

# Chapter 5

## Financial Audit of New Brunswick Lotteries and Gaming Corporation

### **Contents**

Introduction.....	95
Why We Did This Work.....	96
Recommendations.....	97
Significant and Complex Issues.....	102

# Financial Audit of New Brunswick Lotteries and Gaming Corporation

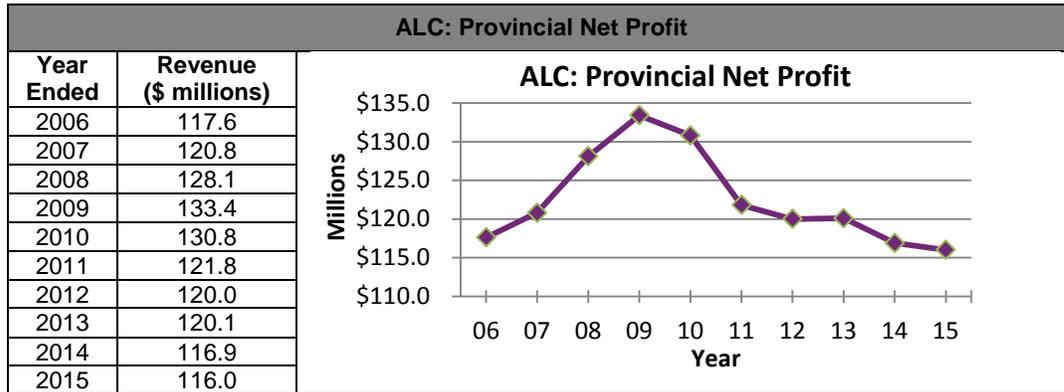
## Introduction

5.1 Lottery and gaming activity in the Province is governed by the *Gaming Control Act*. The New Brunswick Lotteries and Gaming Corporation (NBLGC) is a Crown corporation created under this Act whose objective is to manage lottery activity on behalf of the government of the Province. The NBLGC operates as a division of the Department of Finance.

## Lottery and gaming activities are an important source of revenue for the Province

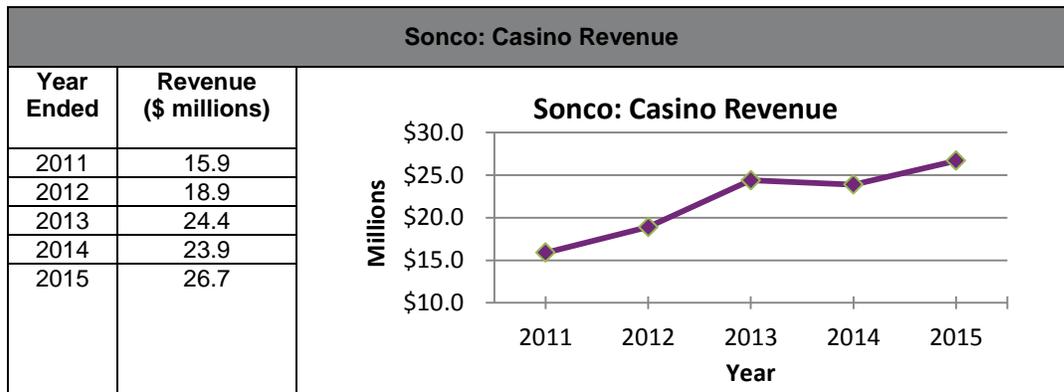
5.2 Two of the most significant responsibilities of the NBLGC include acting as the Province's shareholder in the Atlantic Lottery Corporation Inc. (ALC) and managing the casino service provider agreement with Sonco Gaming New Brunswick Limited Partnership (Sonco) which operates Casino New Brunswick. These operations provide a significant source of provincial revenue at approximately \$142 million annually (ALC provincial net profit & Sonco casino revenue combined). Exhibit 5.1 shows provincial revenue for the year ended March 31 related to ALC for the past ten years. Exhibit 5.2 shows provincial revenue the year ended March 31 related to Sonco for the past five years. Sonco began operating Casino New Brunswick in May 2010.

