

HANSARD

NOVA SCOTIA HOUSE OF ASSEMBLY

COMMITTEE

ON

PUBLIC ACCOUNTS

Wednesday, October 26, 2016

Legislative Chamber

**Office of the Auditor General
Joint Audit of Atlantic Lottery Corporation**

Printed and Published by Nova Scotia Hansard Reporting Services

Public Accounts Committee

Mr. Allan MacMaster, Chairman

Mr. Iain Rankin, Vice-Chairman

Mr. Chuck Porter

Ms. Suzanne Lohnes-Croft

Mr. Brendan Maguire

Mr. Joachim Stroink

Mr. Tim Houston

Hon. David Wilson

Ms. Lenore Zann

[Mr. Terry Farrell replaced Mr. Brendan Maguire]

In Attendance:

Ms. Kim Langille
Legislative Committee Clerk

Mr. Gordon Hebb
Chief Legislative Counsel

Ms. Nicole Arsenault
Assistant Clerk, Office of the Speaker

WITNESSES

Office of the Auditor General

Mr. Michael Pickup, Auditor General

Mr. Robert Jewer, Audit Principal



House of Assembly
Nova Scotia

HALIFAX, WEDNESDAY, OCTOBER 26, 2016

STANDING COMMITTEE ON PUBLIC ACCOUNTS

10:00 A.M.

CHAIRMAN
Mr. Allan MacMaster

VICE-CHAIRMAN
Mr. Iain Rankin

MR. CHAIRMAN: Order. I call this meeting of the Public Accounts Committee to order. We have the Office of the Auditor General with us today as our witness, and they'll be discussing the joint audit of the Atlantic Lottery Corporation.

I would ask everyone to place their phones on silent. We'll start with introductions, beginning with Mr. Farrell.

[The committee members introduced themselves.]

MR. CHAIRMAN: Mr. Pickup, perhaps you could introduce yourself and your colleague, and proceed with some opening comments.

MR. MICHAEL PICKUP: Good morning. I am Michael Pickup, Auditor General of Nova Scotia. To my right is Robert Jewer, who is the principal responsible for this audit.

Thank you for calling us here today as a witness on our joint audit of Atlantic Lottery Corporation by the four Atlantic Auditors General. I will use "ALC" quite frequently as my abbreviation for the Atlantic Lottery Corporation.

This report has now been tabled in all four Legislatures across Atlantic Canada. Given that we just met with you for an in camera session for an hour, I will keep the opening comments relatively short, so as to give more time for questions.

This is the first joint audit of ALC by provincial Auditors General since 1996. The report is divided into two key sections, one on governance and then one on four key areas outside of governance. At our earlier meeting with you this morning, we walked through a one-page chapter summary of our audit results. This presentation is currently available on our website, as well as a video. The video is five minutes and summarizes the results of the audit. You may also wish to refer to our Twitter account, where we present information on this audit as well.

An audit was undertaken to assess how well ALC is doing in a number of key areas. As part of the audit we made certain conclusions and recommendations. In relation to ALC itself, the corporation accepted all 16 recommendations we made to it, as it works to continue to be successful into the future and to improve how it operates. I am very pleased with the response of ALC management and the board, who do not disagree with any of our conclusions or our suggestions to address the weaknesses we identified.

We also made nine recommendations - the same recommendations to the four Atlantic Canadian governments that own ALC on behalf of their citizens. These recommendations were directed to the governments in order to improve how they do their part in setting the stage for ALC to be successful today and into the future.

I was very pleased that the four Atlantic governments were able to come together and respond in one voice on behalf of their combined citizens. I believe this approach demonstrates that the governments take our recommendations seriously and want to work toward having ALC be successful today and into the future. For the most part, largely the governments agree with the recommendations, and all governments across Atlantic Canada were very co-operative with us during this entire audit. We very much appreciate this.

Finally, I would very much like to thank my team, including Mr. Jewer, who spent the last year working on this audit; the corporation itself, management, the board and staff, who were very receptive and very professional with us from the start to the end; and the Government of Nova Scotia officials who we dealt with during this audit. It was a very professional process and excellent co-operation with the focus of all parties being on results.

I would now be happy to take your questions.

MR. CHAIRMAN: Thank you, Mr. Pickup.

Mr. Houston of the Progressive Conservative Party. You have 20 minutes.

MR. TIM HOUSTON: Thank you, Mr. Chairman. A lot of moving parts here, a lot of interesting audit findings. I guess if I can just orientate myself: you have the management of the Atlantic Lottery Corporation, you have the board of directors, and then you have the shareholders, which are the governments.

One of your findings was in Page 23 of your report. You found there was a lack of clearly-defined roles and responsibilities for shareholders and shareholder representatives. The lack of clearly defined roles - what is the interaction between the shareholder governments and the corporation, through the board? How do they interact?

MR. PICKUP: Let me quickly explain how that works, and then give you an example in practice, where we find that it doesn't work very well. You have management, of course, as you referred to. Then you have the board of directors of the corporation. Each of the provinces has a number of representatives on the board; for example, Nova Scotia would have the CEO of Nova Scotia Provincial Lotteries and Casino Corporation on that board.

The board makes decisions and approves a strategy. Then, at times, various government parties may or may not play a role. A minister may play a role in approving something. A government itself - Cabinet may have a role in approving something. What we found is that this whole system is creating confusion for the corporation itself, because at times, it doesn't know who they need to go to for approval on something. Is it a minister? Is it Cabinet? Is it nobody?

We noted three cases, for example, where they had to go get legal opinions. I would also point out that the board itself has a shareholder rep. So the CEO, for example, of Nova Scotia Provincial Lotteries and Casino Corporation, on behalf of Nova Scotia, is on there. In some of the examples we noted, that entire board gave unanimous support to a strategy, including one of aggressive growth. In doing that, the corporation started spending money on things like Internet gaming. But then it came along that the shareholders themselves - the governments - didn't support the strategy, so the whole thing had to be scrapped.

MR. HOUSTON: I guess that's what I'm curious about, because of the lack of clearly defined roles and responsibilities for shareholders. I guess you're looking at it from the corporation and its management and the board asking, how much do we need to involve a shareholder? I'd kind of turn that on its head and say, there's no lack of clarity in what the responsibilities of our shareholder representatives should be. They should be looking out for the interests of the province, and making sure that the corporation is well run, and that it's doing things that are consistent with the shareholders' vision. In the case of Nova Scotia, our shareholder representative is the minister responsible for this file, which I guess is the Minister of Energy. Is that correct?

MR. PICKUP: The minister is not on the board. The shareholder rep on the board would be the CEO of Nova Scotia Provincial Lotteries and Casino Corporation.

MR. HOUSTON: Yes, but I'm even stepping back from that a little bit. The province is a shareholder of the corporation.

MR. PICKUP: Right.

MR. HOUSTON: The person who's responsible for overseeing that investment on behalf of the people of Nova Scotia, in this case, is the Minister of Energy.

MR. PICKUP: Right. For Nova Scotia it's the Minister of Energy.

MR. HOUSTON: So, if the Minister of Energy is responsible for overseeing our investment as a province, then his or her - depending on who the Minister of Energy is at that point in time - roles and responsibilities should be clearly defined. I'm interested in, what is the interaction between that shareholder and the corporation? I think I read in here that there's some kind of ministers' summit. Is that an annual event, the ministers' summit?

MR. PICKUP: If we refer to Paragraph 2.35 on Page 22 - in 2013, the board of ALC, not the governments, initiated a ministers' summit. This summit has occurred each year, and all four provinces were there in 2014 and 2015. Part of the problem is that this summit, this meeting, takes place after the corporation has already done its strategic planning, and approved a certain strategy without necessarily knowing if the ministers are going to support that. Confusing it on top of that, is that the ministers may support something, but then the government, as the shareholder above the minister, may override something or not accept something, which happened in the case of the board appointment process.

MR. HOUSTON: I guess for me, it all comes down to that. The shareholders of a corporation have the ultimate say, because in a normal, for-profit corporation, they can vote out the board. They can control the company through their shareholder voting rights. In this case, all of these issues that you raise here, I think are things that the shareholder, the Province of Nova Scotia, through the Minister of Energy, should have been questioning; why are the wages going up so high and what is the vision of the corporation compared to the vision of my government as respects gaming.

So I guess before I move on to some of these details, I'm curious - of all the issues of oversight, it seems to me the most egregious lack of oversight came right from the minister who is responsible for looking out for our investment. I'm curious, in the audit work, did you find anything at the shareholder summits - maybe the minutes of the shareholder summits or the minister summits or whatever they want to refer to them - that said the minister responsible from Nova Scotia has asked these questions or is curious about this or has this concern about our vision, or was it purely just go and sit in a room and put a tick in the box that you're at a ministers' summit and then leave?

Did you have any sense that there has actually been any oversight coming right from the elected officials who are responsible for providing oversight over this investment - was that part of the audit at all?

MR. PICKUP: The thing I want to be clear on here is we're very much focused on results. If you look at the summary page in the area of governance, eight of the recommendations we made to address weaknesses go to the governments themselves as the owners - not to the board of ALC but to the governments as the owners. So no matter what the processes that they've been doing - whether it is ministers' summits, whether it's other things - at the end of the day what stands is the mandate of ALC hasn't been reviewed, the government is not giving the direction, the authorities are unclear. That is the end result.

So no matter what has been happening on a transactional level, overall there is an issue here. The government needs to give the direction and the oversight that the corporation should have. Frankly, that's why you see 13 recommendations on governance - eight of them go to the governments as shareholders.

