

HANSARD

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COMMITTEE

ON

PUBLIC ACCOUNTS

Wednesday, February 19, 2014

LEGISLATIVE CHAMBER

Department of Economic and Rural Development and Tourism

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Public Accounts Committee

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[Ms. Suzanne Lohnes-Croft was replaced by Mr. Terry Farrell]
[Mr. Chuck Porter was replaced by Mr. Tim Houston]

In Attendance:

Mrs. Darlene Henry
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Mr. Gordon Hebb
Chief Legislative Counsel

Ms. Cathleen O'Grady
Legislative Counsel

Mr. Alan Horgan
Acting Auditor General

Ms. Evangeline Colman-Sadd
Assistant Auditor General

WITNESSES

Department of Economic and Rural Development and Tourism

Mr. Simon d'Entremont, Deputy Minister
Ms. Lilani Kumaranayake, Executive Director, Policy and Planning
Mr. Jeff Larsen, Executive Director, Investment and Trade
Mr. Wayne Sumarah, Executive Director, Productivity and Innovation



House of Assembly
Nova Scotia

HALIFAX, WEDNESDAY, FEBRUARY 19, 2014

STANDING COMMITTEE ON PUBLIC ACCOUNTS

9:00 A.M.

CHAIRMAN

Mr. Allan MacMaster

VICE-CHAIRMAN

Mr. Iain Rankin

MR. CHAIRMAN: Good morning everyone, I would like to call this meeting to order. Before we begin, I'm going to ask you to turn off your cellphones or put them on silent.

I would like to begin with introductions, starting with Mr. Maguire.

[The committee members and witnesses introduced themselves.]

MR. CHAIRMAN: Today we have with us the Department of Economic and Rural Development and Tourism. We have an examination of funding programs at the department. Before we begin with your introductory remarks, at the remainder of the meeting we will have a discussion on a proposal from the Auditor General dated May 30th and May 17th. We will discuss that after this meeting, followed by a briefing for next week's meeting.

With that, I would ask the department, Mr. d'Entremont, if you'd like to begin.

MR. SIMON D'ENTREMONT: Mr. Chairman, thank you and good morning to committee members. I appreciate the opportunity to talk about our progress on the Auditor General's recommendations on our funding programs. We've already been introduced to my colleagues who join me today - Jeff Larsen, Wayne Sumarah and Lilani Kumaranayake.

My department and the six agencies that report to our minister have an important mandate to achieve on behalf of Nova Scotians, that is to support the growth of the economy and the creation of jobs throughout the province. Over the past few years, the department has undergone significant change. We've introduced several new programs and modified and grown others and expanded into new areas of focus.

Each year our department receives about 3,000 applications and manages in the range of 1,700 to 2,000 transactions to provide support to businesses, non-profit and community organizations through a wide range of programs. Today, ERDT offers about 28 individual funding programs, from co-op programs for summer students to those designed to support innovation and trade. Each program has a different goal, criteria and administrative process. Last year the Auditor General's office examined 10 of these programs, including a sample of large investments from the Nova Scotia Jobs Fund. The Auditor General's office came at a time when we were already working to improve and strengthen our processes and we continue to do so as part of our business.

We've implemented or are well on our way to implementing nearly all of the past and present recommendations. Mr. Chairman, the department has accepted the recommendations and we take them very seriously. The senior management team and I feel that they have provided a good pathway to strengthen our controls, processes and monitoring systems, improve the programs overall in records management practices, and advance the kind of accountability and transparency that Nova Scotians are looking for. All things we want to achieve.

Other work continues; for example, we're working with the Internal Audit Centre to implement a comprehensive monitoring system for all funding programs. The department has hired a new investment funds manager to oversee processes and compliance related to the Jobs Fund. Staff are updating and consistently using our check lists to better evaluate and monitor our investments. Better records management is a key part of that.

Jobs Fund processes are also further being reviewed and the fund's Process Guide is being updated to reflect new controls and procedures. We're developing and refining a performance framework to make sure goals for our programs are specific and measurable.

I'd now like to talk briefly about the process and due diligence we undertake to assess and approve funding. For many of these programs, applications are approved within the department using established criteria and guidelines. Where we need to seek direction and approval from the elected government, our job is to thoroughly assess requests, consider and understand the risks so that we can provide options and advice to the decision-makers. An example of where we do this is under the Nova Scotia Jobs Fund; its mandate under the Act was established to accomplish both economic and social goals.

Because of the complexity, size and nature of these transactions, we seek direction and approval from the government of the day and we follow an established process for new funding. Staff evaluate a company's request and perform due diligence. They may work through my office to seek direction and set parameters. With the financial and economic analysis complete, options are presented to the independent Jobs Fund Board for advice to the minister. Staff pull all the information together for the minister who decides whether to bring a transaction to Executive Council for consideration.

Once the package leaves the department, it is further reviewed by staff at Treasury Board for a staff assessment and recommendation for Executive Council. Often these packages are accompanied by verbal briefings, which help government make well-informed decisions.

During the period reviewed by the Auditor General these transactions also went to the Economic Investment Committee of Executive Council. There are a lot of checks and balances in the process and these are being strengthened. We're committed to continuously improving the administration of all our programs. The Auditor General's recommendations do - and will continue to - contribute significantly to this work.

Thank you. My colleagues and I are prepared to take questions.

MR. CHAIRMAN: Thank you, Mr. d'Entremont. We will turn to Mr. Houston for 20 minutes.

MR. TIM HOUSTON: I appreciate that intro. Just a couple of questions to orient myself before we get started here. What would you say is the total average capital that was invested over the years 2011, 2012 and 2013 by your departments?

MR. SIMON D'ENTREMONT: The invested capital over those years, we would probably have been in the range over that three-year period of - I hate to take a guess here. I wouldn't know the exact number, but it would be \$500 million or \$600 million.

MR. HOUSTON: During that period of time, there would have been write-offs of some investments?

MR. SIMON D'ENTREMONT: That is part of our business - to take reserves against loans if we believe that they're required. There is not a direct impact, actually, when we give out loans, on the operating budget of the province unless we give out grants, forgive loans or actually take those types of write-offs. Our rate of loss on loans under our investments under the Jobs Fund and its predecessor, the Industrial Expansion Fund, are less than 5 per cent over the last 10 years.

MR. HOUSTON: A final question in that series is, how many staff would you say are in the department?

MR. SIMON D'ENTREMONT: The department has around 250 to 270 staff. That includes a number of staff who work in visitor information centres - the tourist bureaus - on a part-time basis, so we have a number of staff who are part time.

MR. HOUSTON: The Auditor General's Report points to a number of guidelines that are not being followed. I know in your introductory comments, you said that for many of these programs, applications are approved within the department using established criteria and guidelines. I understood you to say there are about 28 programs?

MR. SIMON D'ENTREMONT: This is correct.

MR. HOUSTON: For many of those 28 applications that are processed using established guidelines, can you give me a sense as to . . .

MR. SIMON D'ENTREMONT: We have some of our programs that are very eligibility-based - if you send in an application and you're eligible for the program, you can kind of easily get through the approval process. Others require more judgment of staff to find out whether or not we're meeting eligibility guidelines. The criteria of the program that we had - we all have criteria for our programs, but some of them needed to be more measurable and that is something we're actively working on, making sure that we have measurables.