Exhibit 5.1 – ALC: Provincial Net Profit



Source: For 2006-2013 – NBLGC audited financial statements  
 For 2014-2015 – New Brunswick Public Accounts Volume I, March 31, 2014 and March 31, 2015

Exhibit 5.2 – Sonco: Casino Revenue



Source: For 2006-2013 – NBLGC audited financial statements  
 For 2014-2015 – New Brunswick Public Accounts Volume I, March 31, 2014 and March 31, 2015

## Why We Did This Work

### 18 month delay in completing 2012 audit of the NBLGC

5.3 We experienced significant delays in completing both the March 31, 2012 and 2013 audits of the NBLGC. These delays occurred due to significant and complex issues relating to the management of lottery and gaming activity in the Province as described in this chapter. As a result of these delays, the reporting of our audit results for the NBLGC was also significantly delayed.

5.4 Our audit of the March 31, 2012 NBLGC financial statements was completed in September 2013 (18 months after year-end).

**28 month delay in completing 2013 audit of the NBLGC**

**5.5** We began our audit of the March 31, 2013 NBLGC financial statements in December 2013 and issued our audit opinion on July 13, 2015 (28 months after year end).

**5.6** Overall, such timing delays are not acceptable, especially in a publicly accountable entity. As noted in the 2014 Auditor General Report, Volume I, Chapter 5, *“Producing audited financial statements 18 months or more after the fiscal year end is still necessary, but the exercise holds much less value to the public and other users of this information if the reporting is not performed in a more timely manner. We strongly encourage all Crown agencies to promptly complete their financial reporting obligations.”*

**Recommendations**

**5.7** Recommendations from our work are found in Exhibit 5.3.

Exhibit 5.3 – Summary of Recommendations

Recommendation	Department's Response	Target date for implementation
<p><b>5.16 We recommend, in light of the write off of the investment in Geonomics and to protect public funds, due diligence procedures be performed by the NBLGC for any similar future endeavours. This should include documentation of any conditions or criteria requirements that must be satisfied.</b></p>	<p><i>In 2011-12, the ALC Board of Directors reviewed the investment proposal, engaged a trusted third party to undertake the due diligence on the proposal and approved the ALC's participation in the investment. The ALC provided the information to the Department through its New Brunswick director who also served as the vice-chair of the NBLGC. The information and recommendation was then brought forward to and approved by government.</i></p> <p><i>Management will continue to ensure that the appropriate due diligence procedures and documentation of any conditions or criteria requirements are undertaken in regard to similar future endeavours.</i></p>	<p><i>As required</i></p>
<p><b>5.33 We recommended the NBLGC discontinue making unauthorized overpayments to First Nations immediately. We also recommend the Department of Finance and the NBLGC resolve recovery of the overpayments made to date.</b></p>	<p><i>Government has committed to work collaboratively with the First Nations to achieve greater social, economic and health outcomes within their communities and to continue to strengthen its relationship with First Nations through collaboration and mutual respect.</i></p> <p><i>In July 2015, impacted First Nations were advised that the expense calculation would be amended effective August 1, 2015. First Nations have challenged the amended calculation and requested a dispute resolution process be triggered to review and validate the calculations used to determine expense amounts. The Department agreed to undertake this process which is currently underway. It is expected to be completed early in the New Year. Based on the outcomes of the dispute resolution process, the issue of the expense calculation will be resolved.</i></p> <p><i>As part of the dispute resolution process, the correction will be retroactive to August 1, 2015. The issue of the recovery of the overpayment will be undertaken in due course while respecting the financial challenges of our First Nation communities.</i></p>	<p><i>Early 2016</i></p>

Exhibit 5.3 – Summary of Recommendations (continued)

Recommendation	Department's Response	Target date for implementation
<p><b>5.43 We recommend the NBLGC review and obtain support for third party information used to calculate significant financial statement items or amounts. Support and evidence of review should be available for audit purposes.</b></p>	<p><i>The NBLGC has implemented this recommendation. The practice of reviewing, obtaining support and documenting (initialling) the review was adopted for 2013-14 fiscal year.</i></p>	<p><i>Complete</i></p>
<p><b>5.50 We recommend the Department of Public Safety more proactively monitor and increase compliance initiatives to reduce or eliminate unauthorized VLTs. This could include setting measurable targets and evaluating achievement towards stated objectives to reduce or eliminate the existence of unauthorized VLTs.</b></p>	<p><i>The Department of Public Safety (DPS) proactively monitors premises licenced under the Liquor Control Act and other provincial statutes, and treats the existence of illegal VLTs in such premises as a violation of licence terms and conditions. Where illegal VLTs are found in such premises, DPS takes corrective action.</i></p> <p><i>Illegal gaming outside of licenced premises is matter for police attention, and, when DPS receives reports of this, it passes on all available information to police.</i></p>	<p><i>See comments in response</i></p>

