

HANSARD

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COMMITTEE

ON

PUBLIC ACCOUNTS

Wednesday, May 29, 2013

LEGISLATIVE CHAMBER

May 2013 Report of the Auditor General

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Public Accounts Committee

Hon. Keith Colwell, Chairman
Mr. Howard Epstein, Vice-Chairman
Mr. Clarrie MacKinnon
Mr. Gary Ramey
Mr. Mat Whynott
Mr. Brian Skabar
Mr. Andrew Younger
Mr. Chuck Porter
Mr. Allan MacMaster

[Mr. Brian Skabar was replaced by Mr. Sid Prest]
[Mr. Andrew Younger was replaced by Ms. Kelly Regan]

In Attendance:

Mrs. Darlene Henry
Legislative Committee Clerk

Ms. Karen Kinley
Legislative Counsel Office

WITNESSES

Office of the Auditor General

Mr. Jacques Lapointe, Auditor General
Mr. Alan Horgan, Deputy Auditor General
Mr. Terry Spicer, Assistant Auditor General
Ms. Evangeline Colman-Sadd, Assistant Auditor General



House of Assembly
Nova Scotia

HALIFAX, WEDNESDAY, MAY 29, 2013

STANDING COMMITTEE ON PUBLIC ACCOUNTS

9:00 A.M.

CHAIRMAN
Hon. Keith Colwell

VICE-CHAIRMAN
Mr. Howard Epstein

MR. CHAIRMAN: Good morning, I'd like to bring the meeting to order, with the usual reminders regarding cellphones and the microphones. I think we've said that enough times here; everybody understands all that stuff. So I would like to start the meeting with introductions.

[The committee members and witnesses introduced themselves.]

MR. CHAIRMAN: I'd like to welcome everybody this morning and we'll start with Mr. Lapointe, if you would like to start with an opening statement.

MR. JACQUES LAPOINTE: As you know, my Spring 2013 report was tabled with the House of Assembly on May 22nd. It was my second report in 2013 and covered audit work completed by my office in the winter of this year. I'm pleased to have the opportunity to discuss it with you today.

With me today are Deputy Auditor General Alan Horgan, and Assistant Auditors General Terry Spicer and Evangeline Colman-Sadd. Terry and Evangeline were each responsible for certain chapters in the report and I'm sure that among us we can answer any questions that you may have.

Before we begin I want to acknowledge here the hard work, the dedication, and professionalism of my staff. It is through their efforts that we are able to provide assurance and advice to the House of Assembly on the operations of government. I also wish to express my appreciation to the many public servants in departments and agencies whose co-operation was essential to the success of our audits.

There are four chapters in the report in addition to the introduction. We make 76 recommendations - all intended to correct operational weakness and improve the departmental and agency efficiency and effectiveness. I'll briefly mention the topics that we covered.

In Chapter 2 we follow up on our recommendations made in performance audits from 2007 to 2010. We continue to find, with some exceptions, a low level of implementation of our recommendations across government. This means there is an inadequate commitment by management, generally, to correct inefficiencies in their operations identified in our audits.

Chapter 3 deals with certain aspects of the child welfare program at Community Services. This is an important area dealing with children at risk. We found some areas of the program to be adequate but there are weaknesses in the program that need to be addressed.

In Chapter 4 we report that the operations of TIR mechanical branches at Miller Lake and Truro are deficient in many respects and oversight is poor. These are operations with significant cash flows and inventories and the risks of losses through error and theft is high.

Our last chapter discusses our audit of travel and expense claims in eight government agencies. We found numerous control weaknesses in these agencies and recommended that all agencies be required to review and tighten their procedures for expense claims.

In addition to the report, Mr. Chairman, I also hope to have the opportunity later this morning to discuss with the committee my letter to you of May 17th in which I proposed some actions this committee can take to actively promote the timely implementation of our recommendations. With that it will be our pleasure to answer any questions the committee may have on our report.

MR. CHAIRMAN: Ms. Regan, you have 20 minutes.

MS. KELLY REGAN: I would like to thank you all for coming in today. I'd just like to talk first of all about accountability and process. From Page 9 of the report you identify that government's overall implementation rate of our performance audit recommendations is poor. They are not taking adequate measures to correct operational

deficiencies identified in audit findings, a low level of commitment to implementing recommendations, at this point only 41 per cent of your 2010 recommendations have been implemented, and overall only 62 per cent of recommendations from 2007 to 2010 have been implemented.

Once a recommendation is made to a department and is accepted, what is the usual procedure for addressing that recommendation within the department?

MR. LAPOINTE: What we normally do, what we always do in fact with our recommendations is first we clear all the findings and conclusions in our report with departments to make sure that they have no disagreements on what we found.

We get them to state in their responses whether or not they accept our recommendations and intend to implement, and 99 per cent of the time they do; in fact, in this case I'd say 99 per cent is about the right number. We then leave it to departments to take action, usually at the managerial level, to begin the process of implementation. In some cases they've started this well before the audit is finished, and that certainly for instance is the case with TIR this time. So then it becomes the deputy minister's and senior management's task to drive the changes within the department - or the CEO's job and the board of directors if it's an agency.

MS. REGAN: Do you think that's actually happening, that deputy ministers are overseeing it, or is it being delegated to other staff members?

MR. LAPOINTE: It's hard to say because we don't follow the exact process. I would expect in a normal organization that it would be delegated. I would expect the head of the organization to simply provide the instructions to staff to take this action and delegate it down to the appropriate levels to deal with it. I think that happens in some form or other like that in all departments.

MS. REGAN: Does the minister take any role in overseeing that recommendations are completed, for example?

MR. LAPOINTE: That I can't say, we're not privy to those meetings within the department. So I couldn't tell you the extent of their involvement.

MS. REGAN: If there's a recommendation, it seems to me we have a lot of departments where things just aren't happening, where the departments are not completing the various recommendations, and yet they've said they agree with them. Which would you prefer - if they disagree with something, would you prefer they just said we're not going to do that and this is why, rather than saying, yes, we agree with it and then not doing anything?

MR. LAPOINTE: We do specifically ask that departments tell us in their response whether they agree or not - and they have, obviously, a legitimate right to not agree with what we recommend. The fact that they might not disagree with our findings or conclusions doesn't mean that our solution to the problem is what they've agreed to, so it's perfectly right to do so. Occasionally that happens, but for the most part they are indicating agreement. My feeling is then that they must agree that it's right to do certainly at the high level of which we're discussing it with the department, and my feeling is that if you do feel that there is a deficiency in your operations and you agree it's there and you agree that it should be corrected, then you have a managerial responsibility to deal with it.

MS. REGAN: Do you have any idea what role the Premier's Office and central agencies like Policy and Priorities or Treasury Board, what role they have in making sure that recommendations are completed in setting priorities?

MR. LAPOINTE: No. I have no knowledge of a role at that level.

MS. REGAN: Okay. In terms of completion verification, your report cites that about 25 per cent of completed recommendations by departments are actually incomplete - can you explain how you assess this?

MR. LAPOINTE: We do a fairly in-depth review of the individual recommendations, but I think I would like to ask Terry Spicer to give you a little more detail on exactly how that works.

MR. CHAIRMAN: Mr. Spicer.

MR. TERRY SPICER: The process basically starts with management's self-assessment of the status of the recommendations, so, those recommendations they've identified as being complete. We will then look for some sort of verification that we have some comfort that it is complete. Depending on the recommendation, if the recommendation, as an example, might have been to put a control in place, we would look at whether there have been policy adjustments to address those controls - we will even do some testing to see whether those controls have in fact been implemented.

So we will basically go and look at whatever verification documentation - we will even interview staff to get a feel for whether those things are complete or not.

MS. REGAN: So you say about 25 per cent of completed recommendations by departments, in fact, were not completed, and I'm just wondering, were these errors in reporting, disagreements about what constitutes completed, or were there cases of intentional misreporting?

MR. LAPOINTE: Again, I'll ask Mr. Spicer to speak to that.