MR. HOUSTON: Just before I leave that one, it seems to me that in the other provinces the minister responsible is a Minister of Finance, but in Nova Scotia it's the Minister of Energy. Does that matter? Is that strange? I don't see the connection between those portfolios. Wouldn't it be a Finance thing - do you have any thoughts on that?

MR. PICKUP: Again, I would focus back on the results. To me it's not a question of who the minister is - it's a question of what is the government doing as the shareholder.

MR. HOUSTON: That's fair, thank you. I am particularly interested in the Techlink file. That is a file that I've been interested in for some time; in fact I've tried to work with NSBI to see if I could review their files on what happened to Techlink, and so far no takers from NSBI in allowing me to come and look through their files with them. Complete silence. So when I saw it in this report I was particularly interested.

This is a question that might come across as a statement, but it seems to me that the Province of Nova Scotia went to the Atlantic Lottery Corporation and said we want you to do business with Techlink and we want you to do it now, and the Lottery Corporation had no choice but to comply - can you provide some insight into what happened there?

MR. PICKUP: The background is yes, the Provincial Lotteries and Casino Corporation went to ALC and said enter into this contract, make this payment notwithstanding that the ALC board and management had significant concerns around doing this, but Nova Scotia had legal opinion and the board accepted that based on their advice as well, that they had to enter into this transaction, that this is the way it works per authority.

So no authorities were broken, if you will, but it is an odd situation when you have the people who are essentially writing the cheque and signing the contract saying, excuse

me, we have some concerns here, and then you have Nova Scotia sending a direction on September 18, 2013, that says pay this by September 25, 2013, and 90 per cent of the contract got paid up front.

MR. HOUSTON: I don't even understand practically how that - so the Atlantic Lottery Corporation just kind of siloed that off? How did they insulate the other shareholders from this transaction that the Atlantic Lottery Corporation had entered into?

MR. PICKUP: Because this was driven by Nova Scotia, any risk around this transaction would be borne by Nova Scotia. Anything that would be lost on Techlink, for example, would come out of Nova Scotia's profits, not the other provinces'.

MR. HOUSTON: In the review of the files, was this opportunity offered to the other shareholders? Like hey, does anyone else want to invest in Techlink with us, or help Techlink, or was it purely just that it came from Nova Scotia to the management of the Atlantic Lottery Corporation, who weren't that fond of the arrangement, so they did not ask the other shareholders? How does it even happen inside a corporation? It's almost like it was a little tool that the Nova Scotia Government used.

MR. PICKUP: The short answer to that is, Nova Scotia had already had, through ALC, a relationship with Techlink, in terms of them supplying some of the equipment that was being used in Nova Scotia. Other jurisdictions could have had different suppliers providing their equipment, so this really was a Nova Scotia issue because Nova Scotia wanted to support Techlink as part of policy, so that it was very much directed toward Nova Scotia.

MR. HOUSTON: Did you find anything in the files that - did the other provinces have another supplier?

MR. PICKUP: The actual relationship of who those other suppliers were, you'd have to ask ALC, but there would have been other arrangements in place for other provinces. It was Nova Scotia's decision or priority, through NSPLCC, that Techlink be the provider of the equipment here.

MR. HOUSTON: When that ceased - because Techlink is no longer the provider of equipment here - did you see anything in the files where the Atlantic Lottery Corporation recommended to the Province of Nova Scotia that maybe you should try this supplier? Or was there anything around - that would have been in the audit period, I believe, that they ceased.

MR. PICKUP: There was already a relationship between Nova Scotia Provincial Lotteries and Casino Corporation through Atlantic Lottery Corporation, with this company as a supplier. But on this particular circumstance and what Nova Scotia wanted on this payment, which we are focused on here, ALC had significant concerns around Techlink's ability to deliver and the viability of this. That was all well-documented at ALC.

MR. HOUSTON: So they went back to the province and said, we think this is a really bad idea, but if you want us to do it, we have to do it?

MR. PICKUP: Essentially Nova Scotia used its authority and said do it.

MR. HOUSTON: As a shareholder it has the authority to force the corporation.

MR. PICKUP: It has the authority and it had the legal opinion to make this happen.

MR. HOUSTON: Then I guess the iGaming situation, where there was a \$640,000 loss, that's almost the opposite. That's the management deciding, we're going to forge ahead with this Internet gaming strategy, spending \$640,000, and then the shareholders catch wind of it somehow and say no, we don't want to do that - is that what happened there?

MR. PICKUP: I think this is a clear example to demonstrate a point of the confusion that's being created here. Management recommended this, the board approved the Internet gaming, approved the strategy - keeping in mind that the board has shareholder reps on it - but the board unanimously, including the shareholder reps from all of the provinces, approved this strategy, approved doing these things.

Then, when governments were informed of it at some point, they said no, we don't like this aggressive strategy, we don't like getting into these lines, please don't do that. But their shareholder reps from these governments had already approved it because they were wearing their hats as ALC board members, looking out for the interests of ALC.

MR. HOUSTON: How would the governments have found out? Was it just kind of in passing or would it have been through one of these ministers' summits? I guess the point is, there was no formal system in place for them to understand the vision of the corporation. Do you know in this particular case? Just a curiosity more than anything, how did the governments even find out they were forging a way to this? See a commercial on TV? Or what happened there?

MR. PICKUP: It would be a guess on my part. I would imagine ongoing discussions happened with the shareholder reps. I think, again, it goes back to the main point being that this shouldn't be happening on a case-by-case basis and after the fact. Governments need to be telling the board of ALC, here is the space you can play in, here is your strategy, here is our risk tolerance, here is what we're willing to accept. Don't go into these other areas, please. Don't go spending money on things we're eventually not going to approve.

MR. HOUSTON: So in terms of Nova Scotia, the shareholder reps are the CEO of the Provincial Lotteries Corporation and another individual.

Do you know if there are regularly-scheduled meetings, quarterly or semi-annual, between those shareholder reps and the minister? All of this kind of falls apart when people

don't talk to each other. I'm just trying to get my head around - the minister is responsible for this file. End of story; that's it. So what does the minister do to fulfill their responsibilities? Do they at least meet with their shareholder reps, if they don't meet with the board itself?

MR. PICKUP: That you would have to ask the minister and the shareholder rep.

MR. HOUSTON: Okay. Thank you for that. I do want to talk about some of the expense claims. You did quite a bit of samples among all of the staff of different Auditor General Offices, did quite a bit of sampling, and the results of that sampling were - what do we call that, "less than enthusiastic"? Wasn't very good, was it?

MR. PICKUP: The results of the sampling - 92 per cent of the samples had issues, which enabled us to conclude that these expenditures are poorly managed.

MR. HOUSTON: Meaning that we'll talk about the expenses by bucket, I guess, and probably in the second round - I'm sure my colleague might have a few questions as well.

There were policies in place, but when you looked at actual expenses, actual money out the door, 92 per cent of the time the ones you looked at didn't follow the policies, didn't comply with the policies. Is that the point?

MR. PICKUP: Two points. Yes on not complying with the policies, but in addition to that, the policies were weak at times. For example, the policy may not have required some preapprovals, which would have been an issue. A policy may not have covered a certain area of expenditures, which would have been an issue.

MR. HOUSTON: So in most of the samples you looked at, there wasn't even compliance with weak policies. It's kind of like a double whammy, right?

MR. PICKUP: If you assume that the policies are not as complete as they should be and you're not meeting those policies, yes, that's an issue.

MR. HOUSTON: How would you characterize that, terms of corporation aside - pretty uncommon?

MR. PICKUP: Yes. I was quite surprised to find 92 per cent of samples having issues on an area that - let's face it, this is \$4 million in expenditures over the audit period - fairly sensitive type of expenditures. I've never seen 92 per cent of samples having issues.

MR. HOUSTON: Does the corporation have an internal audit department?

MR. PICKUP: Yes, they do.

MR. HOUSTON: So could you tell if that is not a very active internal audit department? Some of these things should have been raised to the board and raised to the shareholders every year, wouldn't you think?

MR. PICKUP: I would very much encourage you to ask that question if you have the chance at some point to have ALC in here to ask the board directly - discussions they may have had with internal audit - but no, we didn't see these issues raised in any of the work they had done.

MR. HOUSTON: Thank you.

MR. CHAIRMAN: Thank you, Mr. Houston.

We'll move to Mr. Wilson of the NDP caucus for 20 minutes.

HON. DAVID WILSON: Thank you, Mr. Chairman. Thank you for being here today. Definitely an interesting audit, because of course it's not just pertaining to Nova Scotia. The interest that we have is shared with Newfoundland and Labrador, New Brunswick, and Prince Edward Island. I'm sure it was challenging, and through this audit, hopefully the end result will mean better transparency and improved communications between the stakeholders and the Lottery Corporation themselves.

I want to start off around - actually, my colleague was referring to it or asked a few questions - the board initiating or approving a strategy and then going back to the provinces for approval. One of the things you mentioned - did you call it a summit or the ministers meet - I believe 2014 it started, 2015, and I think you said it was in the summer. That would be after the approval of the strategy, or how the Lottery Corporation will go forward over the next year - was there any recommendation to move that meeting?

I would assume that the ministers got together and said what time of year can we all meet - just like other ministers meet across the country - and the summer may have been the most appropriate time for them to fit it in. Was there a recommendation or is there acknowledgement from Nova Scotia to try to look at moving that time so that it best aligns with the strategic initiative of the Lottery Corporation, or can we move the Lottery Corporation's timing on their approval of strategies that they're going to undertake, or are we limited because of the end of the year, for example?

MR. PICKUP: To me, no matter how that process occurs, it needs to occur correctly in order to have the result being timely strategic direction. So when the meetings occur, who is at the meetings, how they happen - that, to me, should be part of the process that happens logically, which doesn't seem to be occurring right now.