Exhibit 5.3 – Summary of Recommendations (continued)

Recommendation	Department's Response	Target date for implementation
<p><b>5.54 We recommend the NBLGC, on an annual basis, review the casino service provider's audit results and determine if there is an impact to the NBLGC.</b></p>	<p><i>As part of its on-going operations, the NBLGC receives daily, weekly, monthly, and quarterly financial and operational reports from the casino service provider as well as its annual financial statements and report. The audited financial statement provides verification, after the fact, by a trusted and accredited third party opinion that the gross gaming revenue (the calculation by which the NBLGC's revenue is determined) is properly accounted for. However the NBLGC constantly monitors the casino's financial reporting to ensure the NBLGC receives its rightful revenue allocation weekly. The NBLGC is confident that there are effective controls and systems in place to ensure that the casino revenue is properly monitored and tracked and that the Province receives its rightful allocation.</i></p> <p><i>In addition to its on-going activity, the NBLGC will ensure that in the future, the evidence referred to by the OAG (i.e. physically signed copies of the casino service provider financial statements to document its review) is on file.</i></p>	<p><i>Immediate</i></p>

Exhibit 5.3 – Summary of Recommendations (continued)

Recommendation	Department's Response	Target date for implementation
<p><b>5.62 We recommend the NBLGC Board of Directors adopt improved governance practices such as:</b></p> <ul style="list-style-type: none"> <li>• <b>increasing the size of its board;</b></li> <li>• <b>appointing external directors;</b></li> <li>• <b>holding regular meetings (at least every quarter);</b></li> <li>• <b>proactive oversight of corporate strategic direction and risk management; and</b></li> <li>• <b>appointing an audit committee of the Board.</b></li> </ul> <p><b>Steps such as these would assist in providing appropriate oversight for the numerous challenges of the NBLGC including: First Nation overpayments, delays in audit completion and reliance upon information provided by the ALC and the casino service provider.</b></p>	<p><i>The Department will undertake a review of the NBLGC governance structure with a view to improving its governance practices while considering the OAG's recommendations.</i></p>	<p><i>Fiscal 2016-2017</i></p>

## **Significant and Complex Issues**

### **ALC \$4 million investment in Geonomics (an on-line gaming company formerly known as Roboreus)**

### ***Auditor General raised concerns with Geonomics investment during 2012 audit***

### ***Monitoring of the investment***

**5.8** There were significant and complex accounting and auditing issues involved in the 2012 and 2013 financial statement audits of the NBLGC. In this chapter we explain our concerns, indicate how these issues have been addressed to date and make recommendations to improve management practices regarding provincial lottery and gaming activity.

**5.9** One of the issues that caused delays involved the NBLGC's participation in the ALC's investment in an on-line gaming company. In May 2011, the NBLGC Board of Directors agreed to participate, through the ALC, in a \$4 million investment in Roboreus Limited (Roboreus), a UK based on-line gaming company. Board stipulations for participation in the investment included favourable reviews of Roboreus (which were performed by consultants hired by the ALC) and participation of at least one other ALC shareholder. This other shareholder would eventually become the Province of Prince Edward Island. Roboreus subsequently became known as Geonomics Global Games Limited (Geonomics).

**5.10** The investment in Roboreus was anticipated to be profitable for the Province. Profits generated by Roboreus would flow to the ALC who would in turn distribute to the NBLGC (and the Province's consolidated fund) its share of profits.

**5.11** As part of our work during the March 31, 2012 financial statement audit of the NBLGC, we raised concerns regarding the participation in the investment which included:

- We were unable to review appropriate documents to determine if the NBLGC Board condition for a favourable review by the ALC consultants was met;
- Lack of an agreement in place between the ALC and the NBLGC regarding responsibility of interest, debt and impairment costs related to the investment;
- The NBLGC did not perform its own due diligence separately from the ALC; and
- Roboreus was not required to provide audited financial statements to the ALC.