MR. SPICER: It's hard to speak to whether there was any intent to misreport. I can say, though, based on our review, we in most, if not all, cases will send back and discuss why we feel the recommendations are not complete. Again, in the vast majority of cases, management will agree that yes, you're correct, that those haven't been completely addressed. So I really think you would need to ask management in the various departments to get further clarification on that.

MS. REGAN: So just to speak to process, did you take a sample or confirm all of your recommendations - do you go through and look at each individual one?

MR. SPICER: We will look at 100 per cent of those that they have assessed as complete. We do not look at those that they have assessed as not complete.

MS. REGAN: Okay. So the Department of Community Services had a completion rate of 25 per cent of the recommendations your office made in 2010, so that would be 25 per cent overall, or was that . . .

MR. SPICER: Yes, that would be 25 per cent of the total recommendations.

MS. REGAN: Okay. In terms of status reporting, the government now issues updates on the status of their work on your recommendations, and I'm just wondering what kind of confidence we can have in those updates, because I think we've been in meetings before where there was some disagreement about that.

MR. LAPOINTE: Yes, as I have said, I do commend the government for actually reporting on its progress in implementing these recommendations. As a concept, I think it's very good accountability. The problem arises with the reliability of the information being presented, and I've commented at least one prior year, I believe management has a responsibility to ensure that the Cabinet receives accurate information so that they report accurate information.

We can extrapolate that there will be a 25 per cent error rate in the information provided in that status update simply on the basis of what we found in the part that we looked at. That means that when you look at any particular recommendation, the chance of it being the status as complete being correct, you know there's a very good chance of it being wrong. You can't tell looking at it how accurate it is, so I've labelled it as unreliable for that purpose.

But I have also recommended to Treasury Board Office that someone in senior management take responsibility for providing Cabinet with accurate information, and they have told me they disagreed with that recommendation and would not implement it.

MS. REGAN: Okay. So what's the procedure for departments to report their progress and then publish the updates - do they give you a heads-up before they publish

their updates? I'm assuming that's not the case if they're putting things on-line there that you disagree with.

MR. LAPOINTE: No, the update is prepared from the status updates in the so-called TAGR system. The same one we look at, in fact. So that it is prepared from that TAGR information by senior management and, I believe, in Treasury Board Office.

MS. REGAN: So you don't see those progress reports before they put them up and indicate that they're compliant?

MR. LAPOINTE: No, we're not involved in that process at all.

MS. REGAN: Okay. So do you know how many officials sign off on the implementation and completion of recommendations - is it front-line workers, is it program administrators? I'm just sort of wondering who makes the determination within a given department that something is actually complete.

MR. LAPOINTE: I'll ask Mr. Spicer to speak to that.

MR. SPICER: I really don't know how each particular department does that. I think, as Mr. Lapointe mentioned earlier, it's probably different at each department as to who and how that is done. Our review of this really focuses on the specific recommendations and doing the work around those. We don't really look at the process around that.

MS. REGAN: It seems to me therefore that these status reports are touched by many hands and they're ministers right on down. I'm just wondering who is accountable for the veracity or the "truthiness" of these so-called status reports. It's the department itself reporting and I'm just wondering, is there anybody within those departments who is tasked with actually making sure what they're saying is accurate?

MR. LAPOINTE: We don't really have any good way of knowing. We did recommend last year, in fact, that the Treasury Board Office take responsibility for that, for ensuring that the information presented to them from the department is accurate and institute a quality insurance system to make sure that the level of accuracy is acceptable. That is the recommendation they did not accept, but we felt that the responsibility for the reliability and accuracy of that information needed to reside at a central agency somewhere, and that someone needed to take responsibility for it rather than just leaving it up to individual departments to do whatever they pleased.

MS. REGAN: So that was the government Audit Committee? Am I correct?

MR. LAPOINTE: No, the recommendation we made was to Treasury Board Office. Our feeling was that it was up to them to decide who would have responsibility for

this, but that a quality assurance system had to be put in place in which someone takes responsibility for it, as opposed to just compiling the information.

MS. REGAN: Is there anyone in particular within Treasury Board that would be in charge of making sure that these were accurate? I'm just trying to find out who would be the people involved.

MR. LAPOINTE: I can't say with certainty who is responsible, within the department, for compiling this information at any point in time, beyond knowing that it goes through the Treasury Board Office at some point. Necessarily, it has to go through them to get to Cabinet to be sent out as a status update, but this is a compilation exercise and I'm not really sure, like I say, anyone has real responsibility for any of it beyond just gathering and sending out requests for updates, gathering the information and putting it together in a spreadsheet.

MS. REGAN: If I could put it in a nutshell, what you are looking for is accountability from the departments and we want to make sure that, in fact, there is somebody who is tasked with actually finding out whether these reports from departments are actually accurate because it's an easy thing to claim. There doesn't seem to be any independent oversight, I guess is what I'm saying.

MR. LAPOINTE: I'd say that's accurate. The recommendation we have is that someone take that oversight rule and take the responsibility for it, rather than have us go back and look at it and report. I would rather, frankly, that that wasn't necessary; that we had sufficient confidence in the accuracy of these numbers that it wasn't worth us going back to take a look at it. If all we did was report that it was accurate to within 5 per cent, there really wouldn't be any need for us to be repeating this kind of thing in this Chamber.

MS. REGAN: I'm just wondering, does your office spend a lot of time going back and verifying the accuracy of these reports? It would seem to me that if you're doing that, then you're not spending time doing a primary focus of your office.

MR. LAPOINTE: That is part of the issue. We do spend a considerable amount of time doing this and we are going back and looking at recommendations going back several years. We decided to cap that at about five years now and assume that if it hasn't been done since 2007, it's not going to be done and we quit tracking it, but it is a time-consuming effort on the part of our office and it's only necessary because there are issues in it.

If we knew that someone in government was taking this role of tracking and ensuring reliability and accuracy, and if someone was taking a more active role in simply ensuring a more timely and rigorous implementation so that we weren't going back several years - after you go back two or three you'll find that they're basically done and there's nothing more to do - we would have, frankly, a considerable amount more time to conduct audits.

MS. REGAN: I'd like to just move on to your most recent report. Community Services - at Paragraph 3.16 you stated that "Criteria were developed specifically for this engagement. The objectives and criteria were discussed with, and accepted as appropriate by, senior management of the Department." I'm just wondering, who would have had final sign-off on this criteria development process - would it have been the deputy minister?

MR. LAPOINTE: That's a fairly standard approach that we use and the final sign-off on the criteria that we use would be me. We determine what we audit against, and we determine the audit objectives and what criteria we use to audit to. We discuss these with the organization being audited and we try to obtain agreement from them that these are appropriate, and in most of the cases we do and there is always some discussion back and forth, but they originate from our office.

MS. REGAN: You come with your list of what you're planning to look at, the criteria, and they say well we disagree with that and you go back and forth a bit - so it's not a surprise to them when you go in, they know what you're going to be looking at?

MR. LAPOINTE: Yes, they certainly do. We discuss the audits with the audited organization from the very early stages, from the planning stage all the way through, right to the end when we're discussing our findings.

MS. REGAN: So prior to the audit the department would have had a complete understanding of what you were going in to look at, what you were about to do, and they would have accepted it as appropriate?

MR. LAPOINTE: Yes. Now they don't always accept all of our recommendations, or sometimes they're noncommittal. It's not a requirement of our audits that we get departments to agree with what we're doing, but the general rule, that's what happens.

MS. REGAN: This doesn't just happen with Community Services, just to be clear, it's with all departments - that is your procedure going in, right?

MR. LAPOINTE: That's our standard practice.

MS. REGAN: With regard to manuals within DCS you found inconsistencies and confusion over interpretation, and these manuals aren't new, so my question is, any idea why these wouldn't have been identified in the past?

MR. LAPOINTE: I'll ask Ms. Colman-Sadd to answer your question.