What we're trying to do as part of the follow-up to the Auditor General's recommendation that is really going to help the department a lot is to develop an overall monitoring program. To do that, we need to know what the measurable goals of the programs are. That way, when we implement the monitoring program we know what we're measuring against. We're making some good progress there and we're going through all of our programs to make sure that goals are measurable, specific and that guidelines for eligibility are clear for staff and that we take out any ambiguity.

MR. HOUSTON: In terms of the guidelines - presumably there are operating manuals, I guess. If you get this type of application for this program, you are to follow these particular guidelines?

MR. SIMON D'ENTREMONT: Yes.

MR. HOUSTON: Would there be a number of different guideline manuals?

MR. SIMON D'ENTREMONT: Yes, the programs are quite diverse within the department. Of the 28 programs that we have, we have a number of co-op programs to support summer employment, for example, for students or to attach science graduates or recent graduates from university into work terms. Those would have a different eligibility criteria and guidelines than, for example, our programs to support companies, small

business for doing trade, finding new markets. Again, that would be different from our programs whereby we would be looking to provide assistance to companies to expand their operations or to support communities with community infrastructure.

MR. HOUSTON: So there's a lot of talk I hear about over \$300 million - I think the Auditor General said maybe \$323 million - that was given out without financial analysis. I know your guidelines are always changing and you're trying to improve them at all times, presumably. I think you've moved to a portfolio approach for performance reviews on investments, so you're actively monitoring financial performance of the investee companies at the moment.

Maybe if you could talk for a little bit about how are you assessing these current day performance reviews on investments where there might not have been any analysis done with to begin with?

MR. SIMON D'ENTREMONT: Sure, I could maybe pass that on to Jeff in a few minutes. When applications come in we assess them for financial viability, we do a challenge function against the quality of the assumptions. For some companies we may have gone on-line, we have some publicly-traded companies, we may have gone on-line to look at financial statements on-line, print them off, put them in the file, make a record that we did that analysis and that analysis doesn't show in the file, of course. A good practice which we need to improve is to make sure that we demonstrate that we've undertaken that due diligence and make a note of it in the file so when the Auditor General and others come to make sure that we're accountable in the work that we do, we can demonstrate that is the case.

We've established a process guide and checklist to make sure that in the future as we go through, we can ensure that we don't miss those important steps or we make sure that we document them in the file. We have very talented staff who do a very good job with their very analytic skills to be able to do the type of analysis that reduces risk for the province, but unless we take some steps to make sure that we document those in the file - we also have some models whereby we can measure economic benefit in terms of taxation benefits for the province from employee payroll, as well as other types of spinoff benefits, depending on the type of investments. Sometimes the investment might be related to employment creation, sometimes we might be looking to support a certain sector that needs some help. I will maybe pass it over to Jeff.

MR. HOUSTON: No, I'm okay with that, but you did say something there that kind of tweaked my interest - it's all about reducing economic risk to the province. Are there any situations or circumstances where you've made an investment or given a company some money where there's an opportunity to claw some of that back or take some action?

MR. SIMON D'ENTREMONT: Could you elaborate on the question?

MR. HOUSTON: I'm just wondering if you do the subsequent analysis - presumably those subsequent analyses are all part of determining your write-off. Is there any time where a subsequent analysis would point to well, hold on a second this company didn't do what it said it was going to, or this happened or that happened, so therefore they owe money back to the province? Was the analysis basically for bad debt provisions?

MR. SIMON D'ENTREMONT: Yes, absolutely. In our letters of offer we have conditions that dictate the types of terms that companies need to meet in order to either earn forgiveness, if that was the term of the loan, or to make sure we meet disbursements. We have mechanisms whereby we go through and make sure we meet those terms and conditions of our agreements before we undertake those steps.

That's something we need to continue to be very rigorous to continue to improve, we've got some room for improvement there. But we do have those mechanisms in the letters of offer that there are terms and conditions that need to be met by the companies to keep up their end of the bargain, in order for us to continue to do business as well.

MR. HOUSTON: Have there been any examples over, let's say the past two years, where you've been able to recover money that had been previously given out as a result of doing this type of analysis?

MR. SIMON D'ENTREMONT: I'm going to turn that one over to Jeff, maybe, who might have some more examples.

MR. CHAIRMAN: Mr. Larsen.

MR. JEFF LARSEN: I think BlackBerry is an example where an incentive was created for them to continue operations in Bedford and when it became clear that that wasn't going to happen, the incentive was returned to the province.

MR. HOUSTON: Okay. During the election campaign the now-government campaigned that it was going to improve accountability for government loans to businesses and they stated in their platform this would save taxpayers \$10 million. I'm just wondering, in the last four months have you had any meetings with the minister or anyone who gave you any directive to improve accountability?

MR. SIMON D'ENTREMONT: Yes, I'm going to hand it over to Lilani, who can maybe explain the new Accountability in Economic Development Assistance Act and the processes we're putting in place to improve transparency and accountability.

MR. CHAIRMAN: Ms. Kumaranayake.

MS. LILANI KUMARANAYAKE: In November the department was provided direction by the minister to draft a new accountability Act; that was actually passed in the

Legislature in December. The Accountability in Economic Development Assistance Act will come into effect legally April 1st. Currently we are in the process of developing the regulations, so that really will set the guidelines for what's being reported.

In terms of what will appear on a Web site on April 1st, it will be transactions back to October 22nd when the government was sworn in. The mechanisms are now being set in place to both set up templates for reporting but also create the Web site, so it's in effect when the Accountability in Economic Development Assistance Act comes into force on April 1st.

MR. HOUSTON: So the main feature of the Act is putting transactions on a Web site? Can you make the connection between a Web site and saving \$10 million? I'm just wondering if you've had actual discussions about how this will save taxpayers \$10 million - a very specific number. I'm wondering how a Web site can save that or what am I missing there?

MR. SIMON D'ENTREMONT: I don't want to speculate on behalf of the government but they've decided on a different approach on how to do economic development and they want to have a different view of how we provide assistance to business. It may be that this different approach to assist business will provide an opportunity to spend less and make fewer expenditures on assistance to business.

MR. HOUSTON: Okay, so there haven't been actual discussions in your department - let's find a way to save \$10 million, guys, how can you help me do that. That's not a number that has been discussed specifically with you, I guess.

MR. SIMON D'ENTREMONT: We have started some discussions within the department to try to ascertain how we can make sure we align our budget with the platform and commitments of the government.

MR. HOUSTON: So the now-government has also been pretty vocal on its promises to end bailouts and it plans to ensure that the province becomes a lender of last resort. I'm just wondering, what does the term "bailout" mean to you?

MR. SIMON D'ENTREMONT: That can be interpreted in many ways but in the provision of assistance to business, many Nova Scotians do feel the provision of assistance from government to business is an expense that they may or may not support. It's the decision of government on how they want to make those types of investments. We, as a civil service, provide advice and options to government for them to decide how to make policy and how to do economic development, we help them achieve that. We support the government of the day in delivering their economic agenda as they see fit.

MR. HOUSTON: Would you consider the investment in Port Hawkesbury paper to be a bailout? You, personally.