**5.12** In the years subsequent to the initial investment, we noted the NBLGC did not prepare its own valuation of the investment and instead chose to rely on valuation work performed by the ALC and its auditors. With a lack of

audited financial statements required for Roboreus, the reliability of information provided for valuation purposes, such as forecasted cash flows, should have been more heavily scrutinized by the NBLGC.

***Geonomics investment resulted in \$4.3 million loss to the Province***

**5.13** In its March 31, 2015 financial statements, the ALC recorded a full impairment of the investment in Geonomics due to the inability to recover the costs associated with the investment. The financial impact to the NBLGC and the Province relating to this investment is a loss of approximately \$4.3 million. This loss consists of the initial \$4 million cost of the investment incurred by the ALC along with various costs paid by the ALC to generate the investment.

**5.14** The NBLGC financial statement notes specify any write down expenses incurred by the ALC will be deducted from profits otherwise payable by the ALC. We were informed there is no plan in place for when the ALC will begin to recover these losses from the NBLGC.

**5.15** Appendix I contains a summary of our recommendations relating to the investment in Geonomics from the March 31, 2012 NBLGC financial statement audit.

***Recommendation***

**5.16** **We recommend, in light of the write off of the investment in Geonomics and to protect public funds, due diligence procedures be performed by the NBLGC for any similar future endeavours. This should include documentation of any conditions or criteria requirements that must be satisfied.**

***Agreements with First Nations – sharing of revenue***

**5.17** Under the Department of Finance, there are several revenue sharing agreements between the Province and First Nations. These revenue sharing agreements are designed to foster economic development and provide the means for Bands to provide social programs for community members.

**5.18** The *Gaming Control Act* provides for First Nations in the Province to enter into arrangements with the NBLGC for the purpose of sharing certain lottery revenues generated on First Nations. There are currently seven First Nations with such arrangements in place. The arrangements specify First Nations receive 95% of the net profits for Video Lottery Terminals (VLT's). The NBLGC indicated negotiation of these arrangements can be very complex.

**5.19** The ALC is responsible for conducting and managing VLT

activity in the Province along with providing the NBLGC with information required for calculating payments for these arrangements. Net profits for VLTs generated on First Nations are collected by the ALC along with net profits from all other ALC related activities. On a monthly basis, the ALC remits to the NBLGC its net profits from all Province wide gaming activity. At this time, the ALC also provides the NBLGC with a schedule outlining the net profits for VLTs earned on First Nations.

***Overpayments of \$14 million due to calculation errors***

**5.20** In reviewing the VLT net profit calculations, the NBLGC identified errors between April 2002 and July 2015 which resulted in overpayments to seven First Nations of approximately \$14 million.

***Known overpayments continued to be made***

**5.21** The calculation errors were discovered in the fall of 2013 and have not been corrected as of August 2015. During that time, known overpayments continued to be made despite the presence of information which provided correct amounts. Impacted First Nations started to be notified of the overpayments in June 2014 and a formal notification was sent to First Nations in July 2015. We estimate overpayments of \$172,000 per month will continue to accumulate until resolved.

**5.22** The authority to continue to overpay First Nations is not clear and there is no plan to address recovery of the overpayments. Currently, the NBLGC has deemed these overpayments as uncollectable and has recorded a provision for loss for 100% of the amounts.

***Nature of the overpayment errors***

**5.23** These errors in the information provided by the ALC for the calculation of monthly net profits for VLTs on seven First Nations occurred as a result of insufficient costs being considered in calculations, thus overstating net profits. The errors relate to net profit calculations dating back to April 2002.

**5.24** After discovery of the errors, the ALC was able to provide the NBLGC with updated historical net profit calculations and correct calculations going forward. With the assistance of the ALC, the NBLGC calculated the amount of overpayments made up to the fall of 2013 to be \$10.6 million.

***Why the errors went undetected***

**5.25** The errors were identified in 2013 when the NBLGC questioned if the cost per terminal calculations used by the ALC were still appropriate. Up to this time, payments to

First Nations increased steadily year over year and there was no evidence to suggest to the NBLGC, the ALC, or our Office that there was an error in the year over year changes. The errors were only noted when the NBLGC reviewed the underlying net profit payment calculations.