MS. EVANGELINE COLMAN-SADD: I think it speaks to the fact that the department doesn't have a regularly scheduled review process for their manuals. Over time processes change, forms change, the practices out in the field change, and I think the manuals are not always being updated to be entirely reflective of those. That is one of the

reasons why we recommended that there be a regular review of the manuals to see if an update is required or not, because sometimes an update may not be required, but it's still important for departments to do that check on a regular basis.

MS. REGAN: And there are similar findings of confusion over policies throughout the report including on Page 41, where you state that staff noted confusion regarding which policies applied and, at Paragraph 3.59, we noted confusion among management and staff concerning screening requirements for kinship homes. Are you aware of or did you find, in the course of your discussions, instances of staff . . .

MR. CHAIRMAN: Order, please. Unfortunately, your time has expired.

Mr. MacMaster.

MR. ALLAN MACMASTER: Mr. Chairman, I guess my first reaction when I saw the report and saw the high percentage of recommendations that were never acted upon by various departments, I thought about how I'm driving up to Halifax every week for Public Accounts Committee, and we're trying to be constructive, trying to uncover things in departments where, hopefully, the goal is to make things better for people

I had someone last week, she is dealing with maintenance enforcement issues where she's trying to get her ex-spouse to support her and her child. She works, but of course, she has a child and so I showed her a link to a previous Public Accounts Committee meeting that we had on the subject, just for her interest, just to see that we do actually question things from time to time to try to make them better. She sent me a note back that she was kind of amused that she didn't see that anything was accomplished at the end of the meeting, and understandably so. We don't expect things to be solved inside our meetings here.

I raise that point just to show that these decisions the departments are making do affect people. What we try to do here in these meetings, and what your office is trying to do, is really make things better for the province. I put that on the record as an example of somebody I'm trying to give some insight into what we are trying to do and if things aren't getting changed through our work here then we need to address those who are avoiding making things better.

I'm going to raise one example today. This one has a strong interest for me because it was related to the area I represent. The pensioners at NewPage went through an awful scenario where they - well, two major things happened; one, there was an error in their bridging benefits so many of them were sent letters saying they could owe anywhere from \$40,000 to \$60,000. These people are retired; they're now on fixed incomes and their fixed income - being their pension - in some cases dropped by upwards of 40 per cent.

I know that the Labour and Workforce Development Pension Regulation division was here back in 2008 and I had a chance to look over - that was before I was elected - what went on that day. I shouldn't say what went on that day because this was the report the Auditor General's Office did at the time. I'm raising this because, while it affected my area, this affects a lot of Nova Scotians going forward, if we're not getting pension regulation done right.

The division is responsible to supervise 495 plans with a total membership of over 100,000 people. That is one in every four working Nova Scotians. Their job is to safeguard entitlements to benefits promised under pension plans - and I'm going to try and stop talking to give you a chance too, I apologize for the length of this - the duties include reviewing plan administrator annual filings, investigating plan-member complaints and providing information and support to pensioners.

This is an issue that affects roughly one in four working Nova Scotians. At the time the Auditor General's Office had indicated that the systems and processes in place were not adequate and there was some question whether the plans were being properly monitored and in compliance with the Act. The whole reason we have an Act is to protect pensioners so that if people are paying into a pension, they know they are going to get what they are promised.

The Pension Regulation division did come back, and they were pretty co-operative, but I do want to highlight the point that the Auditor General made at the time, which was if the pension plan annual information return is incorrect, the superintendent's ability to provide oversight is compromised and pensioners' benefits could be at risk.

What happened? In the case of NewPage their benefits were at risk because there was a bridging benefit error that was never discovered in the reports that were being submitted to government. It went on for years and that had a real impact on people because they received letters saying they owed \$40,000 to \$60,000 and also, in support of pensioners, when they were asked to make a decision about allowing early retirements within the plan and allowing solvency to be increased from five years to 10 years, those two factors, along with market decline, were the result of their pensions dropping by upwards of 40 per cent. Those two things created a lot of strain on the plan at a time when it had already dropped due to the market.

I wanted to make that point that there is an example of where your office did its job to try to highlight the deficiencies but they weren't necessarily corrected. My question is, what can we do, besides what we're doing today, to ensure that government is attending to these matters - no matter who is in government, no matter who holds government - in a timely fashion.

MR. LAPOINTE: I'm glad you brought that up because on the basis of discussions we've had over the years in this Chamber, I do have some suggestions that I've pulled out

of those discussions that I've put in a letter to you that you should have in your hands. I would like to discuss some of those improvements, I believe we're on the agenda for later in the meeting, and see if there are some things that this committee can do, simple things that might have an impact on this area.

MR. MACMASTER: Okay, well I'll await that later in the meeting then.

I'm going to move on to one of the chapters that was covered and that was travel and expense claims for agencies, boards and commissions. I guess it's quite possible that everything has been done above-board but when the proof or the background for expense claims doesn't exist, we don't know for sure. On Page 84, there is a table that shows the number of inadequate documentations for expenses. Can you give us some indication of how many items were tested for each of the entities?

MR. LAPOINTE: I'll ask Mr. Spicer to speak to that.

MR. SPICER: I can tell you how many individuals we looked at with each entity, but the number would differ depending on how much travel those individuals did. Typically what we did at each entity is, we would have looked at three individuals from the senior management and board group - sorry, the most would have been four. At the Nova Scotia Liquor Corporation we would have looked at five individuals as they are a much bigger organization. There would have been hundreds of claims looked at, but it would have differed by each entity. I don't have the specific number of claims of each entity with me now, I can supply that if it's requested or required.

So it really did differ, but it would have been literally hundreds at each entity. By each claim we mean each individual - it may have been done monthly, but there may have been 15 or 20 things claimed on a monthly claim so each one of those 20 things are what we're considering a claim here. It could have been monthly, or it could have been done on a particular day depending on what process they had in place.

MR. MACMASTER: Is there any appearance that people were filing these claims and didn't really understand the need to document everything that they were claiming? Is it a matter of them not understanding the claim form or is it a matter of just being sloppy and not filling it out as it should be filled out? Did you have any observations around that?

MR. SPICER: I think it was probably sloppiness, the fact that it's done sometimes and not other times would suggest that they knew it should be done. I would characterize it probably as sloppiness.

MR. MACMASTER: At the NSLC, there were 21 claims with no evidence of payment - how can we be sure that these items have even been purchased? Is there any physical evidence that an item was purchased and it's still there? Maybe it shows up as an

asset inventory or if it was a personal expense - I mean, I don't think they're really buying physical assets?

MR. SPICER: The vast majority would be travel and other related expenses so there wouldn't be inventory items, as an example, included in this. There would be cases where there would be no receipt provided. Specifically at the Nova Scotia Liquor Corporation, we would have identified 19 claims where there would have been no receipt provided, there would have been 21 claims where there was no evidence of payment. That might have been a case where there may have been a meal with a receipt, but there would have been no evidence that it was actually paid.

I guess one of the risks would be that several people put the same receipt in and there is no evidence that it was actually paid for by the person that was claiming it. Those would have been similar issues found in some of the other entities as well and then the "No Detailed Support" would be a credit card slip for a restaurant, but there would have been no detail as to what was actually purchased as far as alcohol, as an example and those types of things, and then the purpose of the expenditure not noted in many of them as well. It would be unclear whether the trip or the item being purchased would have been for business purposes, so there wouldn't have been evidence of that, so that would have been the . . .

MR. MACMASTER: Where there was no purpose noted - and I appreciate it's difficult to know because sometimes there could be business meetings in the evening - did you notice anything out of the ordinary there where there were potentially ones where there were expenses that were being claimed with no purpose noted that were, say, in the evening, outside of business hours?

MR. SPICER: Overall nothing was particularly unusual about the items being purchased, other than they lacked the appropriate documentation that we would expect to have seen.

MR. MACMASTER: You mentioned the no details reported, so those were essentially ones where Visa slips were - I know if you go to a restaurant oftentimes you get the bill, it's just the Visa portion and sometimes they don't give you the itemized receipt, but I guess it's a lesson for people to ask for an itemized receipt and ensure that it's included in the future.

