job in the report that they've come out with, but in fairness to them, for us to sit here and ask them – we're asking them some pretty hard questions, Sonny, and for them to make a comment on that, that's putting them, I think, in my opinion, in an awkward position.

I think his motion would maybe open the door farther than what it has been opened now so that we can get to the root of the whole issue at hand.

Chair: Sonny Gallant.

Mr. Gallant: Just to rebut what you said, Jamie. We've asked for four or five different items there that the Auditor General said she'd bring back to us if she could. There are 15 recommendations here of things they found in their audit. Some of these have been rectified. I don't know how many.

Could you tell us how many have been addressed? Are you aware?

Jane MacAdam: I don't have an exact number, but I know some of them are being worked on.

Mr. Gallant: And it's being worked on. I guess I just go back to: Where are we going to go by bringing in witnesses when it explains here that there was conflict of interest, there were things done that shouldn't have been done by former ministers and by some staff? It's all there. The names have been said. That's just my point.

Mr. Trivers: Chair.

Chair: Brad Trivers.

Mr. Trivers: You'll notice that I'm not proposing that we bring in any former ministers, for example. These are all people who are deeply involved, I believe, I think, with the inner workings, and I think they can shed some light that the Auditor General can't. Like I said, the origins of the project, specifically, and the roles that different organizations and different people played in that.

That's really why we want to have it.

Chair: Peter Bevan-Baker.

Dr. Bevan-Baker: Thank you, Chair.

I don't think it's fair, Sonny, to say it's all in here because the Auditor General herself has admitted that there are bits missing because of the limited scope of what she was able to do.

I support Brad's motion and I would ask that the question be asked.

Chair: If I may, I'm a little bit uncomfortable in this situation. I guess I was brought up here on the pretense that we were going to ask for a list and not witnesses.

Whenever the nomination for Jamie Fox was put forward and he declined, I feel now that this was kind of a set-up to get me up here, so I'm uncomfortable in this position. I'd prefer to have a vote.

In my opinion, we're not even halfway through this special report. Let's let it play out and in due course decide on a decision to call on witnesses at a later time.

Jamie Fox.

Leader of the Opposition: Question to the clerk: Can the motion – the motion's on the table, the question has been asked, and seconded by him. Can the question been put forth or what? What's the procedure?

Clerk Assistant: There are a couple of rules in play for committees here. There is no necessary seconding of motions in committee. Also, the question – what's called the rule on the previous question – can't be moved because there's no limit on the amount of speaking here. To say I want the question put, if other members still want to speak to it, through the Chair they can continue to speak to it. There is no forcing the question to be put at this point.

Chair: Bush Dumville.

Mr. Dumville: My only thing is I've served on committees, I've chaired four committees now over the last 10 years. I find this year we seem to be calling an awful lot of meetings and we seem to be loading them down with an awful lot of witnesses.

My concern is that we're getting down into the weeds, we're getting down into a lot of information, and sometimes that information doesn't lead to more clarification.

All I'm saying is I have no objection to calling extra witnesses. I think what we got to do is we've got to be more selective. We just can't go carte blanche and just call in everybody because it's affecting the functioning of the committees. That's what I'm seeing this year.

Leader of the Opposition: Wouldn't it be fair to say that he's not calling for a vast number of witnesses. He called for a select four or five.

I have to be honest, I did not know the motion was that he was going to bring forward.

Mr. Dumville: Yes.

Leader of the Opposition: I've never chaired a standing committee before. In my opinion I don't think that I'd like to put myself in that position because I do not know – I'm a person who likes to know all the rules, what I'm allowed and what I can't do. I don't know all the rules. That's why I asked the clerk that question.

But I think that one of the roles of a standing committee is to find out the answers to reports so that we can make a document, a report, back to the Legislative Assembly for the benefit of all MLAs in the House who aren't here.

Mr. Dumville: I guess what I'm saying is I don't want go over ground that's already been plowed. If we need some witnesses that are specific to shed more light back into a corner I have no problem with that.

Leader of the Opposition: I believe that's what he did.

Mr. Dumville: I'm just putting this out because it's been on my mind now in regards to the number of committee meetings and the number of witnesses that we're calling.

It's grinding down. I guess we can put our reports to the Legislature. It's not like it used to be where we had to have a report in for the sitting of the Legislature. We kind of go a little farther. We have the complete mandate term to do our reports.