You asked about what the government response was. We made Recommendation 2.3 that the governments need to routinely collaborate and give regular and timely policy

direction. The response from the governments were that they agree and over the next year will discuss how they're going to achieve that.

MR. DAVID WILSON: One of the other areas that definitely concerns me is when the Lottery Corporation goes forward with an initiative and then tries to seek approval from the provinces. I guess the one area I'm looking at right now is the \$640,000 loss for iGaming. So, if I'm correct, the Lottery Corporation moved forward on an investment of some sort and then sought the approval of the province - am I correct with that?

MR. PICKUP: That is correct.

MR. DAVID WILSON: Through your audit, did you come across any material or instructions or evidence where the stance of each province was on some of these initiatives? So the Province of Nova Scotia - 2011 a five-year gaming strategy was introduced, which would be up this year. In that gaming strategy I would think would have been a very clear message to the Lottery Corporation that Nova Scotia as stakeholder would not entertain investing in iGaming.

One of the main initiatives in that gaming strategy was to reaffirm that Nova Scotia would not expand into Internet gambling such as online casino games; the second one was decline to endorse a proposal to develop a racino in the province. Those are the first two commitments from the government of the day on a gaming strategy for the next five years.

I don't know how much clearer our government could be to say we're not getting involved in online gaming and then have the Lottery Corporation move forward on this. So how do we improve that? Is it that you think a blind eye was turned on a gaming strategy of a province? I don't know what the other three provinces - what their stance is on Internet gaming, but I know Nova Scotia's stance for the strategy at that time, for the next five years, was we would not expand on that.

I'm a bit concerned that the Lottery Corporation would ignore that, am I reading that correctly? Am I interpreting that correctly?

MR. PICKUP: A couple of key points I want to make on that - and this is where some confusion comes from and you can probably understand some of this confusion in terms of saying, okay, I might be in a similar boat.

Management brings things forward like this type of initiative. The board has already approved, remember, an aggressive growth strategy. The board has eight members representing their shareholder governments on the board. So presumably the people on the board representing the shareholder governments might know what's happening in their respective governments.

So where the confusion comes from, from management's perspective - and probably the board as a whole - if you have shareholder reps on a board who are voting,

who come from a province, they vote to unanimously approve a strategy. If you are management, you are probably thinking they must represent the government views, they've approved this as a shareholder rep on the board, so it's probably okay. But it's not, because what happens after the fact, is that the governments say no, we don't want to support that, even though the government shareholder rep on the board just finished approving that particular initiative.

There's a lot of confusion around this, and part of it is that the shareholder rep is a voting person, whereas what we recommended - if you had that shareholder rep as non-voting, to be there as the liaison of government - I am at this table, for example, to tell you how the government I am here to represent feels on these issues, I won't vote.

When the board members vote - when you are a shareholder rep - they are there to vote what is best for the company, and the company approved an aggressive growth strategy. That's part of the requirements under Canadian law; when you are on a board you are voting and supporting, and your interest is to that board. That's why we recommended that person who is representing the government shouldn't be a voting board member. They should be the government liaison, the person who comes and says, I can tell you that if you approve that, the government I am here representing is not going to be okay with that, so why bother?

MR. DAVID WILSON: What response did you get from the government?

MR. PICKUP: That was an agree/disagree one, so the government hasn't agreed, and I would also say that the board itself recommended a certain appointment process that they thought should be in place - a strategy. The board approved it, three of the four ministers approved it. They went back to governments and governments said no.

I think this is an issue that is creating some of the confusion for both management and the board itself, having this dual role as the seen shareholder rep, yet you are there to vote on behalf of what's best for a corporation.

MR. DAVID WILSON: There must be a process, though, for governments to say no, then. What I've read so far in the audits, there are examples when things went well, and I think the interests of Nova Scotians were protected. Is it that we need to strengthen or heighten the reality that Atlantic Lottery Corporation cannot make these decisions without the final okay of government?

You said here that three of four said no, so it didn't happen, but in some cases it was a benefit for Nova Scotia, and I think about the GeoSweep initiative. I know Nova Scotia said no to it and they're not on the hook for the \$4 million loss I think it was. I see how it works sometimes, but it doesn't work in all cases, so how do we strengthen that? Is it the recommendation that our interests should not be a voting member, or is there some other aspect that we could improve on so that the Atlantic Lottery Corporation understands?

The owners - Nova Scotia, New Brunswick, P.E.I., Newfoundland and Labrador, the governments, the taxpayers, are the owners - ultimately they have the final say, I would think, is how it should work. How do we improve that if governments are not 100 per cent onboard with taking that voting mechanism out of it? Is there another way we can ensure that the Atlantic Lottery Corporation follows what the provinces want?

MR. PICKUP: I think it is a very logical, simple approach to do that. I think you need the overall strategy and directions from the government. If you look at that \$8 million investment in Geonomics, the board knew they didn't have the authority to do that, that the governments may not support that. Then they had to get a legal opinion to say, who would we need to support this? Then it was determined that a Cabinet would have to support it.

Before it even gets that far, there needs to be that direction from the government at a high level to prevent some of these transactional issues, so that at a high level you know - we don't want to be in that space, we want to be in this space.

The backup to that, I would suggest, would be to have a shareholder rep who clearly is there to represent the government and to say, we're not going to vote, we're not going to get into having to vote on issues, but we're going to tell you at the table, there's no sense voting on this because when it comes back to the government, we're out, we're out, we're out, so you know where the four provinces stand. To me that is so logical a way to approach things so that you have two steps in it - you have one you know the likely space you're allowed to go into but you also have the backup of having that person at the table tell you up front what your government is likely going to say.

MR. DAVID WILSON: I see this in a similar light of what departments do, or maybe what the Health Authority does for example. The Minister of Health and Wellness in Nova Scotia, for example, oversees the health file. The Health Authority has a board of directors, they look at the day-to-day operations, they make decisions on where they think we should go in providing services for Nova Scotians, then it goes to the minister.

Is it that we have too many steps - I think that's where we're having an issue. Are there too many steps with the Lottery Corporation? Do we need to simplify the structure so that the authority ultimately is with the government of the day in each of the provinces? Do you have any comment on that?

MR. PICKUP: Whether there are three steps or seven steps, I think the clarity needs to be around what the steps are. You have a corporation that at times starts proceeding on something and asks, oh, where do we get the authority for this? Do we need to go to a minister? Do we need to go to Cabinet? Who do we need to go to? That to me makes no sense, that a corporation is put into that position.

MR. DAVID WILSON: I hope out of this audit, it does fix some of those issues. As you said, I think it has been 11 years - or has it ever been audited, the Atlantic Lottery Corporation?

MR. PICKUP: It has been 20 years since the Auditors General did an audit.

MR. DAVID WILSON: So hopefully there will be some positive changes out of this that I think will direct the Atlantic Lottery Corporation and also the province. But I do have to fall back on the fact that especially in Nova Scotia we have a gaming strategy that was very clear on a number of issues that were found in this audit that there was a loss of.

Quickly, just some technical questions, I guess. The \$640,000 loss on iGaming, the time frame of that - when did that take place?

MR. PICKUP: The short answer is during the audit period. (Laughter) We're looking now.

MR. DAVID WILSON: What year did they write that off, more specifically, I guess?

MR. PICKUP: Can we get back to you on that?

MR. DAVID WILSON: Sure. I will jump to the \$8 million loss. So four provinces - which provinces were in, and which provinces were out? I know for a fact Nova Scotia was out, so which other provinces opted out of that GeoSweep investment?

MR. PICKUP: At a high level, what happened here is, the board approved this Geonomics investment without knowing if they were going to get the authority from any provinces to go into it. First, P.E.I. said, yes, we're in, so they went in. Then New Brunswick said, yes, we're in. Newfoundland said they're not in, and Nova Scotia didn't participate.

MR. DAVID WILSON: So they weren't in.

MR. PICKUP: Right, but the way I was saying it was who told ALC they were in and who told them they weren't. Nova Scotia didn't participate.

MR. DAVID WILSON: So Nova Scotia taxpayers are not on the hook for that \$8 million, correct? I would assume that would be shared between P.E.I. and New Brunswick?

MR. PICKUP: The sharing of this \$8 million was between New Brunswick and P.E.I. Everybody knows the corporation lost \$8 million, but that could very well have been an investment that Nova Scotia might have been in. Somebody else could be in. The point on this is that the independent due diligence and processes at the board level did not happen.

MR. DAVID WILSON: Thank you.

MR. CHAIRMAN: We'll move to Ms. Zann.

MS. LENORE ZANN: I'm kind of curious about what you gentlemen were just chatting about as well. For instance, one part of it, it's saying that there were no measures for social responsibility in the performance report there on Page 1 regarding Geonomics. Is that just regarding that . . .

MR. PICKUP: No, that's a new bullet. The first bullet is the \$8 million Geonomics, and the next bullet is the weaknesses in the performance reporting overall.

MS. ZANN: So the "No measures for social responsibility" bullet - can you explain to me, what's the difference then when a government comes in and they have a specific mandate that they want to be socially responsible when it comes to gambling and gaming and people with gambling problems, so they'll put in My-Play or one of those kinds of things, and yet we know that something like that would probably prevent people who are problem gamblers from spending as much of their money as they would if it wasn't in play. Yet you said the board of the corporation, their job is to try and make money for the company, so where do you draw the line between trying to be socially responsible and what the board is supposed to be doing?

MR. PICKUP: Just to clarify, I didn't say that it was my view that they are there to make money. They had approved an aggressive growth strategy and part of their objectives - in their words - are to maximize some profits. Those are their words and not mine.