Was there any information or any comment made to you while you were conducting the audit around these expenses? Any reasons given to you verbally for why there were so many omissions and errors in the way the expenses were calculated?

MR. SPICER: Are you asking about the Liquor Corporation specifically or all of them generally?

MR. MACMASTER: Generally.

MR. SPICER: No, again, I think it was just sloppiness. Nothing came to our attention that would suggest it was anything other than sloppy documentation and processing.

MR. MACMASTER: In Recommendation 5.7, there is some suggestion that spouses or partners may have been accompanying travelling employees. Did you find any evidence of that?

MR. SPICER: At the NSLC the process that they do there would be if a spouse was to accompany one of the senior people on a trip, the administrative assistant would book the travel together because it was just easier to do it that way. Then what would happen would be, the individual would then repay the personal, the spousal amount and we did audit work to determine that was happening, although there were instances where it was missed. Again, we identified those as some cases where the costs that are associated with the spouse travelling were not identified and reimbursed by the individual.

MR. MACMASTER: Did you see any connection between an increase in administrative expenses at the NSLC related to the volume of liquor sold in the last number of years? It seems the administrative costs have gone up more than you would expect, given the volume of alcohol sold over the past number of years. Did you see any connection between the expenses claimed here as being responsible for those increases in the administrative costs?

MR. SPICER: We wouldn't have looked at that. This audit was particularly looking at the processes around travel claims and other expenses.

MR. MACMASTER: Okay. If I might move on to another department, Transportation and Infrastructure Renewal: Mechanical Branch Management. I know I mentioned in our in camera meeting last week about another division of government where it was recently brought to the attention of my office by a constituent that they were alleging there was theft of some supplies by employees of the division. I guess what you've raised here is that there is the potential that if there's not strict inventory control in departments, in this case the Department of Transportation and Infrastructure Renewal, you could have a risk of theft. This is not something you would expect to see in a private organization because I think they would be very much on top of that. Have you found evidence of a culture or mindset of, well, nobody's really watching what our inventory is here?

Even with the management, is there a culture that says we're not really held to account for this so we're not - and I don't want to say that people are dishonest because I think most people, given the benefit of the doubt, are honest people and they wouldn't want to see theft no matter where they work, but is there a culture that may be a bit lax that you've noticed when you were reviewing this particular entity that would suggest that they may not be as concerned about managing the inventory as you might find in an organization where they would be held really to stronger account for that?

MR. LAPOINTE: I would characterize it a little more strongly than a bit lax. What we found is a culture that accepts a very poor level of control and very inadequate process in the management of these, in effect, garages. Because of the extensive low level of control throughout the operation, not just inventory and supply management, but the management of repairs and the management of preventive maintenance and all of the paperwork, it leads to a very high risk of theft, simply because it opens the door to temptation and even to error - things even getting lost. The culture of control in these organizations needs to be strengthened considerably in order to prevent this.

MR. MACMASTER: When I was studying at St. F.X., one of the business courses I took was around corporate culture. I never really appreciated the value of it at the time, but as I've gotten older, I've noticed how significant it can be within an organization. A lot of times - and I don't think just within government, I think right around the province - a lot of people see government as it's not their money, but really it is our money and we need to make sure that we're protecting it and we're respecting it because we're all paying for it. I think there is a bit of a culture that there is - and you've identified it within this entity - there is not really a respect for that money that's coming in from people around the province who are paying their taxes.

I want to ask you, what would the value of the assets be just in that one entity alone, roughly, in the case of physical assets like tools and whatnot that could be at risk of theft and of poor maintenance practices that aren't appreciating the importance of conducting efficient maintenance work to protect assets? What would you say the rough value of dollars that are at risk, just within that entity, because of the culture and the lack of oversight?

MR. SPICER: Just as an example, the report highlights that all of the provincial branches have, at year end in 2012, \$6 million of inventory items there. These range from large dollar tires and all of the parts and stuff you would need. That's a picture at year end. Staff there also indicated that they spent \$25 million to repair and maintain approximately 1,000 vehicles during the year. There is inventory being purchased and consumed throughout the year as well.

MR. CHAIRMAN: Order, please. Unfortunately, Mr. MacMaster's time has expired.

The honourable member for Pictou East.

MR. CLARRIE MACKINNON: I would like to jump to Chapter 4. I have been in the House for seven years and one of my primary concerns has been transportation and infrastructure renewal. As a rural MLA with Pictou East having 931 kilometres of rural roads, it's a primary concern for me. I've been an advocate for more dollars and I certainly am an advocate for every dollar being spent wisely so that we can do more roads.

We actually inherited a structural deficit, a work deficit. The Nova Scotia Road Builders Association has said for many, many years that you have to spend at least \$400 million a year to even do a dent in what needs to be done in this province because we needed several billion dollars to bring the roads up to the level that they should be in this province. With budgets over the years that were in fact less than \$200 million in the old system of days gone by - it would be sort of flat budgets for three years and then election year there would be a jump in those budgets. Fortunately we've had some budgets that were the highest in the history of the province and getting close to the \$400 million mark, and this in fact is the lowest allocation since forming government. We've gotten away from that pattern of flat, then election year going up.

I understand that the department is taking your recommendations very, very seriously and has in fact come up with an audit team to implement - they have made some changes within the department to look after dealing with the recommendations that you have come forward with. There is an attitude in the department of taking very seriously the recommendations. What are your thoughts? Will this audit team be effective, do you believe, in coming forward with the recommendations that you want to see implemented in a timely fashion?

MR. LAPOINTE: I have to say we had discussions with the deputy minister and his senior people on this and the department's response to this audit has been commendable. I have to hand it to them - they've jumped right on it. They've met with us, they've committed to resolving all the issues that we've pointed out and they had some discussions with us looking at clarification, looking at advice on how to do things. What I would say at this point - I hate to try to predict the future, but I would say that the department's evident commitment to doing something about this is very high.

MR. MACKINNON: I understand that already 30 per cent, or 12 out of 38 recommendations have in fact been addressed. Is this in line with your expectations?

MR. LAPOINTE: Well that would actually be ahead of our normal expectations to have that high level done before we actually issue the report, but that backs up what I was saying before about the level of commitment. Now we haven't verified this, of course, but I know the department has said that they have been working on it and have been implementing some as we speak.

MR. MACKINNON: So that in fact would be above the norm in relation to implementation over many years.

MR. LAPOINTE: Yes it would.

MR. MACKINNON: Who implemented these timely changes? I understand it was at a very high level within the department; this hasn't been sloughed off to some underlings.

MR. LAPOINTE: No, the commitment to this appears to be at the senior management level in the department which is really where it has to be for this level of change.

MR. MACKINNON: When will you follow up in checking the number of recommendations that have been implemented?

MR. LAPOINTE: Our normal follow-up for all of these audits is two years later and we definitely will do that.

MR. MACKINNON: So you haven't already looked at the 12 that have been implemented, but you've had discussions with the deputy minister and others within that department?

MR. LAPOINTE: Yes, we have. We always meet with the deputies prior to issuing the report, to have a discussion with them about it and to answer their questions prior to it going public and coming to the House. We did that and had quite an extensive discussion with them at that time.

MR. MACKINNON: I certainly appreciate the work that you have done in relationship to TIR, because TIR is very important to the constituencies that rural MLAs represent. I, personally, and I know others on both sides of the House, feel very, very strongly that our roads have to be maintained in a better fashion than they have been for many years. Some of the roads in the constituency that I represent - I don't say my constituency because it's the people's constituency - some of the roads were paved back in the 1970s and 1980s and absolutely nothing done since that time on some of those roads. I just find it appalling, and sometimes the worst time to be a rural MLA is in the Spring when the potholes come out on the 931 kilometres in Pictou East, or a good portion of them. We have paved many of them and, in fact, there are five projects underway in Pictou East this year, so I'm very thankful for that.

You've seen that there are changes, you have met with the department since the audit - was that meeting helpful?