But a lot of this information we want to get forward in a timely basis to the different departments so they can – the recommendations go and they can look at that, and to the Auditor General, her type of thing, that we get all this information going forward to the government.

Chair: Peter Bevan-Baker.

Dr. Bevan-Baker: Thank you, Chair.

Well, there's certainly nobody more aware of the onerous amount of time that's been forward in committees recently than myself.

I would like to say, with all due respect, Bush, that that's what we're here for, that's what we're paid for, is to dig down as deep as we can when issues come forward and to

try and get to the bottom of things. I just don't see why you would – again, in fairness, you're not saying you're going to vote against this, but the idea that somehow we should limit committees' work because we're tired or we're overworked, I'm sorry, I can't go along with that at all.

Chair: Brad Trivers.

Mr. Trivers: Along the same lines, I think, in talking with veteran MLAs, the committees are meeting more often than they have in the past. I know, myself, I'll call myself a rookie MLA. I was really surprised that we had so few meetings of committees over the summer.

(Indistinct) like Communities, Land and Environment, in February there were a bunch of issues that we didn't talk about until last week.

I think it's partially reflective of the fact that we do have nine members now that form opposition, potentially.

I would like to move forward. I don't want to see any delays. Because often if a committee says: We're going to send a letter to that person and then see what they want, and then they're going to respond back. This is the sort of thing we've seen in other committees.

I think we should move forward, we should proceed. Let's get things done. Let's get to the bottom of this. That's what I think.

Chair: Is there any other discussion?

At this time I'd like to declare a short recess to consult.

[Recess]

Chair (Perry): We'll resume the meeting.

We have a motion on the floor.

Clerk Assistant: Want it restated?

Chair: Yeah, please.

Clerk Assistant: The motion is:

that the committee invite Garth Jenkins, Paul Jenkins, Melissa MacEachern, and Chris LeClair to appear before the

committee to talk about the origins of the egaming initiative and the role they played in it.

Chair: All those in favour of the motion.

Contrary, "nay."

Motion passed.

At this time I will, again, break for 30 seconds to bring back the Chair.

[Recess]

Chair (J. Brown): We're on committee scheduling.

I'd ask the clerk to go through the scheduled meetings moving forward. I think we have a couple set for next week.

Clerk Assistant: Yes, Mr. Chair.

The next meeting is next Wednesday, which is the 9th, at 9:00 a.m. Then we have another meeting scheduled the very next day, the 10th, at 1:30 p.m.

Unless the committee decides otherwise, I haven't prepared the draft agendas for those meetings, but I would put egaming report on the draft agenda for the 9th.

An Hon. Member: Continuation.

Chair: Yeah, I think we'd resolved to go forward on that until we're done with it.

Sonny?

Mr. Gallant: (Indistinct).

Chair: Okay.

I guess the other thing, just given the general timing and the fact that we're getting close to sitting time, are we going to aim to put a report in for this sitting or are we going to continue on with this? How do we want to –

Clerk Assistant: I might just speak to that briefly.

The committee should report from time to time, so even if a committee isn't finished of its review of a particular issue it can put in an interim report.

Chair: Sure. Do we want to do that, an interim report?

The Committee adjourned

Leader of the Opposition: (Indistinct) it all depends what (Indistinct), Jordan.

Chair: What's that?

Leader of the Opposition: It all depends on what –

Chair: I guess my point is we need to get it started now if we're going to –

Mr. Perry: Is that a progress report without recommendations?

Chair: This is the thing. It normally would have recommendations. We could do a progress report to say this is what we've done to date and just leave it at that.

Mr. Dumville: If a recommendation pops out, fine. If it doesn't, fine.

Chair: We'll ask the clerk to prepare a draft based on the meetings that we've had so far and we'll hopefully set a time. I think what my thought would be would be after we get through next week's meetings, the next time would be to discuss the report to be tabled. Does that sound –

Mr. Gallant: Mr. Chair, I agree with that, because then we'd be further along and we'd know how much longer we're going to be on this, and then we have the ALC we didn't finish, right?

(Indistinct).

Chair: Brad, you were going to say something.

Mr. Trivers: No, I just wanted to agree with Mr. Dumville, Mr. Gallant, and Mr. Perry that we probably should have an interim report, and if recommendations are apparent we should include them.

Chair: I'll ask the Clerk to start that.

Any new business? No?

Being none, I'll call for a motion for adjournment.

Mr. Fox, thank you very much.