MR. SIMON D'ENTREMONT: I don't think it's appropriate for me to comment on government's policy. We provide advice to government to help them make the best decisions they can make; at the end of the day, those are their decisions. By doing so, they establish government policy. Whether or not government is prepared to save a one-industry town by investing in a major employer is making government policy on community development, social development and regional issues. Our job is to help provide advice to help governments make the best decisions they can.

MR. HOUSTON: I'm just looking at some of this stuff - the Auditor General tested seven projects totalling over \$800,000. He didn't find that any of those met the eligibility requirements, and no financial analysis really supporting those disbursements. In your role as providing advice to the government, do you sometimes find yourself in situations where you are making recommendations without financial advice backing those up? I'm just trying to get my head around how that happens, that money is disbursed with very little or, in some cases, no backup.

MR. SIMON D'ENTREMONT: Strategic Development Initiative was the program in question. It is a program that was established within the department to provide some flexibility for those types of projects that were thought to be worthwhile to invest in, but didn't meet the criteria of our other suites of programs. These types of projects are often very community-based, they are from organizations that don't have strong financial means. We've funded projects like Hope Blooms, which is a community garden run by youth in the city who make salad dressings - they have been on Dragon's Den, you may have seen. We funded the Apple Blossom Festival, cultural and tourism infrastructure, these types of investments. Often those investments were closer to the community development side of the business, and we have this program, which allowed the minister to make a decision to invest in those types of investments should the minister see fit.

We made a decision to move the program to the Department of Communities, Culture and Heritage last year. It came about as part of our work with regional development authorities; we had been talking with them about how to establish regional enterprise networks to replace them. Many communities expressed concerns that if we were going to focus more on business development and less on community, who would do the community development because in many communities, the community development is very important.

What we did, we took that program that we thought was closer akin to the programs of the Department of Communities, Culture and Heritage around community development and we transferred it there. That way we can create a little bit better separation between us and the Department of Communities, Culture and Heritage in terms of who does what part of the business. We're having ongoing discussions with CCH to try to establish a little bit more clarity for communities that when they want to do economic development they approach us; when they want to do community development, they can approach CCH. We gave them a program to actually help them implement that separation.

MR. HOUSTON: So in specific programs, it would be your position that there really wouldn't be any need for any financial analysis to support a decision because there are other factors?

MR. SIMON D'ENTREMONT: There may be other factors. Some of the programs that are more designed around the community development piece - maybe the measurement of tax revenue from employment might be less important than in other programs. It's really program by program, but good due diligence and good analysis of what the benefits are - some of the benefits may be more social. They may be more regional. Sometimes they're more economic; the more economic end of the spectrum that we work, the more analysis that we do on the economic benefits.

Where there are community benefits, it's a bit harder to quantify how to measure those. That's something where we actually need to improve on within the department - when we do community economic development, not all the benefits are tangible and quantitative. Sometimes it is community-capacity building to help themselves in economic development in the future. That's something within the department, we're talking about - how would we get to better measure community development benefits or community economic development benefits in that they're not quite quantitative, but they're important to be able to measure, especially if we're going to develop performance measurement frameworks. Those are some of the questions that developing a performance measurement and monitoring framework for the department will put upon us to make sure that we do that.

MR. HOUSTON: How am I doing for time, Mr. Chairman?

MR. CHAIRMAN: You have about three minutes left.

MR. HOUSTON: What I have in my hand here is the application for financial assistance. It is a one-page document, one-sided. It asks for contact information, ownership information, current employment, annual payroll. I'm just wondering what happens to this? How do you analyze something like that for funding? I'm not sure if you guys are familiar with this page or not.

MR. SIMON D'ENTREMONT: I'm not sure what program that is, but in my experience the application form is only one part of the file of information. Often, for example, if I take the Jobs Fund, we have an application form of a few pages, but the average file is this thick. The reality is that the application form forms a base to make sure we have the right tombstone data we need to know to establish mailing lists, contact information and these types of things. Most of the analysis that takes place by our officers on a file goes well beyond the application form - talking to the applicant, getting a good sense of what the project is.

MR. HOUSTON: So this would be the thing you get about 3,000 of? I think that was the number you used.

MR. SIMON D'ENTREMONT: Yes, we get 3,000 of those, but our files are much thicker than 3,000 pieces of paper.

MR. HOUSTON: So this would be best described as an inquiry as opposed to an application? From this, you're going to decide whether or not you want to go forward with them?

MR. SIMON D'ENTREMONT: Sure. Our different programs have different milestones. For example, we have a voucher program whereby we go out quarterly, I believe, with calls where we put out a call and within the quarter people send us applications. We have a summer employment program where we have a deadline in January or February and we get hundreds and hundreds of applications. Sometimes that's the process. Other times companies or groups will just call one of our officers and start having a dialogue. What happens is, sometimes it is prudent on behalf of our staff to actually talk the client through what they want to do and whether or not it is eligible, and if they're not going to be eligible, to tell them right off the bat so they can avoid their time of filling out an application form and going through that process if it's not going to be fruitful.

The different programs have different mechanisms, in terms of whether or not you need to get the application at the front end. Often the exploratory process of asking around is done by phone calls, visiting our Web sites and phone calls to our officers and staff.

MR. HOUSTON: Okay, thank you.

MR. CHAIRMAN: Thank you, Mr. Houston. I would ask that you table that document, just for the benefit of the other members in the committee.

Now we will move to the NDP caucus, with Ms. Maureen MacDonald.

HON. MAUREEN MACDONALD: Thank you very much and good morning, it's very nice to have you here in front of us to talk about I think an area of government that is top of mind, not only for people here in this Chamber but for people in the province. I think that certainly the Ivany report has kind of focused our minds on whether or not the economic prosperity of the province is going to help Nova Scotia flourish or whether, in fact, we will be experiencing a period of decline.

I want to ask some questions in light of that because I think what the commission reported is not in many respects news, certainly not news to your folks. This is the reality that you've lived for some period of time. I'd like you to help us understand your work in that context, particularly in the time frame that this audit looked at the Jobs Fund, for example, and the companies that we see listed here with respect to the Jobs Fund.

I want to start by asking - I know some of you have worked in the department for quite a substantial time and others are newcomers - maybe first of all you can just give the committee and the public the awareness of how long you've been in the department doing the work you do. Each of you, please.

MS. KUMARANAYAKE: I've actually been in the department for five years. I started as the evaluation and performance measurement person. Part of the work we did in the early part of the audit period, in terms of introducing a performance measurement approach, that was work that I did with my team.

I am now Executive Director of Policy and Planning so part of my responsibilities has been really looking at that strategic direction that Nova Scotia needs to take. It's in partnership not just with government but all of the different sectors we have in the province with businesses and communities. Part of the work that our branch does is cast an overview on how things are going. In fact, we produced a lot of the background work for the commission, in terms of the economic statistics.

MR. SIMON D'ENTREMONT: I've been with the department for two years, having spent 17 years with the federal government prior to that, including some time with ACOA and Industry Canada in the economic development business. We have, as mentioned, quite a large team - a very dedicated, hardworking team which I am very, very proud and honoured to be leading within the department. Over the last few years, the time that I've been there, we've been working hard to try to invigorate communities across Nova Scotia. We have a suite of programs, as we mentioned.

We focused a lot of our efforts on strengthening the workforce and the labour force, which is a key piece of advancing economic development. We've done a survey recently of Nova Scotia companies and asked them what their top impediments to business growth are. Workforce availability actually comes out as one of the top ones, if not the number one.

