

## **ALC Governance Concerns Remain: Atlantic Canadian Auditors General Follow-up Report**

It has been five years since the Atlantic Auditors General made 25 recommendations directed to the Atlantic Lottery Corporation (ALC) and the four Atlantic shareholder governments. In a follow-up report released today, the four shareholder governments have still not implemented four important recommendations intended to improve ALCs governance and overall effectiveness.

All 16 of the original 2016 recommendations directed to the ALC Board and management have been fully implemented. However, the four shareholder governments do not intend to implement two recommendations to improve governance at ALC, and they have not completed two others related to the Unanimous Shareholder Agreement and the ALC pension plan.

The shareholder governments have not completed the recommendation to periodically review the Unanimous Shareholder Agreement, increasing the risk that the agreement may not reflect the risks and objectives of the shareholder governments. It has been over a decade since the last completed review.

In the original report ALC's pension plan solvency was highlighted. The report stated that ALC is required to repay any shortfalls via deductions from each province's profit distribution.

"ALC management told us the most recent pension solvency payment occurred in March 2020 and that between 2012 and the end of December 2021, deductions from the profit of the four Atlantic province shareholders exceeded \$87 million," outlines the report, co-authored by the Auditors General of New Brunswick, Newfoundland & Labrador, Nova Scotia, and Prince Edward Island.

The ALC shareholder governments have not completed the ongoing pension plan review and have not implemented the required changes.

"We continue to encourage the shareholder governments to complete implementation of Plan amendments to address pension shortfalls and to ensure the financial sustainability of the pension plan."

In this follow-up report, the Auditors General reported the shareholder governments have implemented three additional recommendations since the first follow-up report in 2019, bringing the total shareholder recommendations implemented to five of nine (56 per cent).

The shareholder governments do not intend to implement two recommendations related to the role of government officials and public servants on the ALC Board. Failure to implement these recommendations risks impeding the Board's fiduciary duty to ALC and its overall effectiveness in providing sound governance.

The Auditors General reiterate the importance to the shareholder governments of implementing all recommendations to improve governance and business agility of ALC.

However, the Auditors General noted although the recommendation to adopt Board member term limits was adopted, it has not been applied to the ALC Board Chair who has held a position on the Board for over two decades.

The latest follow-up report is available on the website of the Office of the Auditor General of Prince Edward Island: *2022 Atlantic Provinces' Joint Follow-up of Recommendations to the Atlantic Lottery Corporation*

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