In terms of the social responsibility, again those are their words, those aren't my words. They have in their sort of mandate, if you will, be it even informal, there are aspects coming in there like economic development, social responsibility, responsible gambling, this kind of thing is coming into their reason to be and in their mandates. What we're saying is that's you who have said that, we're not questioning that. What we're saying is you are not telling people how well you are doing on that. So what do you intend to do in those areas and how well are you doing with that.

MS. ZANN: So they're not then very transparent, they're not being forthright about what exactly their goals are and how they are actually performing?

MR. PICKUP: It may be worse than that because it may be that they haven't identified what they want to do in that space. So if you are into responsible gambling, are you measuring performance in terms of what you expect to do, what the indicators are, how will you know you are being successful in what you want to achieve in relation to responsible gambling? That is up to the corporation to figure out. What we're saying is that's not being done very well.

MS. ZANN: Right. So for instance, when something like My-Play was in play, so to speak, I would imagine, well the corporation lost money during that time - is that correct?

MR. PICKUP: As part of this audit we didn't look at My-Play.

MS. ZANN: Oh, you didn't look at that. So for instance, Techlink, what was the purpose of Techlink exactly?

MR. PICKUP: Techlink at a high level, Techlink was the provider in Nova Scotia of VLTs, so they were the producer.

MS. ZANN: Right, okay, and then My-Play was put on top of those VLTs to try and prevent problem gambling from continuing to the extent that it had been going beforehand, is that correct?

MR. PICKUP: We didn't look at the My-Play System.

MS. ZANN: But Techlink was the provider for those, wasn't it?

MR. PICKUP: Right, but the point of why we're raising Techlink here is that Nova Scotia directed ALC to make a payment to them when ALC had significant concerns. So it wasn't about the merit of having My-Play or how that was getting put in place, it was the fact that ALC had to make a payment based on Nova Scotia's stewardship.

MS. ZANN: And why was ALC concerned, though - because their primary objective was to make money, right?

MR. PICKUP: What ALC was concerned about was Techlink's ability to deliver on what they were getting contracted to deliver; they were concerned about the long-term viability of this corporation.

MS. ZANN: But they had already been hired, like Techlink had already been working for them before, right?

MR. PICKUP: Techlink already had contracts with them, but it was well known that Techlink was in financial difficulty; that was well known.

MR. CHAIRMAN: Order. We'll move to the Liberal caucus and Mr. Porter.

MR. CHUCK PORTER: Thank you, Mr. Chairman, and thank you, Mr. Pickup and Mr. Jewer, for being with us this morning. I've got a few topics I want to cover, so I'm going to bounce around a bit.

I want to start with - I think you touched on it a bit maybe in the beginning of the meeting, as regards the minister responsible. The minister responsible for the Province of Nova Scotia is the minister responsible for the Provincial Lotteries and Casino Corporation. Does it matter where that portfolio falls, whether it is the Minister of Finance and Treasury Board, the Minister of Energy, the minister of whichever, is there a difference in your opinion?

MR. PICKUP: Decisions by government as to who is responsible, are really government decisions and I won't comment. For me, I'm focusing on the results.

MR. PORTER: I just wanted to clarify - it's the minister responsible for that portfolio. This is an interesting piece. You have a corporation - you've made a few comments with regard to your thoughts on the corporation itself, and we'll get into that more. You have four provinces. It's a very unique setup right from the get-go. So this has been in place for 40-some years, I think you mentioned early on, and 20 years since it has had an audit.

Your audit period was - and thank you for writing it on the bottom, I know we've asked before - over April 1, 2013 to August 31, 2015. That's a lengthy stretch. How long did it take you to complete the audit?

MR. PICKUP: If you're talking time-wise in terms of when we started this - last Fall.

MR. PORTER: So, a considerable amount of time to go in and look at all of those things. I want to talk about the structure. I think Nova Scotians - probably all Maritimers who are involved from all provinces - probably aren't interested in the structure, until such time as you do an audit, as you've done.

I'm not sure that people understand the process. They buy whatever they're purchasing, perhaps play whatever they're playing - 6/49 or whatever. You've talked about how you don't like the current set-up. You've made some recommendations around how that works and how it could work going into the future.

Is there another way outside of the four provinces having a corporation to run the lottery, or is there a benefit to the way that the structure is in place, whereby all four provinces in the Maritimes come together to manage and run this lottery?

MR. PICKUP: Just to clarify one thing. I didn't indicate that I have issue with the current structure. What I'm saying is there are problems in terms of impacts with the current structure, and in terms of how a government may choose to structure these things, those are really within the authority of government, and I won't comment on that. What I'm looking at is the impacts of a structure and how a structure as it is set up could be improved, given the structure that we have.

So we don't make any comments, for example, around Nova Scotia goes to lotteries, casinos. That really is up to the government to decide - how they want to structure how things happen.

MR. PORTER: Thanks for the clarity on that. I didn't mean to put words in your mouth. I'm glad you took the time to go through and clarify what you said. That may be how I perceived it. That's fine. Again, I appreciate the clarity.

So the structure itself, then, I guess is not relevant in the audit or you don't have an opinion on the fact that the four Maritime Provinces have been together for 40 years. It seems to be something that has benefited each of the provinces, would you say, from your perspective?

MR. PICKUP: We do indicate in the report that clearly Atlantic Lottery has been around for 40 years, and has returned large profits to Atlantic Canada, and nobody is questioning that or questioning the profits that have been made. What we're trying to do is make recommendations to help this company be successful on a go-forward basis.

MR. PORTER: You talked about a lot of different areas. I just want to go down a couple of different roads here. Throughout the course of the audit, were there any - albeit there are a number of recommendations as to how to make it better and that's great, I'm not arguing that - cases where you actually found that there was fraudulent activity?

MR. PICKUP: Keeping in mind that this audit was not designed to detect fraud or find fraud - that's not the point of it - nothing on this that came to our attention gave us a concern on fraud.

MR. PORTER: But wouldn't any audit that you were doing - I've heard you talk over the years about numerous audits that you've done since you've been here - there would be a number of things that you would be looking at along the way that would be standard practice about what's being done, how monies are being allocated or spent, et cetera or have been - not going to be, but have been - as we look back on this committee. I would have thought that would have been a standard practice, that you would have looked to see throughout the course of - I might not necessarily agree with how that works or how that has worked, but I would also look to see if there was any real wrongdoing in that, by way of fraudulent activity, especially when we're looking at the kind of money that we're looking at here - a substantial amount.

MR. PICKUP: Under Canadian auditing standards, no audit is designed to prevent or detect all cases of fraud. For example, if there is material fraud or error, that should come up including in a financial audit. Atlantic Lottery has received a financial audit every year by a national audit firm. They've been getting clean audit opinions. In terms of that type of work, that would be better directed towards the financial auditors.

MR. PORTER: Was there anything with regard to Atlantic Lottery Corporation paying attention to the responsible gambling part? Was there anything in your audit around that at all?

MR. PICKUP: Two points on that: it is, to some extent, part of the reason to be, the mandate, of this responsible social aspect of it. But what we found was there's not good performance reporting around what that means. What does that mean? How would you know if you're doing a good job on that? How would you tell people we expected to do A,

and we did A, less three, or we expected to do B, and we surpassed that? That's not happening, and that really is up to the company to figure out and report on that.

MR. PORTER: What was your recommendation on that? Was it exactly that, that something needs to be done there?

MR. PICKUP: Yes, our recommendation was around this whole performance reporting. They need to have measures in place so that people can judge how successful they are, not only on profits, but also on these other areas that they've indicated are part of their reason to be.

MR. PORTER: Do you think there's a lack of understanding with people of what the responsible gambling piece really means, what it represents? We may all have a different take on what that's supposed to mean.

MR. PICKUP: I think the answer to that is incumbent upon an organization like this to explain to people how they have defined that and what that means to them. It's the corporation that sets its objectives, that puts the stuff publicly. Really, it is incumbent upon them to say, that to us means this. It means we're going to do 1, 2, 3, and 4. We're going to come back and report to you if we did 1, 2, 3, and 4.

MR. PORTER: I want to go back to the structure piece again. You made some comments earlier about structure. Can I ask you then, as someone who has taken, I guess, a better part of a year now, you and your team, to do this audit - it's fairly extensive, again, I want to go back to it: I don't think people understand how this really works. I'm not sure they do - maybe they do. I guess I don't think about it myself, the real structure of how this is all set up. Tell me, as a fellow who has just audited this thing with your team, how should this look, top to bottom?

MR. PICKUP: In response to that, firstly I will say, let's assume the current structure, as it is to some extent, exists. You have governments as the shareholder, and nobody's changing that. The governments are the shareholder. You have the board, and you have management. Let's keep in mind that at this board level, I think part of the confusion is that the board has representatives appointed by the government as their representatives. So to some extent, management and the rest of the board think these people are representing the views, if you will, of their governments. But they're there representing voting members of the actual corporation. They may approve a strategy that is, they believe, in the best interest of the corporation, like Internet gaming, which its government may not support. To me, if we're going to have this system, which we have, of shareholder governments owning, they need to give the direction, however that happens, to the board to say, here is what we want you to do - at a high level.

MR. PORTER: So you would suggest, then, that governments - each government in each province of the Maritimes has representation, but the governments are not giving

direction to their board representatives and then on downward to management to carry it out? I'm just not sure I understand what you're saying there.

MR. PICKUP: I think the best way to see it is through an example.

MR. PORTER: That's fine.