We've also been working hard on productivity and innovation, which Wayne's groups has been doing a lot of work on. This is well aligned with the work that Ray Ivany is talking about, the role of universities in supporting research and development. There is a lot of work we can do there to spur innovation. We have a big productivity gap between us, in Nova Scotia, and the rest of Canada and then between Canada and the U.S. That productivity gap makes it very challenging for us to advance.

Another key piece of work we've been doing is around trade competitiveness - helping companies export, bring incremental dollars to the province. Of course, we have a broad department - the Tourism Division as well and the Nova Scotia Tourism Agency now that works to increase \$2 billion worth of tourism revenue that we have, and the procurement shop for the Province of Nova Scotia sits within our department as well.

MR. LARSEN: I have been with the province for just over two years in my position. Prior to that, I was a corporate finance lawyer and energy lawyer in Toronto. I worked at CIBC in Toronto as the Executive Director and Chief Compliance Officer of CIBC Asset Management - mutual fund and other fund business - before returning back home and being a vice-president at a TSX-listed investment company based out of Halifax, and taking a stint as an entrepreneur, starting some businesses and practising some law here as well at McInnes Cooper.

MR. CHAIRMAN: Mr. Sumarah.

MR. WAYNE SUMARAH: I joined the province just a little over two years ago and headed up the Productivity and Innovation Branch within our department. As Deputy Minister d'Entremont mentioned, our team is focused around the department's innovation and learning programs designed to help businesses become more innovative, more productive, as well as help them in terms of workforce development. Prior to joining the province, I held a variety of senior leadership roles, both on the private and the public sector side of things.

MS. MACDONALD: Thank you very much. I think that is so helpful in helping us all understand that you are relatively recent recruits into our public sector, but you bring this very significant, diverse experience that informs the work that you do.

Now I want to look more specifically at the 10 companies that are identified in the Auditor General's Report out of the Jobs Fund. I want to ask you a bit about how much has been actually drawn down on these loans. We see that there has been approval for these 10, specifically for about in total \$500 million. I see that at the time of the audit, the total amount out of that fund was \$611 million, I think, but only - at that point - \$183 million had actually been drawn down. Can you give us a sense of where we're at now, between the time that the audit was done and where we are today?

MR. SIMON D'ENTREMONT: I'll ask Jeff to comment in more detail. As you pointed out, we make the arrangement for financial assistance. It often takes companies a number of years or some amount of time - sometimes he's ordering heavy machinery or he's doing a lot of work around the workplace. So it does take some time to do those drawdowns and while we've made some progress, we still have only put out a part of the funding as well. So I'll ask Jeff to comment on our current status.

I can just add this as well. As part of our new processes and monitoring program, we're doing year end reviews, we're having a more established process whereby we can - and back at the office this is the type of information we have around, but we'll also be able to keep a tighter track on that as well and be able to inform ourselves with reporting and better budget management as well.

MR. LARSEN: These are going to be estimates because I don't have the detailed figures. Irving, I think, is approximately \$35 million or \$36 million that has been drawn down; Pacific West, which is the Port Hawkesbury paper, the full amount.

Bowater Mersey, the original transaction didn't proceed, and there had been an advance of \$10 million that was returned. Subsequently, the province acquired the shares and there was a loan that was provided to settle some of the inter-company balances. There is about \$4 million or \$5 million outstanding on that at this point. Originally, I think \$19 million or so had been drawn down, but the company, which we now own, has repaid the balance.

Cooke - I don't have that number. I think it's \$16 million, around there. Northern Pulp and Paper, I think is less than half. The major project that they're working on is an air precipitator and that hasn't been drawn down, but there has been drawdown for their chip plant and some working capital. Chorus, I believe all of that is drawn.

The Port Hawkesbury Paper Forestry Infrastructure Fund is a different one. This was meant to provide some capital to the company while it was in bankruptcy. It essentially went to the receiver and it kept the supply chain alive with the hope that potentially there would be a buyer found for the mill, and if the buyer was found, that supply chain wouldn't have fallen apart and been non-existent. So it created kind of the conditions that if a buyer was found that the mill would be successful, so the full amount of that was drawn down and that was for truckers and silviculturists and those types of things.

MS. MACDONALD: So just to be specific this was to support smaller businesses that are part of the supply chain for that larger entity?

MR. LARSEN: That's right, it's a symbiotic relationship because nobody would want to come in and buy the mill if the supply chain had fallen apart, so it benefited the purchaser but also - and that's an example where it's difficult to do the financial analysis because you were dealing with a company that was bankrupt and you're dealing with a variety of small businesses that are truckers and so on and so forth. While we can do a better job on all the work we do, sometimes it's a little bit tricky.

BlackBerry was the \$2 million advance that was returned so there's nothing outstanding there. Michelin, that project hasn't proceeded. We're hopeful that we're going to be able to continuously work with Michelin, one of our very important contributors to the economy here to do future expansions, but this project hasn't been drawn down.

The last one is EPC, or what we call PolyCello, based out of Amherst, and I believe that full amount is drawn down.

MS. MACDONALD: I think one of the things that is the most - it certainly was the most confusing for me as I tried to get my head around this portfolio of tools, I guess I would say, that you have at your disposal, what are the differences between loans and

forgivable loans and guarantees and contributions? It would be useful, I think, to have a sense of that, and also, I wonder if you can give us an idea of the ratio for those things. Are most of the financial incentives contributions? Are they repayable loans? What is the ratio in the actual financial support that you give to various companies?

MR. SIMON D'ENTREMONT: I'll start off and pass it on to Jeff. The Jobs Fund is designed to have flexible tools in terms of having all these different mechanisms available. One of the reasons for that is the Jobs Funds design - and the IEF, its predecessor in part, as well - was designed to achieve not only economic goals, but also regional, socio-economic, and social goals, because the concept of saving a community, for example, from an economic mishap is more than just an economic issue.

Because of that not all of the challenges that appear in front of us that need fixing are - as per the discussion earlier about the application form - they don't all fit neatly on an application form, like, what are you applying for - well, my community is in danger. Having a suite of programs whereby you can apply for just one tool would not likely give us the flexibility, in this particular case for example, to try to save a community from an economic mishap. So we need those flexibilities in our tools in order to be able to come up with these types of innovative solutions.

Another thing to comment on, as well - and Jeff is going to go through and maybe talk a little bit about the different types of tools, just to clarify what I said a bit earlier, in terms of their impact on the operating budget. From the easiest perspective, when we give a loan and we collect it all, there's no cost to the province other than our cost of funds. When we provide - whether incentives like grants or they're forgivable or we take write-offs, those impact the operating budget of the province for the year in which they happen.

I'll pass it on to Jack who can talk a little bit more about the spectrum of different tools that are available and maybe an idea on the ratio.

MR. LARSEN: Sure. As the deputy mentioned, there's a variety of different tools. Loans, I think we're all relatively familiar with and they have the benefits, obviously, of getting repaid but also the ability of taking security. If there's a concern about the ability to actually get repaid or if the fact is that the security may be insufficient, then that is when we would take a reserve on that kind of loan as well and that would have an impact on the operating budget. Sometimes you take a reserve, though, and you actually get repaid, which is a pleasant surprise. We've had a few of those over the last three or four years that were positive developments because it was able to help a business transition through a tough period. That comes back into the income statement as a recovery.