***Overpayments continue to be made despite the availability of correct information***

**5.26** We were informed that once the errors were discovered, the Department of Finance directed ALC not to correct the net profit calculations and to continue to provide the NBLGC with incorrect information for VLT net profit payments to First Nations. At that time, the Department also directed the NBLGC to continue to make monthly VLT net profit payments to First Nations using the incorrect calculations, resulting in continued overpayments. This direction was provided as the Province intended to collaborate with the seven First Nations on a resolution (to address the overpayments made to date and calculate monthly net profit payments using correct information).

***No legislated authorization for overpayments***

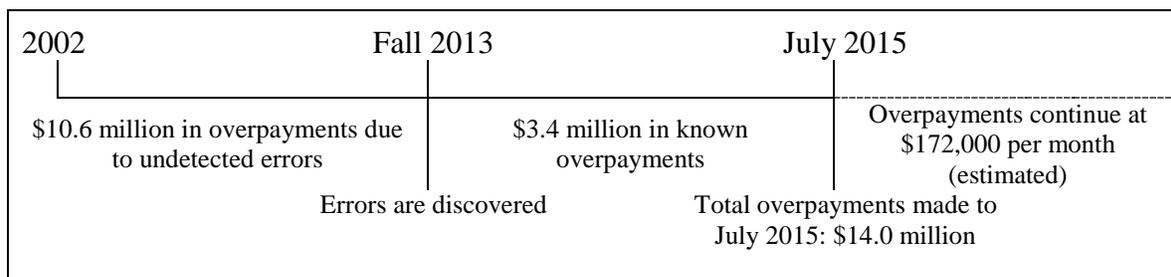
**5.27** The known overpayments that continue to be made are outside the terms legislated in the *Gaming Control Act*. These overpayments appear to have no legislated authorization to be made and are a distribution of provincial funds which would have been available for other purposes.

***Financial impact***

**5.28** The continued known overpayments totalled approximately \$3.4 million from the time the error was discovered in the fall of 2013 through July, 2015. This \$3.4 million in known overpayments combined with \$10.6 million in overpayments made between 2002 and the fall of 2013 total \$14 million in overpayments as of July 2015.

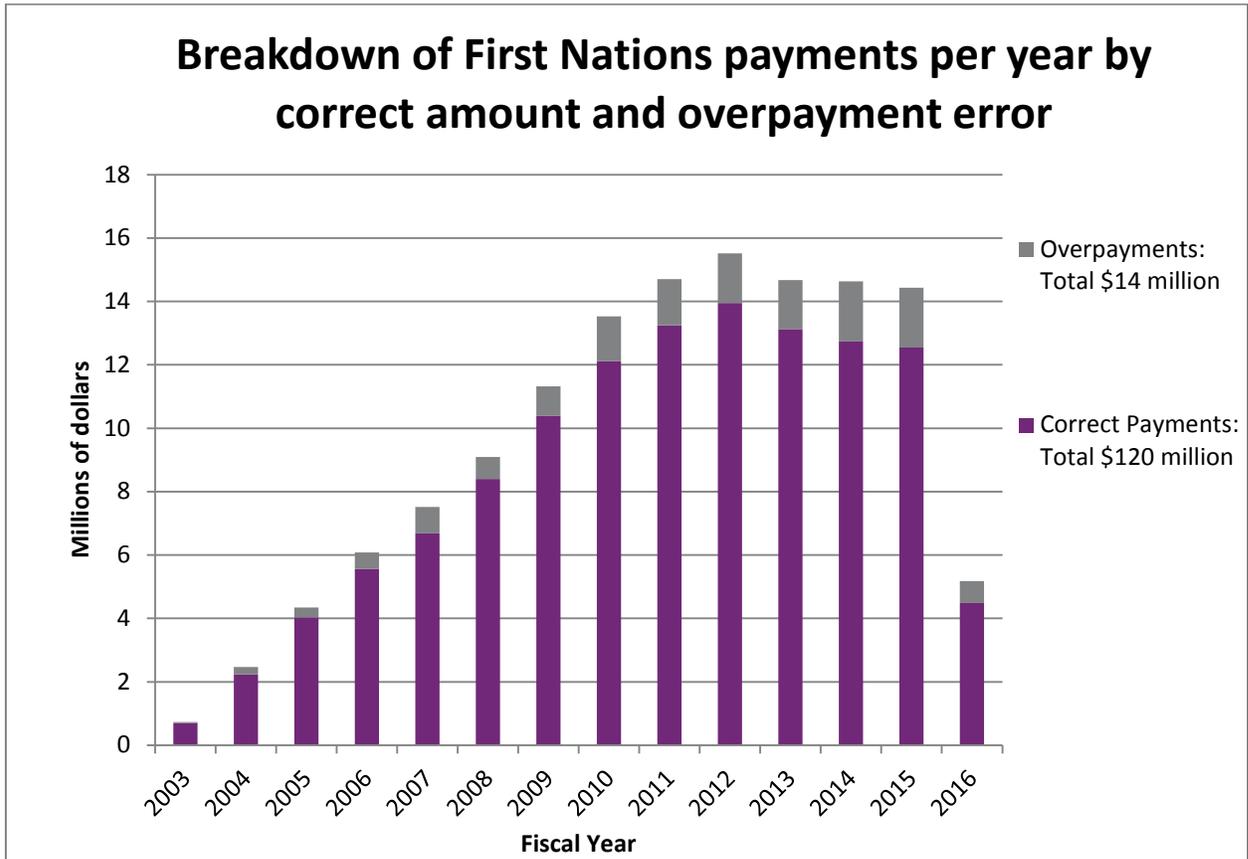
**5.29** Exhibit 5.4 shows the timeline and financial impact of the calculation errors.

