



Atlantic Lottery Corporation – Corporate Governance

Report of the Auditor General – October 2016

Volume II, Chapter 2

Why we did this audit:

- Large Crown corporation owned by four provinces makes good governance and oversight critical
- ALC is facing significant market changes
- Operates in and provides regulated service
- Four governments depend on this annual revenue

Overall conclusions:

- The current governance framework is not equipped to deal with challenges facing ALC and shareholder governments
- ALC Board was not always provided with sufficient and timely information for effective decision making
- ALC Board composition is challenging effective operations of ALC
- The ALC Board adopted governance best practices and is improving
- We made eight recommendations to shareholder governments, five to ALC Board

What we found in our audit:

Governance and Oversight

- Not all shareholders provide direction to ALC on its mandate
- Shareholder governments have not regularly reviewed the Unanimous Shareholder Agreement, the basis for corporate action

Accountability and Authority

- Shareholder governments have not defined the roles and responsibilities of ALC and governments
- Some shareholder governments have not provided clear and timely performance expectations
- Some shareholder governments have not given the Board sufficient autonomy to govern ALC
- Unclear accountability allows for disruptive government intervention of business practices

Board Governance

- Board governing with many best practices
 - Independent Chair in place
 - Board self-evaluating and assessing
- Board is not at arm's length from governments
- Board did not evaluate reputational risk

Illustrative Examples

- Techlink – NS ordered ALC to override business processes and advance \$1.26 million to Techlink
- Geonomics – Board failed to consider risks and get all information such as the investee's cash shortage
- Internet gaming – Corporation lost \$640,000 after governments said no-go to this

Management

- Didn't provide all information to the ALC Board, \$8 million investment lost