We have forgivable loans which are really a form of a grant where, if they earn the conditions, they are entitled to not have to repay that loan. It enables you to take some security as well, so that if they don't meet the conditions of the forgivable loan, you can actually demand repayment and you have some security to do that. It's a more robust form of a grant, in a way.

There's the converse, which is a conditional grant - you grant somebody the money on the condition that they do certain things and, if they don't, then you can demand payment but you don't have security under a conditional grant. There's accounting standards about how you treat of those, depending on the circumstances.

The Jobs Fund also, from time to time, has made equity investments. It has made investments in Composites Atlantic in Lunenburg, where its partner is Airbus Global, the manufacturer of the Airbus planes based out of France. There's an equity investment with DSME, the second largest shipbuilder in the world, based out of Trenton. In addition there's occasionally development incentives that the investment division will work on, which are a form of grant, usually for a quasi-infrastructure type of situation. The Cape Breton and Central Nova Scotia Railway would be a situation where there really isn't a business case for that entity to continue to operate unless they receive a form of subsidy. The Digby ferry is another circumstance where a development incentive has been provided.

MR. SIMON D'ENTREMONT: I can add that the Jobs Fund can be used to fund other initiatives. One of the most successful initiatives that we funded in the past was the Credit Union's Nova Scotia Small Business Loan Guarantee Program. That's a program that we need to do a better job, actually, letting entrepreneurs know around the province that we have an arrangement with credit unions whereby we'll provide a loan guarantee of up to 75 per cent and we're working on amendments to change that to 90 per cent for some types of loans. Actually it exists for 90 per cent for some types of loans as well, to encourage the credit unions to extend credit to small businesses for them to grow their business.

Through that program it has been hugely successful and it's a real success story for the work that we've been doing, that we've put out over \$55 million in the last 10 years and our loss rate there as well is less than 5 per cent. When we're playing in a slice of business that has a risk profile greater than what the banks and private capital and equity markets are prepared to do, and we put out that amount of money to support small business and we've spread a 5 per cent loss over 10 years, it's really a very small cost. I think most Nova Scotians would agree that in terms of that part of doing economic development it's a very small cost to spread on a lot of community-based development.

MS. MACDONALD: I think we're in a period of transition. You've talked earlier about a new government, a different approach. They have gone out to find consultants to do a review of how you do economic development and the tools we've just talked about, but that work hasn't been done yet. So we're in a situation now where business in the province continues and business can't necessarily put their business on hold to wait for the results of some study or some process.

My question to you is, how is the department operating right now with respect to the needs of the business community? What rules are you using? What programs are you using? How is that all working out at the moment?

MR. CHAIRMAN: Excuse me, you may have a chance to answer that later, but Ms. MacDonald's time has expired. We will now move to the Liberal caucus and Mr. Rankin.

MR. IAIN RANKIN: Thank you for coming in today and answering the questions that the committee has. I wanted to clarify the direction that this province has been engaged in over the last number of decades. I appreciate the cursory explanation of the new mechanisms that you have in place and what they can do to improve performance. I especially appreciate the words "better budget management today", which I believe to be a valuable paradigm shift from the direction that this province has been going in over the last number of decades.

My first question would be, do you recognize that implementing stricter controls going forward and initiating the new accountability Act will improve outcomes?

MR. SIMON D'ENTREMONT: Definitely, having better controls is just good business. The vast majority - we fully accepted the recommendations of the Auditor General's Office and their review because they are good recommendations. They make sense for us and they make sense for most organizations. Having more rigour around your processes and improving the way that you're doing your business is bound to be good for us as practices.

We also need to build the confidence of Nova Scotians in the work that we do to support economic development, and if Nova Scotians don't have the confidence that we can do a good job, it makes it difficult for you as government and our elected leaders who have to speak and face our electorate every day. They need the confidence that their government and the province, and us as a civil service, are working really hard and really well to support their interests. So improving accountability and transparency are good general practices for any business. It's good for us. It keeps us on our toes - make sure we're doing a good job - and builds the trust of Nova Scotians that we're going in the right direction.

Going back earlier as well to comments made about the Ray Ivany piece - we've hired Dr. Tom Traves to do some work for us as well. Any go-forward plans for us, if we decide to develop some new programs to meet those types of needs that are raised and so on, of course applying the lessons learned from the Auditor General's Report on those and making sure that those new programs are part of our new suite with its new program management and monitoring functions will make them all much better.

I think we've come from a place where under maybe the Industrial Expansion Fund in the years past, we had very little for process and guidelines and good mechanisms and good controls, we've made a lot of progress since 2011, but we've got a ways to go. We

went from having almost no processes and practices, to now we've got them but we're not implementing them perfectly yet. We're hitting 70 per cent, 80 per cent and 90 per cent in terms of our implementing them.

So we've gone to good, maybe, but we need to get to great. We need to get to 100 per cent; that's the new agenda. I've sent out a memo to all my staff and managers, and people know that there is a new spirit of compliance and good practice within the department. That will drive not just guideline change and paper change, but a cultural change within the organization to be accountable, transparent and to have good practice.

MR. RANKIN: I appreciate that answer. There are very good words in there about a new spirit and it's very similar to some of the words used in the Ray Ivany report. It's very timely that the report comes out at the beginning of a new government mandate. Although it's not news to many, it does use unequivocal language - we're not really in a period of transition, we're, in fact, some of the words used were that we're at the edge of a precipice. We do have some opportunities to go forward, but certainly what has been happening over the last number of decades has been troublesome to say the least.

I'll digress back to what was mentioned earlier about the first paragraph on Page 26, where you highlight that the Jobs Fund guide was not being enforced, despite that the guide was being developed for the Jobs Fund, so application forms were not completed and document analysis was not conducted.

I'm wondering why this guide was not being followed. Would the Executive Council have knowledge that applications were incomplete prior to the approval?

MR. SIMON D'ENTREMONT: We have a guide and we have some very talented staff within the department, who have very, very good judgment. There are times where the guide - as I mentioned earlier, the Jobs Fund is a flexible tool that has the flexibility built in because not all challenges that are presented to us are created equal. They all need a little bit different approach and, because they need a different approach, we need to put more emphasis on one part of the deal and maybe less on another. There's not a lot of consistency there.

I think our officers - maybe I'll pass it to Jeff, he has some other comments as well - we have officers who have great judgment and they use that judgment to say that particular part of the checklist is less relevant in this particular case so I don't need to do that or I'll do it in my head. The reality is that if you do that, we don't demonstrate the transparency and accountability that the Auditor General or ourselves should expect. We need to get better to make sure that we don't do things in our head and we need to standardize the processes and procedures and we make sure that we do a good job.

We have very good processes. We have that analysis that is done. We have lots of checks and balances on the Jobs Fund; so the officer does the analysis, the investment

director looks at that analysis before, even though we didn't get signoff on it and get the signatures, even though there was the revision that was done. It goes to the independent Jobs Fund Advisory Board who are experienced, very bright business people who play a strong challenge function with us. They make sure we do lots of work and good due diligence. Then we prepare that information, it goes through signoffs of senior legal and finance officers, myself and it goes up to the minister as some options and then it's the minister's recommendation to Executive Council that ultimately paves the way forward for that.