*Exhibit 5.4 – Timeline of calculation error of overpayments to First Nations*



**5.30** Exhibit 5.5 shows the breakdown of First Nations payments per year by correct amount and overpayment error.

*Exhibit 5.5 – Breakdown of First Nations payments per year by correct amount and over payment error*



Source: For 2003-2013 – NBLGC audited financial statements  
 For 2014-2015 – unaudited information provided by the NBLGC and ALC  
 For 2016 – unaudited information through July 2015 provided by the NBLGC and ALC

***A resolution has not yet been reached***

**5.31** The NBLGC started to notify impacted First Nations of the calculation error in June 2014 (with formal notification in July 2015) and as of August 2015, a resolution to the continued overpayments was still not in place. We find this delay in formal notification and resolution to be unacceptable given the length of time (21 months) the issue has been known to be outstanding. In October 2015, the NBLGC and First Nations agreed to participate in a formal dispute resolution process and at present, known overpayments will continue to be made.

*No plan to address overpayments already made*

**5.32** To date, the Department of Finance and the NBLGC have not made a decision on the treatment or recovery of the \$14 million in overpayments. 100% of this amount has been recorded as an expense assuming it will not be recovered (i.e. it has been recorded as a provision for loss). This is despite evidence suggesting the amounts are collectable and not statute barred. Avenues available to collect these overpayments are specified in the *Financial Administration Act* and include set offs of future payments of gaming net profits or other revenue sharing items such as fuel tax. We were informed the recovery of overpayments will be addressed with impacted First Nations in future discussions.

*Recommendation*

**5.33** We recommended the NBLGC discontinue making unauthorized overpayments to First Nations immediately. We also recommend the Department of Finance and the NBLGC resolve recovery of the overpayments made to date.

**Reliance on external information**

**5.34** In the preparation of its financial statements, the NBLGC management relies upon information provided to them by both the ALC and Sonco. This information is used to calculate the NBLGC's revenues and expenses and to assess the valuation of certain assets and liabilities.

**5.35** Verification of third party calculations such as those prepared by the ALC or Sonco, including supporting information, should be independently assessed by the NBLGC. Accepting third party information, without appropriate review and verification, exposes the NBLGC to the risk of errors. We note the following three instances where there has been a lack of the NBLGC review and verification of third party calculations and supporting information.

*Accounting for the investment in ALC*

**5.36** In fiscal 2013, the NBLGC changed the way it accounted for its investment in the ALC from the cost method to the modified equity method. The modified equity method of accounting requires the NBLGC to report its share of the ALC's shareholder surplus/deficit as an asset/liability in its financial statements.

**5.37** The ALC provided the NBLGC with a figure for the balance of the NBLGC's share of the ALC's shareholder deficit. The NBLGC did not assess the reasonableness of this figure and included it in its financial statements without

performing sufficient due diligence procedures.