MR. PICKUP: You have a person who's a board member representing a shareholder government. They approve a strategy like Internet gaming because they have approved an aggressive growth strategy, for example. So we want to do Internet gaming. They go back to their government, and the government says no, we don't want the corporation to get into Internet gaming, we don't approve of that. So then they put on their hat as representing the shareholder government and say, oh no, that thing I just voted for and approved as a board member, I can't support that wearing my shareholder government rep hat.

I think most people on the street would never understand how that is logical. So you have somebody on a board supposedly representing their government, approving a strategy which they either know at the time or go back and find out that their government doesn't support that strategy. So then they come back and say no, we don't support that strategy.

MR. PORTER: Does the process work - I don't want to call it backwards, but not in the order that it should go. I mean government on behalf of Nova Scotians - and I'll just use our own province, or for that matter, any government on behalf of their province, on behalf of their taxpayers - would be putting forward those recommendations to the board and then on down to management to carry it out, that's what I'm asking.

MR. PICKUP: Let's not get down to a transactional level.

MR. PORTER: Okay, I'm only doing that because it's about that clarity around the piece you just described, how or why would that happen if it was coming from and on behalf of the government and the taxpayers of a said province?

MR. PICKUP: Right, but the disconnect becomes, that board member who represents the shareholder government voted to approve this as an ALC board member. But going back and putting on their hat as the shareholder rep for the government, they come back and tell the corporation oh, the government that I'm representing doesn't support this. So that direction should come first, right from the shareholder governments. Or what we suggested, have a shareholder representative on that board who's sitting there saying I'm the liaison with government, I'm not going to vote, but I'm going to tell you all the priorities of my government in this area, and here's what you're going to get approved and not approved.

MR. PORTER: Okay, so I see your example there as to how you see any province or government getting, I guess we'll call it, in the middle with regard to the board issue.

Where do most of these things come from and the ideas that you - I don't know the games, I'm not a gambling guy so I don't know the games. Where do these recommendations come from? Do they work from the management back up? Is there also the board members who sit around - I just want to clarify. Two board members per province is how this is represented, where are these decisions though starting, beginning? I'm a little confused on that and I think most people would be. I would think, like any corporation or company or business, decisions would be made from lots of different areas, but I'm curious as to where these decisions are being made.

I know where they're being finalized, or at least I think they are. Maybe I'm not clear on that so feel free to tell us what you found in that too. I think it's important to get some of this stuff out so people - it's great that we have you here and the ALC is the topic in Public Accounts Committee. Again I would go back to how many people really understand the finite details of how this works? I'm not sure that many really do so I ask that question.

MR. PICKUP: I hope, and steer me in response if I don't do it well, I would hope this \$8 million Geonomics investment would be a good example. So management is working on this and comes up with a proposal, we should invest this \$8 million, this is a good plan. So they do their work, they come to the board. The board listens to management, asks questions, does whatever they do, keeping in mind the board has two shareholder reps from each province.

The board approves the investment, knowing that as it stands, none of their governments will support it, but the board approves it. So you're sitting on the board knowing you approved this strategy because it sounds good, management made the case, and you approve it knowing that it can't be carried out without government approval.

Then the corporation has to figure out oh, who in government has to approve this? So they've got to go get a lawyer and spend money to say okay, well the minister can't approve it in this case, it has to go to Cabinet, our lawyer has determined it has to go to Cabinet. Then in this case, for example, they go to P.E.I., okay, they get Cabinet approval. We have somebody on board, we've got one province on board, off to the races for Geonomics.

MR. PORTER: Even though they didn't have the buy-in of the entire corporation.

MR. PICKUP: The entire shareholder governments. They had one . . .

MR. PORTER: I guess I look it from the simple perspective, the owners - call it what you want.

MR. PICKUP: The owners, they had one owner on board.

MR. PORTER: They had one owner so how could the buy-in possibly take place?

MR. PICKUP: No - all they determined they needed was the buy-in from one owner, keeping in mind that the risk and reward would go to that one owner.

MR. PORTER: I was just going to say the same thing. So, just for clarity, Nova Scotia didn't buy in, Nova Scotia has no risk in the game.

MR. PICKUP: In the Geonomics? No.

MR. PORTER: Or any other that may come before it?

MR. PICKUP: No, they turned down the Internet gaming, but Nova Scotia bore some of the cost, because the board would have approved that.

MR. PORTER: I want to go to - I'm not sure how much time I have left - I want to go to this Techlink issue, because, again, I'm not sure that it's clearly understood. So, this happened in 2013. Correct?

MR. PICKUP: That is correct.

MR. PORTER: When in 2013 - I'm just reading your notes and I want to be clear on it. A contract in September?

MR. PICKUP: September 18th, Nova Scotia directed ALC to make a payment, by entering a contract, to make a payment by September 25th of 90 per cent of the contract value.

MR. PORTER: And that would have been done by the minister at the time - responsible for the government and the minister in Cabinet - somebody would have made the decision to go into that agreement?

MR. PICKUP: So, just to clarify, the direction from Nova Scotia came through Nova Scotia Provincial Lotteries and Casino Corporation through approval of their board. Now, per their board minutes, this was raised as an issue, they went to Executive Council, and then they made an approval of this at the board level of NSPLCC.

MR. PORTER: What did Executive Council say at the time?

MR. PICKUP: I don't know.

MR. PORTER: But it was approved?

MR. PICKUP: It was approved by the board.

MR. PORTER: Would you not have to have, at that time, the approval of the Executive Council to approve it at the board on to management about how to get into the contract?

MR. PICKUP: Presumably, they would have gotten the approval they needed in order to approve it at the board level.

MR. PORTER: So, you're making the assumption around what I just said to be correct. The Executive Council of the day would have made, or approved, the decision that the board asked them to make to go into a contract with Techlink. Is that correct?

MR. PICKUP: I can tell you for sure that the board of NSPLCC approved the payment. Now, what they got from Executive Council on that I don't have that because we weren't auditing NSPLCC.

MR. PORTER: Okay that would have been done by the minister at the time responsible for the government and the minister in Cabinet, somebody would have made the decision to go into that agreement?

MR. PICKUP: So, just to clarify, the direction from Nova Scotia came through Nova Scotia Provincial Lotteries and Casino Corporation through approval of their board. Now, per their board minutes, this was raised as an issue; they went to Executive Council and then they made an approval of this at the board level of NSPLCC.

MR. PORTER: Okay, thanks. I see I'm just getting the two-minute wave there. Time goes by quickly. So, just on that, on the Techlink issue, the board made the decision with the approval of, we're going to assume, each of their respective provincial Executive Councils. Would that not be correct?

MR. PICKUP: For which issue?

MR. PORTER: For the Techlink one.

MR. PICKUP: So, for the Techlink one, this was just a Nova Scotia issue.

MR. PORTER: Just a Nova Scotia issue.

MR. PICKUP: But Techlink was the provider of VLTs for Nova Scotia.

MR. PORTER: Right. So, they made that decision. They paid \$1.3 million up front. That was ordered to be paid. Correct?

MR. PICKUP: That's correct.

MR. PORTER: Once that's done, is there an ability to turn back from that decision that was made?

MR. PICKUP: What we reported was that the amount that was recovered was \$440,000.

MR. PORTER: Okay, so, take that off of the \$1.3 million. Is there any ability to change once you're into that with the contract with Techlink? Is there any ability to say, no, we're going to change our minds?

MR. PICKUP: Well, I know what happened, but in terms of the details of what could have happened, you'd have to ask ALC.

MR. PORTER: A substantial figure. You did a lengthy audit. You delved into it quite deep. You know that \$440,000 - or whatever you just quoted - was recovered, but you don't have an opinion on whether or not that could have just been stopped altogether?

MR. PICKUP: Well, as audits look back and say

MR. CHAIRMAN: I'm sorry, we'll have to wait until the next round for the answer on that one.

We'll move to Mr. Houston of the PC caucus for 14 minutes.

MR. HOUSTON: Thank you, Mr. Chairman. You mentioned that over the audit period you noticed instances where the Atlantic Lottery Corporation had to seek legal advice on whether they could do things, or what they needed to tell the shareholders, or approvals they needed, and stuff like that. I just wonder if maybe we can get a copy of the shareholders agreement, because it must be quite an interesting read, as there is a lot of lawyering going on on both sides to figure out who can do what. Is that something that you could provide to the committee?

MR. PICKUP: That should be directed to ALC to provide that agreement.

MR. HOUSTON: Fair enough. In your audit findings you found a lot of stuff around expenses, but one in particular was \$14,000 worth of tickets for the Cavendish Beach Music Festival. Do you know if the Atlantic Lottery Corporation was a sponsor of the Cavendish Beach Music Festival and did they get the tickets in their capacity as a sponsor?

MR. PICKUP: In the report we detail that ALC was a sponsor of the Cavendish Beach Music Festival, and with that they got 270 tickets. This was a purchase on top of the 270 tickets they already received.

MR. HOUSTON: Then they had 270 tickets - they bought a bunch more tickets and then they disbursed them as they saw fit, and they disbursed them to groups of people including politicians and bureaucrats. Was the purpose of that distribution to try to maybe woo the favour of the politicians and bureaucrats so that the Atlantic Lottery Corporation could advance some of their wishes and visions for the corporation - what would be the point of the wooing that you could see from the audit?

MR. PICKUP: The response that we initially would have received - which I don't accept - is that this would be under the umbrella of stakeholder relationships. Why I say I don't accept that is okay then show us - prove to us - what might have happened. Who attended these events on behalf of the corporation? What business was carried out? What kind of meetings did you have? Never mind the fact, why does this have to occur at an AC/DC concert or a Cavendish Beach Music Festival as well?

In terms of who got the tickets, you're right, there were numerous politicians, there were political staffers, there were senior bureaucrats, and there were corporate officials as well.