MR. LARSEN: To add to that, with compliance and controls, it's important to have the culture of compliance, a risk-based approach and also technical compliance. I think we are making great strides on all three.

We were developing the Process Guide during this time period, following the 2011 audit. Historical approach is two things. For example with Michelin, IEF had been dealing with them for 40 years, so going and asking for an application form from Michelin was, from a risk-based approach, perhaps though as not imperative, I think the Auditor General has made a good point, though - just make it imperative, have good technical compliance. From a risk-based approach maybe it wouldn't be as critical but you might miss something.

The tone is set from the top and the deputy is setting the right tone for compliance and creating the right culture. That's the kind of thing we will see evolved. We really do appreciate the comments but it needs to be a three-pronged approach, not just the technical compliance. We also need to understand the risk and have the right culture and that's what we're doing.

Some of the things, for example, on the Irving contract where it's a 30-year federal contract for \$25 billion, the approach of analyzing that, given the contractual certainty from a risk-based approach might be different than you would analyze a company that really is going to have to sell something the next week in order to make payroll, so how you might do your risk-based approach to that analysis between those two companies would be different. It doesn't mean that we shouldn't do the right technical things that would be outlined in the guide for all the files and change our modus operandi a bit to ensure that we do the very best job we can.

That's an evolution. It takes a bit of time for an organization to adopt not just the technical changes, but also the cultural and the risk-based approach.

MR. RANKIN: Okay, that's a good response. I'm conscious of the time so I'll probably come back. I want to give my colleagues a chance to ask some questions.

MR. CHAIRMAN: Mr. Stroink.

MR. JOACHIM STROINK: That you very much for coming in today. I want to refer to Paragraph 3.9, it talks about the monitoring of financial assistance programs and how current monitoring is not sufficient. The report cites that the Capital Investment Incentive program requires all equipment to be used here in Nova Scotia. Has the ERDT found any instances where this specific requirement was not followed?

MR. SIMON D'ENTREMONT: I'm going to pass that off to Jeff because he has more subject matter experience, whether we know or not.

MR. CHAIRMAN: Mr. Larsen.

MR. LARSEN: I'm not aware, but I don't have the information right now to provide a full response on that.

MR. STROINK: Would you be able to provide that to us at a later date?

MR. LARSEN: Absolutely.

MR. STROINK: Thank you. I'll pass to Bill.

MR. CHAIRMAN: Mr. Horne.

MR. BILL HORNE: Thank you, I'm pleased to see you here today and I hope we can get some clarification on some issues. The ones I'm looking at are under Paragraph 3.22 of the report which highlights that three out of 10 Jobs Fund files tested did not obtain financial statements from the client. Is this an oversight or is it because of your workload that this would have happened or not enough staff or what?

MR. SIMON D'ENTREMONT: Sure, I'll start off and then maybe pass to Jeff. Sometimes we deal with publicly-traded companies whose financial statements are available on-line, so if our analyst looks at those financial statements on-line and doesn't make a note, print them off, put them in the file and put a note on the financial statements that they did the review, it's not evident to anyone looking at the file that that type of work was done as well.

There may be other instances where having the financial statement, there may be other issues at play in terms of recently defunct companies or so on that make the value of the financial statement to the file maybe less important, but I think it's a good practice for us if we don't have a financial statement on the file to put a detailed note on the file why we would not, as opposed to just leave it off and that's why having that checklist to remind us to put that type of diligence in the file is very helpful.

Jeff, do you have anything to add?

MR. LARSEN: The deputy is correct and an example would have been Michelin. They are a publicly-traded, global company out of France with an annual report that's 300 to 400 pages, where there are two mentions of Nova Scotia, despite the fact that Nova Scotia and South Carolina are their main North American hubs. I think with a circumstance like that, a previous approach might have been to think about if the relevance of that was such that we need to focus on that particular issue or should we focus on a different issue. But going forward that's not going to be the case, we're nonetheless going to do it and make sure we spend extra time to go through and see what's in that report and if there are particular challenges.

A similar case would have been with RIM, for example, a publicly-traded company. The financial situation and challenges of RIM would be well known to investment staff, but unless you actually print it off and actually do your kind of summary of reviewing it and here's essentially what it's saying, you don't have it documented from a technical perspective in the file and you don't know what you might find. We're going to ensure that our investment managers continue to enhance their policies and procedures to that in the future, those types of situations will nonetheless be addressed.

MR. HORNE: So documentation will be much more increased with that?

MR. LARSEN: That's right and currently the evolution of the files is dramatic, too. If you look at a current file from the last year or two, the thickness is much more than it would have been five or 10 years ago and we're committed to continuously improving and enhancing our policies and procedures. I don't want to make excuses because it's our responsibility, we're professionals and we have the responsibility to do that, but we are working hard and we have people who want to do a good job, they want to do the right things and we have the right leadership with the deputy and the right culture that we're developing. We're going to continue to improve and enhance - it can't just be a risk-based approach. We need to technically get to our 100 per cent and move forward.

MR. HORNE: Could you say then that you haven't missed very many financial statements from the clients? What percentage might it be?

MR. LARSEN: Well I think of the 10 for example that the Auditor General reviewed, there were the ones that he commented on. When you talk to your investment managers, the rationale for that would be along the lines of what I just said. The deputy has made it clear that's not going to be an excuse anymore, we're going to make sure that we do the full review and make sure it's documented.

Often the review will happen with a publicly-traded company, for example, where you'll do your analysis of RIM, but they'd say this isn't a private company where I was e-mailed either the review engagement or audited statements and I'm going to put it in the file, but going forward those processes will be enhanced.

MR. HORNE: Okay, so would you be saying that you have not missed any of the financial statements from the companies, the clients who are looking for funding? You know, it's hard for the province to make good loans, and so on, if you don't have a financial statement.

MR. LARSEN: I'm not aware of any other than the ones that the Auditor General highlighted.

MR. HORNE: And you're saying those could have been just because you look on the computer to see their statements?

MR. LARSEN: I believe the ones he referred to were Michelin, Research In Motion . . .

MR. HORNE: Which are public.

MR. LARSEN: . . . and maybe Chorus. I may be incorrect because I don't have it in my hands here but that was my recollection. When I say, for example, that the investment manager would have nonetheless reviewed Michelin on-line, they wouldn't have done the same level of analysis on Michelin's financial statements, historically, as they would have on a smaller, privately held company because I think there was a risk-based thought that, well, this is a different kind of thing. Going forward, I think our clear direction and the right direction is nonetheless, you use the same level of due diligence and you just make sure that there's nothing missing there.

MR. HORNE: Okay, I'm satisfied, thank you very much.

MR. CHAIRMAN: Mr. Farrell.

MR. TERRY FARRELL: I want to change gears a little bit, to get away from the AG's Report. I just want to ask you a little bit about how the programs get out into the community. Do you feel that the programs available to businesses in the province are well enough known and that businesses are well enough aware of the programs that are out there? Maybe in the course of answering that, can you tell us some of the ways, some of the steps that you're taking to make businesses aware of the programs offered through ERDT?