MR. LAPOINTE: Yes, it was. I think these meetings ideally are mutually helpful and that we are able to honestly discuss the report with senior management, particularly with the deputy minister who is the CEO in charge. This particular meeting, I think, was quite beneficial both ways.

MR. MACKINNON: Thank you, I always commend you for the work that you're doing. Sometimes it's a little painful, but we do, in fact, appreciate what you do.

That's all the questioning I have and I will turn it over to Mr. Ramey.

MR. CHAIRMAN: Mr. Ramey.

MR. GARY RAMEY: Mr. Chairman, I just have a couple of questions; I may be handing off as well. I guess the first one is we've been talking about compliance and all that sort of thing, what mechanism was in place to track recommendations before the province committed to reporting on its response in 2010 - what was there before that?

MR. LAPOINTE: I would say that a few years ago there was, in fact, no mechanism for tracking, but as a result of discussions with us and our recommendations on this, the government did institute this process called Tracking Auditor General Recommendations, which is a so-called TAGR system and did put that in place in order to obtain that information from the departments in a central place on a regular basis.

MR. RAMEY: So prior to that there was no tracking mechanism?

MR. LAPOINTE: No.

MR. RAMEY: I know sometimes I've looked at recommendations and they go way back, some. In those particular cases the only way to do follow-up on that would have been through Public Accounts, where the Auditor General would have perhaps brought this forward again and said I made a recommendation in 1993, it's 1997, it's 2001, it still hasn't been done, why hasn't it been done - is that the way it would be followed up on, sort of?

MR. LAPOINTE: Yes, and in fact we have to limit the resources we put on that process, as we discussed earlier, because these are resources taken from our audit work. We tend to focus on at least the one follow-up of recommendations made two years ago. We did add a more extensive follow-up going back about five years to track what was going on on a longer-term basis, but we had to cut that back at a certain point too; we can't keep going back forever. We do not keep tracking what was done in recommendations in 2000 and 2001 and 2002. We go back a certain amount of time and then we have to stop. This year we stopped at 2007 and we no longer will track those. Next year we have to look again and we may have to shrink it down a little bit further. We again look at what has been stated as being completed, and that's what we look at.

MR. RAMEY: Understood, okay. The other question I have relates to, again, compliance with a recommendation. If you, for instance, make a recommendation that has, let's say, I don't know, several parts to it. I suppose that could happen: there's this, this, this and this. Some of it becomes complied with and some of it doesn't, or some of it isn't finished yet, is it correct to assume then that it is incomplete until every part of the recommendation is complete or is it considered completed if 50 per cent of the recommendation is completed? I'm just trying to figure out how that works.

MR. LAPOINTE: No, complete means that the entire recommendation has been implemented. We try to not have multi-part recommendations for that reason. We used to

more so and realized that it is counterproductive, so for the most part if we have multiple recommendations, we just try to phrase that as one, two, three - separate ones so they can be tracked separately. That is our standard practice now.

MR. RAMEY: The other question I would have is, there are instances, I believe, and I think this was discussed earlier, where a department states that a recommendation has been completed but your office disagrees with whether or not that is, indeed, the case. When that happens, what particular evidence do you look for to determine that?

MR. SPICER: It would really depend on the recommendation, obviously, but we will look at whatever supporting documentation that, let's say - I'll give you an example. If the recommendation was to create and implement a policy, we would look at the documentation: what is the policy and has it been created? Then we may do some testing to see, well has it, in fact, been implemented? That would be an example. We will interview staff. We will look at supporting documentation, whatever that might be that would give us an idea that it has been done. Again, it really depends on the recommendation as to what you would need to look at, so it's a little all over the map, but we would definitely look at whatever we needed to look at to get some comfort that it was, in fact, implemented.

MR. RAMEY: That's it for me, Mr. Chairman. I'll turn it over, with your permission, to Mr. Whynott.

MR. CHAIRMAN: The honourable member for Hammonds Plains-Upper Sackville.

MR. MAT WHYNOTT: I want to focus a little bit on the ABCs, just for my own reasons. I am the chairman of the Human Resources Committee so this does have a little bit of interest for me. Agencies, boards and commissions play an integral role in how government functions and I think it's important that this audit was done and this particular chapter was noted as an example where obviously some mistakes were made and that we should do our best to clean it up.

I just want to note for the record that Film Nova Scotia, the Hants Development Authority, Innovacorp, the Liquor Corporation, Nova Scotia Primary Forest Products Marketing Board, the Strait-Highlands Regional Development Agency, Sydney Tar Ponds and the Waterfront Development Corporation were all looked at in this regard. First of all, I just want to ask a question around - just in general - do you know what the record is of the Department of Finance when it comes to acting on the Auditor General's recommendations?

MR. LAPOINTE: The Department of Finance, specifically, I don't think I could give you a record over the years, but there have been some recommendations they have acted on, some not. I can't tell you what percentage, at this point, is complete. I don't think I have that in front of me.

MR. WHYNOTT: I think it is important to note that my understanding, from reading the report, is that all of the relevant departments that oversee these different ABCs have said they will put the proper controls in place. Is that correct?

MR. LAPOINTE: The particular agencies that we audited did agree with our recommendations and said, yes, they would put in the controls that were necessary.

MR. WHYNOTT: Are these seen to be simple things that could probably be implemented pretty quickly?

MR. LAPOINTE: I think that they are. I think the normal controls and processes for managing expense claims are pretty standard, pretty simple. There's nothing revolutionary in them so it's really a question of just putting the controls in place. I think all of our recommendations here can be done quickly.

MR. WHYNOTT: I think the member for Inverness mentioned something in the report we read, just Visa receipts were submitted and that sort of thing so it's just a matter of, as the member for Inverness mentioned, it is just a matter of people should be asking for the itemized receipts and go from there. I know as far as MLAs are concerned, those are certainly things that have been implemented over the past number of years that the itemized receipts are being submitted and that sort of thing. I think that's a good thing.

Just a quick question around the NSLC, how did they respond to your recommendations?

MR. SPICER: They responded very well. In fact they've indicated that they've already implemented all the recommendations.

MR. WHYNOTT: They've indicated they have already implemented the recommendations. Okay. There was an earlier discussion already in the committee about spouses going on trips with members. Is there any sort of - to say that it's easier to book the trip on the same credit card sort of thing - but was there any particular reason why that was done? Just for convenience purposes? If you could respond to that, it just seems odd to me.

MR. SPICER: That's our understanding. If you have an administrative assistant booking your travel, then book two flights at the same time; it's just easier to do it that way. That's our understanding of why it was being done that way. There was a reimbursement process but there were some errors made in identifying items that should have been reimbursed.

MR. WHYNOTT: These are senior management people?

MR. SPICER: Yes.

MR. WHYNOTT: I assume they would have a corporate credit card?

MR. SPICER: Yes, the individual would have a corporate credit card as well as the administrative assistant, just for those reasons.

MR. WHYNOTT: So you could essentially, instead of using the corporate credit card, you could use your personal one and submit the receipt.

MR. SPICER: I believe that's what is going to be happening in the future.

MR. WHYNOTT: Okay. Fair enough. Thank you, I think that's all the questions I have for now.

MR. CHAIRMAN: Ms. Regan, you have 15 minutes.

MS. REGAN: In your letter that you gave to the committee on May 17th, you suggested the government Audit Committee should have the responsibility for ongoing monitoring and implementation of recommendations. Could you outline for us what the makeup is of this committee and to whom do they currently report?

MR. LAPOINTE: Yes, this is actually called the Audit Committee of Deputy Ministers, which used to be a subset, literally a committee of the deputies, a council, but now consists of all of the deputy ministers who meet on a regular basis. They simply constitute themselves as being, as of now, an Audit Committee and deal with all audit issues. Their primary role is to oversee the Internal Audit division and their work. It does constitute all of the deputy ministers so they in effect report to themselves or to David Darrow.

MS. REGAN: That makes sense because they are the people who are supposed to have final authority over implementation. It makes sense.