**5.38** This figure was a significant item in the NBLGC March 31, 2013 financial statements. Lack of verification of this amount lead to delays in obtaining necessary information and required our Office to perform a significant amount of additional work in order to audit this balance.

***Accounting for overpayments to First Nations***

**5.39** The calculation errors for the First Nations overpayment of gaming revenue also resulted from the NBLGC's reliance on third party information. Accepting third party reports as presented without further verification resulted in the calculation error going undetected for 11 years (between 2002 and 2013).

**5.40** The ALC provided the NBLGC with corrected payment information for presentation in the March 31, 2013 financial statements which the NBLGC told us they reviewed; however, we noted no evidence of verification of this information by the NBLGC during our March 31, 2013 financial statement audit.

**5.41** These figures were also significant items in the NBLGC March 31, 2013 financial statements. Lack of verification by the NBLGC of these amounts lead to delays in obtaining the necessary information and required our Office to perform a significant amount of additional work in order to obtain sufficient audit evidence.

***Accounting for transactions with Sonco***

**5.42** Certain revenue and expense transactions are recorded in the NBLGC's financial statements based on information provided by Sonco. While these items did not require our Office to perform a large amount of additional work, they are significant items in the NBLGC financial statements, and we noted no evidence of verification of this information by the NBLGC during our March 31, 2013 financial statement audit.

***Recommendation***

**5.43** **We recommend the NBLGC review and obtain support for third party information used to calculate significant financial statement items or amounts. Support and evidence of review should be available for audit purposes.**

## Unauthorized VLTs

**5.44** Regulations under the *Gaming Control Act* specify ALC is responsible for conducting and managing video lottery schemes in the Province. These regulations specify a maximum of 2,000 Video Lottery Terminals (VLTs) can be in place throughout the Province at any time. The Act specifies these VLTs are all to be authorized and managed only by ALC.

**5.45** During the course of our audit work, we were informed the NBLGC management estimates there are approximately 316 unauthorized VLTs, also known as grey machines, operating throughout the Province. The existence of these machines may reduce revenue otherwise available to the NBLGC. While the amount of revenue lost cannot be quantified, it represents a reduction of funds available to the Province's consolidated fund to finance programs such as education and health care.

## Enforcement of unauthorized VLTs

**5.46** We were informed by the NBLGC that the existence of unauthorized machines constitutes a violation under the *Criminal Code* and enforcement is not the responsibility of the NBLGC. We were also informed the Department of Public Safety (DPS) is taking steps to address the issue.

**5.47** We inquired with the DPS staff and found the DPS is aware of the potential for unauthorized VLTs to operate in the Province. Any instances which the DPS is made aware of are investigated further by the DPS staff.

**5.48** We were also informed by the DPS penalties for unauthorized VLTs are in place and enforced under the *Liquor Control Act*. These include cancelling or suspending liquor licenses in establishments where unauthorized VLTs operate. Certain cases may also be referred to the appropriate policing authorities under the *Criminal Code*.

## Financial impact

**5.49** We are concerned about the loss of revenue for the Province due to these unauthorized machines. We will continue to monitor the existence of unauthorized VLTs and the steps the NBLGC and the DPS are taking to address and correct this situation.

## Recommendation

**5.50** We recommend the Department of Public Safety more proactively monitor and increase compliance initiatives to reduce or eliminate unauthorized VLTs. This could include setting measurable targets and evaluating achievement towards stated objectives to reduce or

**eliminate the existence of unauthorized VLTs.**

**Casino service provider agreement and monitoring of Sonco**

**5.51** In May 2015, Sonco entered into an agreement to sell Casino New Brunswick to a third party. This sale is being conducted in accordance with the casino service provider agreement and is subject to approval from the NBLGC. The sale of the casino is not expected to have an impact on provincial revenue calculations.

**5.52** The casino service provider agreement and the *Auditor General Act* allow our Office access to information and materials from the casino service provider for the purposes of our NBLGC audit work. We will monitor this situation and in the future may perform additional audit work as we deem necessary related to the casino service provider.

**5.53** During our March 31, 2013 NBLGC financial statement audit we noted no evidence of the NBLGC's review of annual Sonco audit results or any related internal control deficiencies identified by Sonco's external auditors. While we noted no items with an impact on the NBLGC's financial statements, the NBLGC should review Sonco audit results on an annual basis and ensure any impact to the NBLGC has been recorded in its financial statements.