MR. SIMON D'ENTREMONT: Sure, thanks, that's a really good question. We have a network of field officers who are out there in offices in many communities, in your communities around the province, who people know that they can call and contact if they're looking for assistance. We have a Web-based presence but we've been working in the last year to try to clean up our Web-based presence. When you've got 28 programs in a long list on the Web, it's not the best way for people to access your services. So we've been working on cleaning those up into five or six key pillars, so people looking for trade advice can look in the trade pillar as opposed to having five trade programs to try to sift through.

We really try to use our field staff as navigators, to make sure that people have an easy way. Doing research on the Web in terms of program assistance, if you don't find it in three clicks, you're going to give up and move somewhere else. We are really encouraging people to call our field staff and say, I've got an idea, how would I support my idea? They know of the 28 programs, the two or three or one that they are eligible for and can take them right there. So that's a process we like to use.

We're trying to improve our Web presence as well, not just by cleaning that up, but developing Web portals in collaboration with Service Nova Scotia and Municipal Relations. We're working on a system, for example, whereby when companies want to apply, to make things easier, of course, making the application process more painless is helpful as well. So we're working on a process whereby companies can type in their business number and we can download the tombstone information from the Registry of Joint Stocks, auto-fill the application form: name, address, phone number, contact, articles on the incorporation, or whatever they need, to really help that process so they can get down to actually talking about the details of their business. So we're working on that as well.

We're also working to clarify the roles and responsibilities and mandates between the many different players; there's us, NSBI, Film & Creative Industries, Innovacorp - a number of different players. We're trying to build a Team Nova Scotia approach. And Ray Ivany actually talked about this, some of the best examples of when companies came to us and said, we felt really well served in Nova Scotia is when one of the economic development teams - like someone on Jeff's team, for example - got a lead from a company that wanted to locate in Nova Scotia, and had a little chat with him and said, what do you need? They say, well, we're going to need some help with the Department of Environment, Department of Energy, we want some help here, some help there, we need some fibre, natural resources. One of Jeff's staff may call everyone to one meeting. The client comes and meets everyone all at once and gives them one pitch. They come away feeling so well served. We had companies come to us and they said, we just came from Quebec and we had to have eight meetings to accomplish what we accomplished at this one meeting here.

So once we do that, what happens is the staff that were at the meeting figure out - what do I need to take back to my department and allow this to happen? Everyone kind of carves up the work and we get together in the background as a coordinated group and get back to the company with one Province of Nova Scotia response - we're prepared to do X and cover all the files. There's nothing that gives companies a harder time than when they have to deal with multiple parts of the province - they don't feel like they're dealing with one Province of Nova Scotia because there are other levels of government to deal with, as well, so at a minimum we need to get our act together. So that's something we're continuously trying to improve.

MR. CHAIRMAN: Excuse me, Mr. d'Entremont, thank you for your response. The time has expired. We'll move to Mr. Houston for 14 minutes. (Interruption) Mr. Larsen.

MR. LARSEN: I just wanted to clarify one comment. I said I wasn't aware of any other examples, but an example of where we might not have financial statements would be the Yarmouth ferry. It's a new company, it had never existed before - Nova Star - so they wouldn't have historical financial statements. And there's another example - CelluFuel, which was a new company. From time to time that would be the case for the Forestry Infrastructure Fund where I mentioned it was actually going to a receiver for a bankrupt company - Port Hawkesbury Paper, previously NewPage. So there may be circumstances, but where there are those circumstances, what we're going to do is clearly document in the file what those circumstances are so when the Auditor General looks at it, he understands - okay, at least there was a reason, because historically somebody might have said, okay, there aren't any so I'm not going to put anything in the file.

I apologize, Mr. Chairman, I just thought about that and I didn't want to have any misunderstanding later on.

MR. CHAIRMAN: Thank you, Mr. Larsen. Mr. Houston.

MR. HOUSTON: The statement was made that better controls are good business. I can tell you that as a chartered accountant, I certainly agree with that statement. I'm also glad to hear that this team is trying to implement a cultural shift and some cultural changes. You certainly strike me as a well-qualified team so those are comforting things to me.

Better controls are good business, if they're followed. If the controls are not followed, then they simply can't be trusted. My concern is that as long as there is political interference and political slush funds, your job has the potential to be incredibly frustrating. So I want to ask you today a little bit about the impact that Cabinet has on the government Jobs Fund. Specifically, can Cabinet effectively ignore your advice and disburse funds based on their own agenda?

MR. SIMON D'ENTREMONT: We have processes for Jobs Fund applications that we follow and that are followed rigorously, and the officers who are working on the file always do analyses to provide the best advice that we can. We bring those to the Jobs Fund Advisory Board, which gives it a second pair of eyes and gives us good advice on what the risks are of the deal, what the benefits are of the deal, and how to improve the deal.

We then go through the process of signatures, and as you mentioned, you've got good controls if they're followed, so now we've got a much more rigorous process of making sure that through the senior management chain, we sign off on all the different pieces of information that are going forward to make sure that if there's a piece missing, we'll send it back to make sure it gets done. After that, the advice of the Jobs Fund Advisory Board goes to the minister, and it's the minister's recommendation to take it to the Economic Investment Committee and to Executive Council. Ultimately, the Executive

Council needs to make the decisions on whether or not to support the proposal. But it has always gone through the whole process of all the way up to Executive Council. After Executive Council makes a decision, that is government policy and our job is to implement that policy and so the file comes back down to us for management.

MR. HOUSTON: So as we sit here today you could build up the biggest file in the world should you choose and have a recommendation that effectively, if there was a strong voice in the Cabinet and there was no business case in your mind, that strong voice could effectively push that project through. That's the way it is from what I hear, it kind of goes through your processes, you do all your checks and balances, and you make a recommendation which could be accepted and followed or ignored and not followed. On that very specific point is that the case today?

MR. SIMON D'ENTREMONT: Technically it's the minister's recommendation on an R&R that goes to Executive Council so we support and provide advice to the minister, but it's the minister's recommendation so whether or not Executive Council wants to follow or not follow the minister's recommendation is up to the Executive Council. Once they make a decision we implement that decision.

MR. HOUSTON: Great, thank you. I had the opportunity to hear the Premier speak yesterday at a function. He made mention of investing in social projects. I wonder, has the minister or maybe somebody from the Premier's Office talked to you guys about social investing and social projects at this stage?

MR. SIMON D'ENTREMONT: We've had ongoing discussions within the department for the last couple of years on social enterprise. We have a pilot project with the credit union through our Credit Union Small Business Loan Guarantee Program, where we provide guarantees for social enterprise, which are business-like entities that create revenues like a business would but the profits don't go to individuals - they're reinvested in some philanthropic exercise. So that has been in ongoing discussions within the department. I can't recall a specific discussion although it's a topic that when I raise it with folks, there's general enthusiasm that it's going in the right direction and there's general support.

MR. HOUSTON: Fair enough. I'm just wondering if what we were hearing yesterday maybe was kind of a change in terminology as opposed to a change in direction. We did hear - like the now-government when they were in Opposition, they were very critical of some of the investments and some of the cash disbursements that the government made and they were very vocal against bailouts. Now I think what I'm just trying to get my head around is has there been any kind of change there? It seems like to your mind there hasn't, and maybe the same types of investments will continue to be made but just under a different term. I just want to get the clarification that you really haven't had - there has kind of been no change in your mandate, it's just how it might be described publicly would be

different. Is that sort of the case that nobody has sat down with you and said, guys, we're going to take a look at what we invest in here, we're going to make some changes?