MR. HOUSTON: You can't suggest what the motive behind that wooing might be, I guess, unless you saw documents that said we should disburse the tickets to this group of people so therefore we can advance this cause. Was it that explicit?

MR. PICKUP: The general response on this - which again, I didn't accept - was that this is under the umbrella, this is how you improve stakeholder relationships, this is how you improve these types of things, but we didn't accept that.

MR. HOUSTON: A lot of that wooing ties into a lot of the findings of the audit, maybe possibly even around the salary reviews. There were some pretty significant wage increases.

It's hard for me to really kind of weigh in on those without perspective. Can you compare the salaries that are paid to the executives of the Atlantic Lottery Corporation to any other jurisdiction - maybe a national or a North American pay scale? How do they fit in - are they well paid, average paid, or underpaid, or hard to say?

MR. PICKUP: Two key points for me on that. One is we haven't taken a position on whether the salaries are too high, too low, just right. That really wasn't what our point was. The point was that given the size of these increases and given the compensation package, they should have gone back to government that may have that knowledge, that information, may have views on that in terms of what other Crowns may receive, comparatives, that type of stuff.

So firstly, I just want to make clear on that point - that we think they should have gone back to the owners, to the shareholders, to do that. Having said that, one of the things we asked the corporation was, where did you come up with this? They did a compensation

review; they had an outside consultant. A couple of points that we made were that for the executives they used a national comparator, but they couldn't demonstrate to us why they didn't use an Atlantic Canada comparator, why use that national for the executives?

Part of the response initially was that's how you keep people and there may be retention issues. So we said demonstrate that to us - show us the number of people who have left and have indicated that compensation was the reason. They couldn't do that, so we didn't really accept in terms of our understanding of why the national comparator may have been used.

In terms of the rest of the staff, an Atlantic Canada comparator was used with 75 per cent of it based on the public sector and 25 per cent of the comparator based on the private sector. So yes, 75 per cent public, 25 per cent private.

MR. HOUSTON: So these salary increases would have been recommended by management, based on whatever support they had and the board would have had to approve them, right?

MR. PICKUP: The board would have approved the executive increases, keeping in mind that the shareholder governments had two representatives on the board.

MR. HOUSTON: And also keeping in mind that in the real world, shareholders go to a shareholder meeting and raise a stink if they're not happy with how the executives of a corporation are being paid. In this case the shareholders went to a shareholder summit and asked no questions that we're aware of. Is that fair?

MR. PICKUP: I think what I would say is fair is that the board approved these executive increases knowing well what they were, coming from their own individual environments, from their own provinces. They approved these.

MR. HOUSTON: Right, and again I have a really hard time accepting that. The minister, who is ultimately the person charged with being responsible for this investment on behalf of the taxpayers, doesn't get a free ride on this. That minister can be asking questions on behalf of all of us - why is the compensation so much? That's what shareholder meetings are for. I think when you go away from a shareholder meeting and you call it a ministers' summit, I'm learning today it has a completely different feel.

I've certainly read about lots of public company shareholder meetings and been at some myself. Shareholders stand up for themselves and they tell the board when they're not happy with something and they tell the management when they're not happy. That's what's missing here and I think that's the point that's certainly not lost on me and I don't think will be lost on people that that's where their responsibility ultimately lies. That's where the accountability is. If you don't have a shareholder that's giving the oversight, then these types of things happen.

So in terms of the salary, could you provide any examples? Not necessarily with a person's name but a position and what the salary was before and after - some examples of the most surprising increases that you came across.

MR. PICKUP: On Page 45 of the report, we have detailed by CEO, COO, CFO and the vice presidents as well, in terms of the prior to compensation review. To give you an example, prior to the compensation review - which remember was in 2013-14 - the total high range available salary and bonus was \$220,000 essentially. That got increased to \$342,000 subsequent to the compensation review in 2014-15. That's a 56 per cent increase that would be available.

The vice-presidents, 22 per cent, so their maximum available went from \$190,000 to \$233,000. We do note as well that this is in addition to any benefits - for example, on Page 46 - that include car allowances and executive medical, totalling about \$20,000 a year for car allowance and extra medical.

MR. HOUSTON: Oh my. So you used the phrasing "maximum available salary", in terms of the COO and the CFO. It went from \$219,000 and you said maximum available \$341,000. Is that what they actually got, though?

MR. PICKUP: What they actually get depends on how much their actual bonus is. For example, the VPs can get a bonus of 10 per cent to 23 per cent. So in all cases, what we did was present on a consistent basis the maximum prior and the maximum post. The actual amounts are going to vary but for us the key point was, the high end of what you could get has gone up.

MR. HOUSTON: Okay, did they get raises, though, or was it just that they could get raises?

MR. PICKUP: We do note in there in terms of what the actuals were in Paragraph 3.13 and 3.14 as well. For example, actual salaries - excluding the bonuses for the COO and CFO - were \$240,000 and \$224,000 and then the bonuses would be on top of that. The maximum available prior was \$199,000.

MR. HOUSTON: I see, okay.

MR. PICKUP: I know there are a lot of numbers in there.

MR. HOUSTON: Yes, there are. The other thing that was interesting - you mentioned the benefits - was the pension situation. Governments are always sensitive to pension. If they're not, they should be. In this case, the pension plan for the corporation is pretty rich compared to what an employee of the Province of Nova Scotia would get. It's a pretty rich pension plan, correct?

MR. PICKUP: Our point on the pension plan was not to make that comment but to say that there's a huge pension shortfall of \$60 million, and also to point out that the corporation should have brought some information forward to the government. At the end of the day, for a typical employee - let's say if you had somebody there making \$75,000, the corporation pays \$7,500 towards their pension, whereas if that same employee were working for the Nova Scotia Government, the Nova Scotia Government would pay \$6,800. They would match the employee versus that same employee at Atlantic Lottery paying \$6,000 towards their pension with the corporation paying \$7,500.

There are some big differences between the employees in Nova Scotia and employees of Atlantic Lottery in terms of how much people contribute to their pension cost. We're not taking a stand on one being right and one being wrong. What we're saying is that this is info the government should have been made aware of, and then let the Government of Nova Scotia give direction to ALC to say, this is what we think of this.

MR. HOUSTON: That makes sense. Thank you for that. I guess I'll just touch on the whole performance measurement aspect of it. Management presumably is measuring the performance of certain games and aspects of their business against expected returns. Two parts to that: is management doing that? And is the point that's made in the audits that the shareholders and the board aren't doing that? They're not getting an expectation of how this corporation should be performing and then measuring it against that. Is that right?

MR. PICKUP: A few aspects: one is the public reporting of ALC, ultimately through the board, to the public. They don't have indicators. They don't have benchmarks. They're not doing a really good job in the performance area of telling the public, this is what we expect across all of these areas, and here's what we've delivered on.

Also, off the other end of that, going from government to the board, to the corporation, the governments are not necessarily doing a good job of setting what their expectations and objectives are - not only for profits but for other areas as well, like public policy objectives.

MR. CHAIRMAN: We'll now move to the NDP caucus and Ms. Zann for 14 minutes.

MS. ZANN: I would like to get some further clarity on the relationship that our province has with the ALC. I know we had discussed earlier that Nova Scotia did not sign the tentative mandate letter that would help to clarify the purpose and mandate of the ALC in Atlantic Canada. If I'm not correct, please correct me. That letter was created in 2014, right, by the other provinces, and it could have been signed by the Nova Scotia Government.

One of the recommendations of your report, Mr. Pickup, is that the mandate of ALC needs to be rehashed and updated. Can you clarify for me once again why this letter was

not signed by this government and how our relationship with ALC is different from those held by our Atlantic Canada counterparts?

MR. PICKUP: Part of why the relationship is different is that, through the Nova Scotia Provincial Lotteries and Casino Corporation, Nova Scotia retains the conduct and manage aspect. For example, they would be involved in running the casinos. Also, the NSPLCC, the Lotteries Corporation in Nova Scotia, provides direction in different ways to the corporation, but that wouldn't exclude it from signing a mandate letter.

It may be incumbent upon the NSPLCC to explain to you in greater detail why they wouldn't sign the mandate letter as well.

MS. ZANN: Thank you very much. Also I wanted to dig a little further into the compensation. I know we were already just talking about it, but a little bit more about the compensation of ALC's executive. I did find that the numbers are a little bit shocking actually and the increases in annual bonuses are particularly noteworthy. So from 2014-15 the bonus received by the chief executive officer went up - is it by 55 per cent?

MR. PICKUP: The maximum annual bonus amount on Page 45 went from \$43,000 to \$66,000.

MS. ZANN: That's a large amount. And the vice president's maximum bonus also increased by 65 per cent, to \$28,560, and then the chief operating officer and chief financial officer's bonus increased by about 22 per cent to \$63,940? (Interruption)

Yes, that's kind of hard to believe - was there a reason given for these huge, dramatic changes?

MR. PICKUP: These changes were a result of a compensation review, so the board approved the changes as per that. What we have indicated here is that given the size of these increases, given the economic environment of the shareholder governments, you ought to have gone back and touched base and said hello, are you okay with this? Like we're going to give large, large increases here.

I'm not questioning whether those are the right amounts, what I'm saying is it wouldn't have taken too long to go back to your governments to say, is this okay?

MS. ZANN: So the provincial government didn't play any role in this whatsoever, although you said there were two people sitting on the board, right?

MR. PICKUP: The two people on the board, as voting board members of ALC, approved these increases.

MS. ZANN: So they did approve them. So they are the connection to government, they are the liaison, right?