**Recommendation**

**5.54** We recommend the NBLGC, on an annual basis, review the casino service provider's audit results and determine if there is an impact to the NBLGC.

**Governance of NBLGC – NBLGC Board of Directors**

**5.55** As legislated by the *Gaming Control Act*, the NBLGC Board of Directors shall administer the business and affairs of the NBLGC and shall be comprised of four directors. The Board composition under this legislation requires inclusion of the Minister and Deputy Minister of Finance and two senior civil servants appointed by the Lieutenant-Governor in Council, one of whom must be from the Department of Health.

**Weak governance practices**

**5.56** In our review of the NBLGC minutes of the meetings of the Board of Directors we noted Board meetings do not follow a pre-determined schedule and are intermittent in nature with durations between meetings being anywhere from one to thirteen months. Voting resolutions are utilized in between Board dates to obtain required Board approval for certain NBLGC activities.

**5.57** Through our review of these meeting minutes it was

apparent the Board is aware of significant items such as the overpayment of gaming revenue to First Nations, delays in financial statement audit completion, reliance on third party information and unauthorized VLTs. We noted however the Board frequently did not act upon or provide direction to the management of the NBLGC with regards to required action or resolution of these significant items. As directors of the NBLGC, the Board should ensure significant items such as these are addressed and resolved in a timely manner.

**5.58** We note the NBLGC currently has several other initiatives underway which require monitoring and follow up with the Board. Some of these initiatives include follow up on implementation of our recommendations from previous years' audits. The NBLGC has no audit committee established to assist the board in providing oversight regarding these complex issues.

**5.59** We are concerned the inconsistent oversight of the Board will delay implementation of these initiatives and our recommendations. Given lottery and gaming activity is a significant source of revenue for the Province (approximately \$142 million annually), strong and committed Board oversight is necessary.

**5.60** Based on our review, we noted the following weak governance practices:

- the small size of the board;
- the lack of regular meetings;
- the NBLGC has no audit committee; and
- the NBLGC has only internal government board directors.

**5.61** The NBLGC's weak governance practices indicate the Board is not in a position to provide effective risk management oversight of the NBLGC, provide effective oversight of the NBLGC's corporate performance, or to address the NBLGC's complex issues on a timely basis.

***Recommendation***

**5.62** We recommend the NBLGC Board of Directors adopt improved governance practices such as:

- **increasing the size of its board;**
- **appointing external directors;**
- **holding regular meetings (at least every quarter);**
- **proactive oversight of corporate strategic direction and risk management; and**

- **appointing an audit committee of the Board.**

**Steps such as these would assist in providing appropriate oversight for the numerous challenges of the NBLGC including: First Nation overpayments, delays in audit completion and reliance upon information provided by the ALC and the casino service provider.**

## Appendix I: Summary of Recommendations Related to Geonomics from the March 31, 2012 Financial Statement Audit of NBLGC

Recommendations	Department's response	Target date for implementation
<b>We recommend the NBLGC ensure proper documentation or agreements are in place to support transactions that are outside of the normal course of operations. Such documentation should be available for audit purposes.</b>	We agree that appropriate documentation must be in place to support business decisions and that they be available for audit purposes. The Board of Directors feels that the letter from the Minister of Finance addressed to the President and CEO of ALC, dated April 26, 2012, outlines the NBLGC's responsibility for its role in the investment and the costs associated with the investment.	March 2014
<b>We recommend the NBLGC perform due diligence when evaluating whether or not to participate in new business activities or investments. Management's decisions should be supported by documented evaluation, analysis and due diligence reports. Documented periodic review of investment performance should also be performed on a timely basis.</b>	We agree that Management's decisions should be supported by documented evaluation, analysis and due diligence reports. While documented evidence was not available for audit purposes, the results of the due diligence reports prepared by the ALC consultants were reviewed and discussed by the NBLGC Board of Directors. It was felt that given the amount of the investment and the risk associated with the investment, that sufficient due diligence was done. We commit to better document this evaluation in the future.	September 2014
<b>We recommend the NBLGC management continue to assess participation in this investment and to ensure compliance with Canadian public sector accounting standards.</b>	We agree that we will continue to assess participation in this investment and that the statements are compliant with Canadian public sector accounting standards.	Finalization of 2012/2013 financial statements.