MR. LAPOINTE: Exactly. They are, in effect, the CEOs of the organizations, of their departments. So they're the ones in charge, and they have ultimate responsibility for all of these issues that we've been discussing about implementation today.

MS. REGAN: I just wanted to clarify that because I wasn't clear on that from our conversation earlier - so I'd like to go back to Community Services, and we were discussing manuals when we last finished up. In terms of the manuals, you found some inconsistencies and confusion over interpretation, and I'm just wondering, are you aware of or did you find during the course of your discussions instances of staff coming back to senior management or senior management bringing concerns to the minister about confusion and lack of consistency there?

MR. LAPOINTE: Yes, and I'll ask Ms. Colman-Sadd to speak to that, please.

MS. COLMAN-SADD: Anecdotally, we don't have any instances of staff necessarily going to senior management or senior management going to the minister, that we are aware of. I would say one of the issues in terms of confusion, though, is that some senior management at the department stated quite clearly that they were very confident staff were not confused by policies in the manual, whereas staff out in the field were telling us that they do find parts of the manual ambiguous and confusing. So I think there's a bit of a disconnect, in some instances, between how senior management perhaps views the application of the policies, and the actual staff out in the field trying to apply the policies.

MS. REGAN: So do you think the issue is that these manuals are going out into the field and people are expected to read them and know them, or changes are coming along and they're expected to absorb those and maybe that isn't happening?

MS. COLMAN-SADD: I'm not sure whether that is a factor or not. I do think that the manuals are not clear in some instances - for example, there's the 21 days to start a lower-risk category investigation into an allegation of abuse or neglect, and in some parts of the manual it says 21 days, in other areas it says 21 working days. Some people interpret working days as every day of the week, because in theory there could be an emergency removal of a child on a weekend; others interpret working days as Monday to Friday. And so it's just not clear from the manual - like, what is a working day, and is it really a working day, because in some areas it just says "21 days", and some people take it as calendar days, and some take it as Monday to Friday.

MS. REGAN: I'm surprised that when something like that is identified among staff that that wouldn't have been something that was dealt with, clarified, early on. I don't think that it would require a vast amount of staff time to clarify something, you know, what is a working day versus - and I mean, really, 21 working days, you go three weeks, whereas if you do Monday to Friday, that's four weeks and one day. It seems to me that it would have been very easy for the department to clarify it and would not have expended a huge amount of staff time to deal with that issue before you rolled in there to note that deficiency.

MS. COLMAN-SADD: I'm not sure if they were aware of the deficiency prior to that or not.

MS. REGAN: Okay. Recommendation 3.4 speaks to the legislative updates to the Act. The department, in their response, cited what you called a process which does not exist, and I'm just wondering if you could expand on your original concerns with the legislative gaps, and your additional concern with their response to this, because I think it says "The Department agrees to submit these recommendations for consideration by the Government, when the Children and Family Services Act is next amended." I guess that highlights for me the difference between, say, a TIR response, which is we're on it, to this, which appears to talk about a process that doesn't exist.

MR. LAPOINTE: Yes. The department's resistance to this particular recommendation was evident from our first discussions with them, although we were pointing out simply two simple amendments to the legislation. We're not talking about a major overhaul of legislation dealing with this - they can do that if they like - we're talking about changing the definition of harm and changing the definition of a child. So if the department's objective, or say the legislation's objective, is to safeguard children from harm, it's good to know what you mean by those words. Those are two that we perceived as significant deficiencies in the current legislation. The response to our recommendation, which was pretty simply, we thought was kind of inadequate because it sort of talked around the issue. I did discuss this with the deputy minister when we discussed these recommendations in the final report.

What we wanted to see was, yes, we will move to change the Act, or no we won't, and I frankly did not understand what they actually said in their response because there is no such process to send our recommendations to Cabinet and have Cabinet take it into account the next time they choose to change the Act. That doesn't actually happen. The changes to legislation are initiated by the department who go through the minister of that department. There is a process for changing legislation, so we asked them to initiate that process.

I believe since then I've heard reports of the minister agreeing to all of our recommendations, including that one, so it might be that, ultimately, they will take action on that, I'm hoping that they will.

MS. REGAN: Certainly we have raised that particular issue in the House and the minister's response did not indicate to us that it was a priority for them, so that's interesting that you have that perception. Did they indicate to you why it was they were reluctant to change the definition of a child?

MR. LAPOINTE: No, I didn't come across with any real understanding of what the objection was.

MS. REGAN: At Paragraph 3.39 you stated that "(55%) of 134 files with completed investigations, as well as for five of the six ongoing investigations, . . . exceeded the Department's six-week guideline." Extending an investigation beyond six weeks requires supervisory approval. Were those approvals granted in those cases?

MR. LAPOINTE: I'll ask Ms. Colman-Sadd to answer that.

MR. CHAIRMAN: Ms. Colman-Sadd.

MS. COLMAN-SADD: In those specific instances - I believe we do speak at some point in the report to whether or not supervisory approval was granted for extended investigations. I can't speak to exactly that 73 number, but I think if you look at Paragraph

3.43, it speaks to 44 of the 78 extended investigations, so I guess the numbers are slightly different as you move through the testing. Sometimes there are different cases or files being taken into account in different areas, but 56 per cent of the 78 had no evidence that the supervisor had approved the extension. In some other instances there was an approval but no rationale for the extension, so about half of the time there wasn't evidence of supervisory approval.

MS. REGAN: At what particular level is approval granted? Is it the director level, the manager or higher, do you know?

MS. COLMAN-SADD: Off the top of my head I can't speak to the exact staff member in the regional offices other than that I can say it is out in the regional offices and it is the staff level that, for example, the social workers would report to, but I can't tell you if that's a director or manager offhand, I would have to check.

MS. REGAN: We were talking just before this about the rationale for extending an investigation beyond six weeks. Are there requirements for rationales to be provided to extend them?

MS. COLMAN-SADD: We had an issue with the department with regard to the particular requirement that it be approved for six weeks. The department has certain things that they call standards and certain things that they call guidelines. They see their standards as mandatory and their guidelines as not necessarily mandatory. There is a guideline that an investigation that extends beyond six weeks gets supervisory approval, but the manual has a requirement for supervisory approval. I guess, to me, if there's a requirement that your supervisor approve something, it seems like something you're supposed to be doing.

We looked at the documentation of a rationale around that approval as a best practice, like why do you need to approve this extension? Is it workload, is it that you can't get hold of some of the people you're trying to speak to? Sometimes they have challenges if people are away or it's a big investigation.

MS. REGAN: It seems to me like it's that lack of clarity, once again, in the manuals because you have a guideline versus the requirement - it says requirement in the manual and yet the department says that the six-week timeline is just a guideline.

MS. COLMAN-SADD: Yes, I think it is another good example of where the manual could use some clarification.

MS. REGAN: Any idea why so many investigations are exceeding the six-week requirement/guideline?

MS. COLMAN-SADD: We did look at gaps and Page 39, I believe, in the report speaks to length of investigations and then gaps in the extended investigations. I know one

reason why investigations can take longer than six weeks is that sometimes it is difficult for department staff to contact everybody they need to. However, on Page 39 the charts that speak to the gaps - the extended period when there was no investigative activity - we excluded those instances where it was obvious from a file that a staff member was trying to contact a particular person or group of people and they just were not getting anywhere with getting hold of them - maybe they were on vacation or away. We excluded those from those gaps, so the gaps that we've identified in investigative activity that often do lead to investigations taking longer were gaps where there was just simply no activity.

MS. REGAN: You defined that as being a significant factor, I think. Were you surprised to see that there would be, in the cases of child welfare, that you would have these cases where there was no activity for significant periods of time?

MS. COLMAN-SADD: I think we expected that if there was no activity there would be some documentation of why and whatnot. I do think some of the gaps are quite lengthy - there are smaller numbers, but some that extended more than two months without any activity.

MS. REGAN: Do you have any idea whether in some cases those files were just set aside and they weren't working on them for a bit?

MS. COLMAN-SADD: It's obvious to us from the length of the gaps that there definitely was a period when the files were not worked on. As to why that occurred, I think you would have to speak to the department about that; we wouldn't have that information.