MR. PICKUP: They are appointed by the government to be a board member. Once you become a board member of a corporation, your primary responsibility under Canadian law is to that corporation to act in the best interest of that corporation. If the best interests of that corporation you feel differ from the interests of some other party, you vote and you make decisions based on what you think is in the best interest of that corporation. That's why we suggest that the government people, the liaisons that are on that board, should not be voting members - they should be there to express the concerns, the policy objectives, the issues of government.

MS. ZANN: Okay, now I clearly see what you are trying to get at. You are saying that in a situation like this, when something like that is brought to them, that really they need to have a clear mandate that is separate from the interests of this corporation.

MR. PICKUP: Right, because currently the way it is, when they are at that board table, the hat they have on is as a board member of ALC. So in fairness to them, when they are appointed to be a board member of a corporation, their interests lie with that corporation.

Our suggestion is you could remove all of that issue by having somebody at the table who is not put into that position of having to vote in the best interests of the company; they can raise the issues of their government. That would be so much more efficient and so much more effective.

MS. ZANN: And that would also help with the situation I was talking about earlier where, for instance, if a government comes in that does have a mandate that they want to start to deal with responsible gaming and people who have problems with gambling and things like that, that would enable those government people to be able to clearly state we think this is a problem or whatever.

MR. PICKUP: It may have prevented what happened here. So you have a board approve Internet gaming, like iPoker. If you had a non-voting shareholder rep, a government rep at that table who says I know our government won't support this, then the board would know that going into it and perhaps it wouldn't even get to that point, because they know it's not going to be approved by their owners.

MS. ZANN: So when was this set up this way - how many years has this been on?

MR. PICKUP: I'm going to give a general comment. I would say probably a long time. I don't know of - it never came up during the audit of any significant change during the audit period in terms of it working like this. So, I would say a long time.

MS. ZANN: So, it's definitely time, you would imagine - and you would suggest to overhaul this and take a good look at it.

MR. PICKUP: That's part of why we did this audit. It has been 20 years. We saw some of these issues happening. I mean, that \$8 million loss on Geonomics is no secret. Everybody knew this. So, when we see things like this it makes us get interested and jump in. That's part of why we did this audit.

MS. ZANN: It says that many of the bonuses were supposedly grounded in merit, but reading your report it's pretty clear that this drastic improvement in pay - were they actually urgently needed? Why were these bonuses awarded? What was the reasoning that was given?

MR. PICKUP: I think really to defend the increases and why they were given in detail should be a question for the board - perhaps for the board chairman. I would say that in fairness to the corporation, they believe they did some work in terms of a consultant report, and determined some comparators and did a compensation review, if you will.

We did mention in here we had a question around why for the executives. Did they look at national salaries and not just those in Atlantic Canada? We didn't really understand why they would look nationally. The response on that was, well, that's part of the reason why people have left - because of the salary. So we said, show us that, prove it to us - and that wasn't demonstrated. So we said that we don't really see the evidence of why you would use a national market.

Again, the bigger point in all of this is - and I would go back to the shareholder rep issue. If you had a shareholder rep from a government who is non-voting on the board and this was under discussion, hopefully that person would have raised their hand and said, my government that I'm here representing might have an issue with this - we have a certain current economic environment and climate, let me go back and check with the powers that be to see if we will indeed support this. Then they would come back and say, okay we are or we aren't on side here.

MS. ZANN: Because these board members, one would imagine, don't do this full time, do they?

MR. PICKUP: No.

MS. ZANN: This is extra money they're making - unless they're retired or something.

MR. PICKUP: One of the Nova Scotia reps, for example, is the CEO of our Lotteries and Casino Corporation, so he's already a public servant, and he's serving on this board, appointed by the government.

MS. ZANN: So these salaries are extra amounts of money, so for them to argue that they would lose people doesn't seem to make sense.

MR. PICKUP: Sorry, just to clarify - these salaries are for management. These aren't board members getting paid. These are your VP Finance, your Chief Financial Officers, and these types of people.

MS. ZANN: But you said that their argument was that they would lose them - they weren't good enough salaries and they needed to raise these salaries?

MR. PICKUP: That was part of the support put forward as to why these increases were what they were.

MS. ZANN: But you said that you didn't really necessarily see the proof yourself.

MR. PICKUP: Right. We said, okay, if people are leaving because salary is not high enough, show us where people said - demonstrate that to us that (a) you've had big turnover at that level, and (b) that they have indicated through exit interviews, through documentation, that I'm leaving here because the salary is not high enough. That wasn't demonstrated to us.

MS. ZANN: How is it that the Chief Financial Officer can actually make more than the CEO? Is that normal?

MR. PICKUP: We didn't attempt to study this. I think it's an excellent question and one that if hopefully you have time at some point to have the Chair of the board here - it is a good question.

MS. ZANN: The ALC executive has agreed with your recommendation that it should get direction from all four stakeholder governments when it comes to compensation. It has also committed to ensuring that compensation reflects economic and market conditions. What is the government's role now in ensuring that the compensation at the ALC is actually fiscally sound?

MR. PICKUP: I think that is a question that government would answer, reflecting all of the realities that a government may have. We have pointed out in here that there are certainly current economic climates and fiscal issues that all governments operate in in Atlantic Canada; probably all the more need, then, to go back and touch base with those governments to say, we're going to give a 56 per cent available increase here - are you okay with that?

MS. ZANN: I know I only have a minute but have they explained why their car allowances are as high as \$15,000 for ALC executive members? We don't even have that. We don't have anything like that, so why do they? I don't understand that one.

MR. PICKUP: I think any of these compensation issues have to be looked at as a complete package. When you put that in there, you have to lump that in with everything

else. In terms of the COO and the CFO making total compensation available of \$389,000, I think that is an issue or question to . . .

MS. ZANN: That's three times what I make.

MR. PICKUP: Well, our point is that that is a question to the owners of this corporation, which is the government on behalf of Nova Scotians. They're the ones that should be giving direction on whether these things make sense. The Government of Nova Scotia, for example, owns all kinds of corporations on behalf of its citizens, whether it's the Liquor Corporation or other corporations. They may have views on this, and all the more need to touch base with them.

MS. ZANN: Thank you very much. I really appreciate you coming in today. I think my time is up.

MR. CHAIRMAN: We'll move to the Liberal caucus and Mr. Rankin.

MR. IAIN RANKIN: Thank you to the Office of the Auditor General for the performance report. I think it's important to look at this. What I've noticed is that the original intent in trying to improve economies of scale and critical mass in joining these has kind of been reduced. It's not really following the intention of why we started having one united ALC. Governments don't seem to be collectively giving direction and providing the consistent type of oversight that is required for a corporation to run properly.

We see huge losses, and there are two examples there with Techlink and Geonomics. I think those would have been mitigated if the different shareholders were following not only best practices abroad, but also their own best practices, because we've had provinces say no and other provinces continue to move forward, so I wonder what drives that. I think Recommendation 2.3 is the main one, getting the provinces together to meet, and they've said they would.

Your recommendation to revise the shareholder agreement, maybe that's where there can be some restrictions on things like payment. The \$640 million loss was approved by the board but then spent, and then government said they didn't approve, or they wouldn't have. Did you make specific recommendations of what could be in that shareholder agreement? Typically in a corporation, you'd have maximum allotments of payments that could be sent out without shareholder approval or specific types of modelling in terms of a hurdle so that it's a specific risk, internal rate of return, and such. I think you can get some strength into the shareholder agreement that would help mitigate some of those losses. Was that part of it?

MR. PICKUP: We didn't get into the detail of what should be in there. What we said was to go through this process. One of the things that became clear to me in the audit is the corporation itself could probably do a fairly good job of identifying all of those areas where they need clarity because they don't want to end up in that situation either. It's very

confusing for them. I think the governments and the board working together should be able to come up with all of those critical areas that need to be refined.

MR. RANKIN: So you don't see any disagreement amongst the provinces, looking at them independently, if some think they should have a certain type of accountability mechanism and others think that no, that's not the case, we need more power within the government to be able to say no to a board decision. Do they all see moving forward in the same direction or do you see provinces going in various different directions where they see improvement?

MR. PICKUP: One of the things that I was very pleased and somewhat impressed with, to be honest, was that all the recommendations to government, the four provinces of Atlantic Canada got together and came up with one response. I had imagined at the outset of this when we wrote the recommendations, that we would get eight recommendations, times four responses - 32 responses to deal with.

There seems to be a consensus amongst the four Atlantic Provinces that some things need to be fixed here, that the recommendations are valid and that they want to fix it, so I think that's a positive sign.

MR. RANKIN: Okay, that's good. So the board has developed as one board and I think you've said two people per province on the board. Who is the Chair? Does that revolve around each province? Do they get a certain term? Do you happen to know - I'm just curious if the Chair actually gets a vote or do they not have a vote?

MR. PICKUP: It's a non-voting Chair and the Chair is independent, selected by the board.

MR. RANKIN: Presumably required to be in Atlantic Canada.

MR. PICKUP: I believe the current Chair lives here in Halifax.

MR. RANKIN: So the Techlink file, that's the one that I'm bothered by the most. It's now a bankrupt company. It was said that it was - you said government approved it, or you said the board had approved it. Does that mean that the government also approved it?

MR. PICKUP: There are a lot of governments and boards floating around here. I think the easiest way to put it is that the Nova Scotia Provincial Lotteries and Casino Corporation, which interacts with Atlantic Lottery Corporation on behalf of the Government of Nova Scotia - they approved through their own process in dealing with the Executive Council, however they do that, a motion to tell ALC to enter into this Techlink agreement.

MR. RANKIN: So it required Executive Council - you mentioned Executive Council.

MR. PICKUP: Right, so the board minutes of NSPLCC, and keeping in mind we didn't do an audit of NSPLCC - those board minutes show that this issue was raised and a memo would go to Executive Council; I didn't look at the memo to Executive Council. Then the next thing in the board minutes was the approval of this payment. So whatever happened between the corporation and Executive Council really to me at this point was less of the issue and more of the issue was Nova Scotia - however they got there - telling ALC to make this payment, notwithstanding their concerns.

MR. RANKIN: This goes back to what I'm saying about the four provinces following best practices. It seems like Nova Scotia went rogue and they just said, make this payment. It's September 2013, the last month of the last government - they would have needed some kind of approval politically from their government to move ahead with a \$1 million payment and get it done, against the wishes of the ALC management.

You've said you haven't seen a business case so there was no financial analysis at all to suggest that this would be a positive investment for taxpayers in Nova Scotia?

MR. PICKUP: I think when you have a board of directors of a corporation like ALC, indicate in their minutes the level of concern they had about doing this, but recognizing that Nova Scotia had the authority to tell them, I think that is very concerning.

I would point out in terms of the Techlink file that the Nova Scotia Provincial Lotteries and Casino Corporation - to my understanding, this first came up on August 27, 2013, when the CEO raised the issue that Techlink needed additional financing from either NSBI - Nova Scotia Business Inc. - or revenue from the Casino Corporation in order to complete current and planned work.

A draft memo to Executive Council was being finalized that day. That was on August 27, 2013, at a 16-minute board meeting. Then on September 13th, at a 23-minute board meeting, the payment was approved in the amount of \$1.4 million.

MR. RANKIN: That's fast movement for a government. So, the request was in August, and virtually the next month, it was approved. You did say there was a memo to Executive Council to facilitate that. That's fast moving for \$1 million within government.

MR. PICKUP: Keep in mind that the letter to ALC from Nova Scotia went out on September 18th, and it was told to make the payment by September 25th, enter the contract, and make the payment for the 90 per cent up front by September 25th.

MR. RANKIN: Wow. There was a reason that was mentioned, I think it was a legal opinion. Was that the justification? There was a legal opinion given that they could make that payment?

MR. PICKUP: So, I don't know if justification is the word or authority, but clearly, based on the legal views, Nova Scotia had the authority to do this, and they exercised their authority.

MR. RANKIN: Okay, so, that was the only analysis done. We can do it, it's legal, make the payment, but there is no business case. There is nothing saying that this could be something in the interest of Nova Scotians. There is no long-term viability with this company, and if it's now bankrupt, Nova Scotians are taking that loss. It's a Cape Breton company, so, they're trying to support a Nova Scotia company, and I understand that, but it seems to me that the other provinces made the right decision not to get involved. So, the Geonomics loss - I was listening carefully to your wording when you said that Nova Scotia didn't participate. You said Prince Edward Island gave their intention to participate, New Brunswick gave their intention. What was Nova Scotia's first reaction to that potential?

MR. PICKUP: The Nova Scotia Provincial Lotteries and Casino Corporation, based on my understanding, never accepted or turned down participation. So, by not responding, they did not participate in this. I think a question probably for the average person on the street would be on this. If you've got a corporation that's going to proceed on an \$8 million investment, two provinces are saying very quickly, okay we're in, and the other two aren't. Most people would probably ask, why are those other two provinces not participating? Do they know something here that we don't know?

MR. RANKIN: Exactly, and that's the same as the Techlink. So, do they not pick up the phone and say look, this is what we found, the issues why there are huge risks involved in something like this. Do they not use the same risk modelling methods when they're looking at potential investments? Further to that, do you have the vote record on the board of directors for something like that? So, you have the two representations from each province - did the two board members from Prince Edward Island and New Brunswick both vote yes, and, then, Nova Scotia and Newfoundland and Labrador both vote no?

MR. PICKUP: What we're reporting in the report is the board decision; we haven't tried to allocate who voted what. We did, in one of these cases, point out that it was unanimous support of the board.

MR. RANKIN: Right. Okay.

MR. PICKUP: Remember the people - when they're on the board, they're voting in what they see is the best interest of the corporation.

MR. RANKIN: But do they not caucus with their government, the people they work with in their own province, to bring forth what the province wants voted on at the board level?

MR. PICKUP: It would appear based on some of these decisions that the board has made, that later the shareholder governments turn down, you have to ask what happened in terms of that liaison. I would also argue that on the salary increases, Nova Scotia's board members were on the board, the salary increases got approved. Why wouldn't they go back and discuss this with the government who they represent?

MR. RANKIN: So, the board approves them, and I was going to touch on that too. So, the shareholders don't explicitly have a say on those. It's the board level.

MR. PICKUP: On the compensation increases?

MR. RANKIN: Yes, compensation.

MR. PICKUP: The board approved the compensation increases keeping in mind that eight of the board members are from the four provinces.

MR. RANKIN: Yes. Okay. When you have things like a signing bonus, I just use that as an example for Newfoundland and Labrador, no increase to salary, that's a board decision as well?

MR. PICKUP: Sorry, what are you referring to now?

MR. RANKIN: I'm just looking at the annual public sector salary increases, and it just mentions that there was a signing bonus in 2013-14 under Newfoundland and Labrador.

MR. PICKUP: Oh, these are within those provincial governments.

MR. RANKIN: Okay.

MR. PICKUP: This is to give an example, to say, here is what was happening in these environments of the shareholders.

MR. RANKIN: When you have salaries in those four different provinces, is the burden within the province, themselves, to budget for those or is that within the ALC on the macro level? If a Nova Scotian gets a large increase, is that the Nova Scotia government that has to absorb that increase, or is it the Atlantic Lottery Corporation as a whole?

MR. PICKUP: Sorry, on this Exhibit 3.4, that has nothing to do with ALC money. In terms of these increases that we're talking about, they would be in the expenses and so would reduce the profits available to return to Nova Scotia and the other provinces. At the end of the day, it's either going out the door in terms of more money on expenses, or it's being returned as profits.

MR. RANKIN: How did the shareholders respond? That would be the government. How do you find their response to the recommendations?

MR. PICKUP: I was very pleased that the majority of the recommendations were agreed to and, to be honest, super impressed that four governments could come together and make a joint response. The one caveat I would have would be on the shareholder representative. I still think that should be a non-voting person who is there bringing forward the views of the government, no holds barred, just saying, here's what the government thinks. We don't have to worry about how we vote. We are bringing the positions forward on critical issues. We will be that liaison between the people who own this corporation and the people who are running it.

MR. RANKIN: Would that be an incremental increase to the board?

MR. CHAIRMAN: Order. I do apologize. The time for questions has expired.

Mr. Pickup, you now have a chance to provide closing comments, and if there's anything further you want to add on those last questions, you can do that as well.

MR. PICKUP: I will say that time went by so quickly. Thank you all so much for your active interest and questions. Seriously, I want to thank you for your interest in this.

This report to the Nova Scotia Legislature, I think, is part of my key role as AG - to promote accountability and improvements across government. Clearly Atlantic Lottery is a significant part of government revenue and is very well known to all Nova Scotians through a solid 40-year history, and the various forms of gambling they offer. Everybody wants ALC to meet its objectives and to succeed, today, tomorrow, and going forward. We all want ALC to be as efficient and effective as possible.

I believe this audit report serves that purpose in offering tangible recommendations for improvement. I think I have demonstrated today that I was troubled by a number of the observations we made in relation to examples of how actual results can be impacted when processes aren't what they should be. Namely, I was troubled by the \$8 million investment and loss in Geonomics, where we clearly found inadequate due diligence by the board in approving this \$8 million investment. I was also concerned about Nova Scotia's approach and stance that ALC overlook its concerns and pay \$1.3 million to Techlink in an upfront payment on a contract. It was also troubling to see one example where \$640,000 that was spent had to be written off because the board adopted a strategy which they didn't realize their governments didn't support.

There were also, as you know, in the report, huge increases in available pay and bonuses approved by the ALC board without checking with the governments that own ALC on behalf of their citizens. These increases were as large as 55 per cent keeping in mind the board that approved these has representatives on the board from all of the governments.

Also troubling was discretionary spending on things like concert tickets for elected officials and others without any proven business value at all. Finally, the overall weaknesses in the management of \$4 million in travel, hospitality, and board expenses is troubling. The lack of appropriate approvals, and lack of documentation, is just not acceptable in 2016 for these types of expenditures.

I would conclude with a special thank-you to Mr. Jewer, who was in charge of this audit over the last year on our behalf, and to all members of the Atlantic Auditor General Offices that participated in this. It having been 20 years - and none of us were around 20 years ago when the last audit was done - this was a big initiative for us. I also want to thank very much the corporation which was nothing but co-operative right to the very end, right up to yesterday, at the board level, the management level. They never fought these conclusions and recommendations. They realized these are the right things to do, and these will make a better corporation. So, for that, I am very pleased. Also, again, I know I've already made the point. I think it is very positive and optimistic that four governments were able to come together and give one response in a very short period of time on a number of recommendations but now what we'll have to see is the follow-through, and the implementation of those recommendations and actions.

So, I thank you very much for the opportunity.

MR. CHAIRMAN: Thank you, Mr. Pickup.

We just had one item of committee business and that's correspondence from the Department of Transportation and Infrastructure Renewal coming from the September 21st meeting. If anybody has any questions on that, you can speak to myself or the clerk. Our next meeting is November 2nd which will be with the Department of Health and Wellness and the Nova Scotia Health Authority, and that's to discuss long-term care funding.

So, unless there's further business to come before the committee and, seeing none, this meeting stands adjourned.

[The committee adjourned at 11:51 a.m.]