MS. REGAN: The department's response to Recommendation 3.9 states they will review and possibly modify the requirement. When they're talking about "the requirement", they are referring to the six-week maximum for investigations - is that correct?

MS. COLMAN-SADD: That is my understanding of that.

MS. REGAN: By "modified", do you have any idea whether this indicates an intention to extend or remove the six-week requirement? It would seem to me that yes, it would remove the Auditor General from saying you're not fulfilling this requirement, but it certainly doesn't help children if you get rid of that.

MS. COLMAN-SADD: There was some discussion in our discussion of the draft report around the fact that the department felt perhaps six weeks is too short a period or perhaps there shouldn't be a limit on that.

MR. CHAIRMAN: Order, please. Unfortunately, Ms. Regan's time has expired.

Mr. MacMaster, you have 15 minutes.

MR. MACMASTER: Just to finish off on the chapter on the Department of Transportation and Infrastructure Renewal. Mr. Spicer was clarifying the amount of money that would be at risk because of the lack of oversight of the operations - could you just finish off on the answer you were providing, maybe start again and just provide an answer on that?

MR. SPICER: In the report it gives you a little idea of the dollars involved. At March 31, 2012, inventory held by all the mechanical branches would have been \$6 million, so that would have been a picture at a point in time of which Miller Lake would have had \$4.1 million and Truro \$500,000 approximately. During the year, staff indicated that they spent approximately \$25 million to repair and maintain approximately 1,000 vehicles in the province. That would have been parts and supplies that would have been consumed during the year to do what they needed to do.

As far as the actual pieces of equipment, some of the pieces of equipment are big, expensive graders and loaders and backhoes, which can be six-figure pieces of equipment, and they would have a number of those. I don't have the dollar value of where they are now but they're very expensive pieces of equipment.

MR. MACMASTER: With respect to preventive maintenance for that equipment, is the equipment lasting as long as it should or did you find any evidence of neglect of equipment or maybe heavy use of equipment beyond what it should be used for?

MR. SPICER: What we looked at, as far as the preventive maintenance goal, was the required preventive maintenance being done and the report indicates that it isn't being done. As far as whether the equipment is lasting as long as it should, we didn't look at that. They have indicated that one of the difficulties they have with the equipment there is it operates in difficult climates at times, exposed to some salt and your snow plowing and those types of things. It operates in harsh environments, which I think makes the preventive maintenance even more important to make sure that's being done. So to answer your question specifically, no, we didn't look at whether they were getting the useful life that they expected out of the equipment.

MR. MACMASTER: I think plow trucks - I was just asking somebody the other day - they were saying the lifespan is about 10 years and at that point the bodies are pretty well rusted out. I think what you've highlighted and what we're highlighting right now is maybe the importance for us to have a closer look at preventive maintenance to ensure we're getting the value for these pieces of equipment.

The next question I have is, I know the department had said they were in the midst of upgrading their accountability before your report was released. Did you see any evidence that things were happening, that changes were being made that would be significant enough to fix the problems that you've highlighted in the report?

MR. SPICER: As Mr. Lapointe had indicated earlier, our meetings with both middle management and senior management at the department were good; they really seem to be taking this very seriously. We understand they have already started to address some of the control weaknesses that they can address immediately. We haven't gone back to verify that so through discussions with them they have also indicated they're in the process, I believe, of getting a new information system that should help with some of the limitations that the current system may have. Overall, we are encouraged by our discussions with management there.

MR. MACMASTER: Okay. I want to move to Chapter 3 on Community Services. Getting back to the theme of corporate culture, is there a culture of neglect here where children who are - there are reports of children who were abused, that the response by the department is neglect in the sense that it's taking too long for the abuse to be recognized or to be investigated? Does that have to do with - there's talk about process and manuals, but what about the humanity of those who are working? Is there a culture there that when people come in to work there that gets driven out of them? I don't want to say too much but I think we have to look at that. Did you notice any evidence of a culture that pervaded the department that was somewhat responsible for the neglect of those children?

MR. LAPOINTE: I would certainly not say that there's any kind of negative culture involved in this. I made those comments about the mechanical branches but I certainly would not say that here. I might say the opposite. The program is staffed by social workers who, if you know them, are a highly motivated and caring group of people working very hard for probably not enough money, in my view, for what they do. It's a very difficult job and I see a very high level of commitment in them.

The system they're working with doesn't make it easy for them to do their job. If you look at the kinds of comments we're making, they have to deal with the processes, with the management, with the direction, and with the systems in place to support the social workers in doing the job that they're trying to do, so that's why I think the focus has to be in that area.

MR. MACMASTER: Did you find that the processes that they have to work with are too complicated, that maybe they can be simplified?

MR. LAPOINTE: I wouldn't say it's too complicated, but maybe more in the nature of needs work.

MR. MACMASTER: Sorry, could you repeat that?

MR. LAPOINTE: It's more in the nature of their systems that need work - like the manuals we were discussing that are still cumbersome and paper-based and not updated and so on, they simply need to be modernized and to be made more accessible and more up to date so that the people who are using them have tools that help them to do their job.

MR. MACMASTER: What would you say is the reason for the delays if you've seen that people are motivated and that they care about the children that they are trying to serve? There needs to be some improvement, you say, to the manuals but there is obviously something causing the delays - how do we get to the bottom of that and did you see any areas where it could be improved?

MR. LAPOINTE: On that one I will ask Ms. Colman-Sadd to speak to it.

MS. COLMAN-SADD: The delays that we identified are in different areas - there are delays in terms of monitoring of children once they're in care and there are delays in actual completions of investigations - anecdotally we really didn't hear a tremendous amount as to why those might be. The department management did make some comments regarding prioritization, for example, when visiting children who are in care and whatnot, that workers may prioritize which children they visit first, perhaps newer foster families, those types of things, but really not a whole lot anecdotally or in the files from staff regarding the reasons for those delays.

MR. MACMASTER: So we don't really know why there are delays?

MS. COLMAN-SADD: No, I would say it's not evident from the files why there are delays and that, anecdotally, from workers there wasn't a huge amount of information coming to us to indicate why there would be delays. With regard to some of the 30-day contacts with foster children I believe there was a little bit of confusion - I can't recall if it was with regard to the contact with children or the contacts with foster parents, of whether or not it should be person or if a phone call was acceptable. The manual does say it should be in person and I think some staff might have been contacting via the phone in some instances, but I don't think that necessarily accounts for all of what we would have identified as delays in those 30-day contacts.

MR. MACMASTER: I guess it seems strange to me that we've identified something that's very important if we're trying to protect these children, and the last thing we want to do is victimize them again through a bad government process. What is planned for follow-up to try to fix this matter - is there going to be further discussion with the department or is it just going to stop here, are we going to be relying on maybe the public awareness of the issue to put pressure on the government to fix the problem? I'll let you comment.

MR. LAPOINTE: The way this process is working right now is that we identify these deficiencies, the solutions, and then we pull away from it at that point until we go back two years later to do a review of what has happened at that point. It's not our role to try and work with management to make those changes - we're not part of the management team and that would be improper, so it becomes solely up to the individual department and their management to take whatever action they think is necessary. So basically we make the recommendations and then it's over to management.

MR. MACMASTER: But for this specific matter there is no specific recommendation that you'd have to fix the problem?

MR. LAPOINTE: The individual recommendations we feel together should move the department towards addressing their problems. If some things that we've identified, like the gaps in monitoring and so on, don't have a clearly evident reason for existing, then it's up to the department to seek the solutions to eliminate those gaps, obviously, to find what is causing them and find ways around them. It leaves it in their hands to deal with that, but I believe we have enough solutions to the various individual problems that we've identified to lead them a long way to tightening up what they're doing.

MR. MACMASTER: Sure and I know you have some other recommendations today for how this committee can operate to ensure that departments are more responsive. If we look at the overall performance of the departments with respect to the recommendations you're putting forth to them, when you have to spend this amount of time revisiting and checking up on departments to ensure that recommendations are being implemented, what kind of resources is that tying up from your office that then limits you from doing further audit work?

MR. LAPOINTE: Without having precise hours in front of me, I'd say that it's easily equivalent to another audit, and we can certainly never entirely eliminate it, but I'd certainly like to be able to be in a position of reducing the necessity of our office doing this amount of follow-up. I think we'll always need to have a hand in this and always need to be going back just as a matter of due diligence, but right now it's pretty time-consuming.

MR. MACMASTER: What have you seen from departments generally? Are they open to your recommendations generally or - and I guess maybe I should specify - the 41 per cent of recommendations that haven't been followed through on, are you seeing resistance by departments, that they see the Auditor General's Office as somebody they don't want to see knocking at their door? Can you give any comment about that?

MR. LAPOINTE: Well I wouldn't say that people are always thrilled to see us knocking at their door. I wouldn't say that we see, as a general rule, resistance to what we find. There are cases in which an agency or a department or a group within them will see us as just being overly critical and be resistant to us trying to change what's going on. That's properly the exception to the norm. On the other side, we have some who see us as being a force for helping them to better manage their departments, which I guess we're seeing here as an example in TIR.

The reactions are pretty mixed, but as a general rule it's not a resistance to what we have to say. By the time we're finished auditing, by the time we're finished discussing and reviewing with management, what we find as a general rule, the norm is that they agree with what we say and appear to be motivated to taking action. It's what happens subsequently which is questionable.

MR. MACMASTER: I guess then it becomes a management issue because it's implementing the recommendations.

MR. LAPOINTE: Yes.

MR. MACMASTER: What role do Cabinet Ministers play in this? Are they to be looked as . . .

MR. CHAIRMAN: Order, please. Unfortunately your time has expired.

Mr. Epstein.

MR. HOWARD EPSTEIN: I just wanted to thank the Auditor General and his staff for their ongoing work. For this report in particular, I wanted to assure him and the public that this report is being very closely read inside the government departments specifically named and in the government generally. It will form part of the basis for ongoing administrative improvements and for the government's commitment to greater openness and accountability. I wanted to thank him again. We actually have no more questions. Thank you.

MR. CHAIRMAN: We have some items on our agenda that we have to look at today. One of them is the letter from the Office of the Auditor General. It was brought forward at the in camera meeting and it was suggested that the caucuses have a look at the comments from the Auditor General. With that, I would ask the Auditor General for any further comments he has on this letter that was dated May 17th.

MR. LAPOINTE: I did, on May 17th forward to this committee a letter with some suggestions as to some actions that this committee can take that can assist in getting a better result in terms of the implementation of recommendations from our reports. These all followed from discussions that we've had either in the committee or in subcommittee, discussions we've had with CCAF when they've appeared here as well and build on the best practices they've identified.

I've made some suggestions here for the committee to consider and what I'd like to suggest for the committee today is three things: The first is to accept and approve the letter of May 17th and the recommendations it makes. Secondly, if that is done then to, as a committee, formally accept and endorse all the recommendations in the Spring report except for any that might not have been accepted by a department or agency, which I don't believe we have any at this time, and then ask that the departments and agencies take responsibility to ensure timely implementation of recommendations. Then, a third request that the committee ask the Audit Committee of Deputy Ministers to assume responsibility for ongoing monitoring and oversight of implementation of the Auditor General's recommendations and take a proactive role in promoting full and timely implementation,

which was the first two proposals that we had in the letter. I think our third proposal can probably wait for future discussion for later meetings of the committee.

MR. EPSTEIN: The May 17th letter actually first came to our attention at the in camera meeting one week ago. Since that time we haven't had a chance to meet as a caucus. We anticipate meeting next week, in retreat. Although there is a full agenda for it, I'm not sure if we'll get the chance to discuss it, but the main point is that we have received the letter, which has now been made public today, but have not yet had the chance to discuss it with our full caucus. I'm not sure if the other caucuses have had the chance to discuss it and therefore I think we're not in a position yet to adopt, reject or modify any of the suggestions made in it. Obviously what we have just heard from the Auditor General is a suggestion for a course of action that is based on acceptance of the letter.

I'm not rejecting the letter. I'm just saying we haven't had the chance to discuss it fully in our caucus yet and so I'm just suggesting that the status of the letter should be as we discussed in camera last week. I think it should be referred to all the caucuses for comment and we should come back and have a chance to discuss how, as a committee, we're going to proceed with it. At that point we can turn to the specific proposals that we just heard this morning. I would like to hear from my colleagues.

MR. MACMASTER: From reading the letter, to me I take it as something that's constructive, that will improve the kinds of things that we're seeing in your recent report that show recommendations that aren't being implemented. I think we're all here to make the province a better place. I think the points that you make in the letter create greater accountability to make our province and our government work better, more efficiently and that's what our job is as elected representatives. I'm okay with the letter. I'd be supportive of it today and I think we should show leadership and support this and move ahead with it.

MS. REGAN: The Liberal caucus also would like to support this letter. We agree that the recommendations made by the Auditor General are appropriate and for that reason we would like to move ahead with the vote.

MR. EPSTEIN: As I said, we simply haven't had the chance to discuss it at caucus and I thought that was really the proposal that was accepted unanimously at our in camera meeting, but given the comments of my colleagues, I'll move that we table the letter and undertake, along with that, that we as a caucus will get back to the committee as soon as we can. I move that we table the letter for now.

MS. REGAN: I have a concern with "as soon as we can". When we leave open-ended timelines things cannot happen as a result. All the caucuses went away last week knowing that the Auditor General would be here today, that it would be an appropriate time and place to deal with these recommendations. To say that you have not been able to meet with your caucus in this day and age where there is e-mail, where there is telephone, you could have (Interruptions)

MR. CHAIRMAN: Order, please. Ms. Regan has the floor.

MS. REGAN: Nonetheless, the other two caucuses have managed to come up with a position on it and you had to know that the Auditor General would be here today and that he would most likely ask that this letter be approved at that time. So to suggest that you haven't had a chance to meet when, in fact, seven days have passed, to me seems rather odd.

MR. CHAIRMAN: Mr. MacMaster.

MR. MACMASTER: I guess I've said what I've said. I don't see anything in this letter that alarms me. I recognize that should the caucus that I am with have the good fortune of being in government someday, I would welcome these suggestions that are here, and I have no problem putting that on the record today so you know where I stand.

MR. CHAIRMAN: Mr. Epstein, any more comments?

MR. EPSTEIN: There was nothing odd, we just didn't have a caucus meeting last Wednesday as we normally would, that's all. Time for the question.

MR. CHAIRMAN: Mr. Epstein, would you like to restate your motion?

MR. EPSTEIN: The motion was just to table the letter.

MR. CHAIRMAN: A recorded vote has been called for.

[Mr. Chairman calls the roll.]

[10:42 a.m.]

YEAS

Mr. Ramey
Mr. Whynott
Mr. Prest
Mr. MacKinnon
Mr. Epstein

NAYS

Ms. Regan
Mr. MacMaster

MR. CHAIRMAN: My vote is Nay.

For, 5. Against, 3.

The motion is carried - the majority - and we will look forward to the time when caucuses can come back with this information, and hopefully it's soon.

Next, we have a couple of other things here. The Auditor General has tabled his Business Plan for 2013-14, which you all received today.

There will be no committee meeting next week - June 5th - due to an out-of-town caucus by the NDP, and there will be an in camera briefing at 11:00 a.m. today regarding the Trade Centre.

Mr. MacMaster has requested to Mr. Lapointe some questions around expenses of agencies, boards and commissions, and the clerk will send a detailed letter on exactly what was promised here by Mr. Spicer, I believe.

If there is no other business - hopefully I've got everything here today and, again, there will be an in camera briefing immediately following this meeting - a motion to adjourn would be in order.

MR. MACKINNON: So moved.

MR. CHAIRMAN: We stand adjourned. Thank you.

[The committee adjourned at 10:43 a.m.]