MR. SIMON D'ENTREMONT: We've been having discussions about the way forward with the Ray Ivany piece coming in and Tom Traves doing a review of our programs and tools. As well, we have hired a gentleman by the name of Gilles Duruflé, and Ellen Farrell from Saint Mary's University, to do a review of venture capital. We're getting a number of inputs that are coming into us now that can form the basis of some new directions. If the government is interested in pursuing some of those directions, as per Ray Ivany's direction, or what Tom Traves recommends, we're there to help support them and deliver their agenda; we, as a civil service, that's what we do: we support the government of the day.

MR. HOUSTON: So I think I heard you say if that's what the government wants to do, if they want to follow the recommendations of the Ivany report, you're certainly going to help them and I respect that. We have heard government holding the Ivany report up and saying this is our blueprint for managing this province and this is exactly what we're going to do and we are never going to make a decision unless it's consistent - I'm paraphrasing - but obviously the Ivany report is pretty important in the eyes of the government. I'm wondering if anyone, if the minister maybe has sat down with you, Mr. d'Entremont, and said this is what we're going to do, this is how we're going to take this, or have those discussions not taken place yet?

MR. SIMON D'ENTREMONT: We haven't had those discussions in great detail. Ray Ivany's report is starting a good dialogue with many people but the impact of the Ray Ivany report can be broader than just economic development, he touches on lots of files that are related to the economy but that are not the lead within our department. For example, talking about immigration, talking about different types of policies that impact different departments - those are discussions that will be a little bit broader than with us.

We're bound to have discussions about a way forward, given that we have all these inputs and we plan to collect them all for us to be able to provide advice to our minister.

MR. HOUSTON: Thank you for that. One of the recommendations from the Ivany report, or one of the goals rather, was that we double the amount of business start-ups in this province. I'm just wondering what a term like that means to you folks - do you play a role in that?

MR. SIMON D'ENTREMONT: That's a great question. Entrepreneurship in the start-up economy is a good basis for any business development program. The Ray Ivany work found, interestingly, that there's nothing - the strategies that we're working on in terms of trying to support economic development, if you asked the 4Front conference, if you asked the Atlantic Provinces Economic Council, if you asked economists, if you asked a lot of people what do you need as an economic strategy to - what policy things do you

need to support economic development, they all say, ballpark, the same thing - you need workforce development, innovative products, you need trade competitiveness, access to capital. The list sounds very much the same so we keep saying if we're doing all those things, why aren't we seeing the results?

I think where Ray is a bit going is that it's like we've opened the door for people to walk through but there's not enough people walking through the door. We've opened the right door and it's open but there's not enough volume. Ray is saying we need to take high-growth, start-up and small businesses that can grow very quickly and that have the potential to export and bring incremental revenue to the economy, are going to be very important in building a base.

We just need more. We need to make sure we have the tools to help businesses start up so that Credit Union Small Business Loan Guarantee Program that we have is very helpful, and bringing technical skills through some of our co-op programs will be very helpful. We invest in entrepreneurship through CEED - the Centre for Entrepreneurship Education and Development - and so on, so we have some investments that we've been making in entrepreneurship and the start-up community.

Also through Innovacorp, one of our partners and part of the portfolio reporting to our minister, we invest in venture capital for small, high-growth firms. So we have lots of tools looking at small business. They may be less well known and we need to make sure we address that but I think that over the next little while we'll undoubtedly be looking at, do we have the right suite of tools for the start-up economy and for business start-ups, and to make sure whether or not we can enhance what we have or come up with new ones will undoubtedly be part of the dialogue.

MR. HOUSTON: I appreciate that and I agree with that. The thing that concerns me is how do we get there? I'm just trying to balance that against the situation that you guys find yourselves in, which I'm very sympathetic to, that you could do a lot of analysis, and make decisions on things but then get vetoed at a higher process, particularly on the Jobs Fund, right?

It's the job of government to create an environment where business has an opportunity to be successful. When you guys are out there talking to companies, prospective companies that might come to Nova Scotia or might grow in Nova Scotia, I'm sure you're hearing certain themes of why they're setting up their next warehouse somewhere else or why they're not hiring here and they're hiring in New Brunswick. I'm just wondering if you can shed a little bit of light on those types of themes.

I assume that having some of the highest taxes in Canada, it probably doesn't make a lot of entrepreneurs optimistic about the prospects here, and probably power rates and stuff. But I don't want to make that assumption - I'd like to hear what entrepreneurs are saying to you.

MR. SIMON D'ENTREMONT: Sure, another great question as we try to work our way forward and figure out what is the best way to grow the economy. Part of the work we do in supporting businesses one at a time through our programming is only part, as you mentioned, of this sphere of whether or not companies want to come to Nova Scotia or grow in Nova Scotia.

Through our programming, we may touch on - I'm just throwing a number out and please don't quote me on it - let's say we touch one out of every 500 businesses with our programming, that we give some kind of assistance to hire a co-op student or develop new trade markets. We also need to think of, what are we doing for the other 499 to make sure that they can grow? So we have a role as government to create the winning conditions for them to be able to succeed.

Those types of things include a number of factors. They include taking down trade barriers between countries and between provinces; liberalization and harmonization of different things like apprenticeship, which we're working on right now. Our partners at LAE have agreed with the other three Atlantic Provinces on four types of apprentice where we're going to harmonize our requirements for that. Right now, you could start one year in one trade, and then go to another province to take your second year and they've inverted the program. So we're looking at all those different pieces.

MR. HOUSTON: I'm going to run out of time so I want to stop you. I do want to thank you guys, and I also want to offer to you that if you ever want to discuss any files with me or need any advice on anything, I would be more than happy to chat with you.

MR. SIMON D'ENTREMONT: Thanks for the offer.

MR. CHAIRMAN: Thank you, Mr. Houston. We'll move to the NDP caucus - Ms. MacDonald.

MS. MACDONALD: Pro bono - he didn't mention that. (Laughter)

I was asking a question about what we are doing right now in terms of - let's say there's a business in Nova Scotia today that has an opportunity or has a problem and they come to your department. What set of rules are we playing by? What are the approaches that we're using right now to deal with problems while we're waiting for the review that's underway that will bring us to this new and glorious change?

MR. SIMON D'ENTREMONT: The programs that we have are only part of quite a broad suite of programs and tools. As you know, we have Film & Creative Industries, we have NSBI, we have Innovacorp - so we have a lot of different players involved in economic development, to the point that Ray Ivany and others have commented that there are a lot of people doing economic development. We've got ACOA and we've got different

levels of government. There are a lot of business development agencies and we have established relationships with all of those agencies.

There is a lot of opportunity and because we're part of the same club, we're talking to the same clients and so on, there's a lot of opportunity to employ that team Nova Scotia approach. If that team Nova Scotia was eight players before and is seven players now, for example, if we can't participate for one reason or another, there are still a lot of tools out there. We have our Credit Union Small Business Loan Program, which is very active. We have venture capital investments through NSBI and Innovacorp. There are a number of different tools and a number of different ways for us to continue to advance the economic development agenda.

MS. MACDONALD: So are you saying that the Jobs Fund is on hold, that we would send a business to ACOA or find out some other part of our own portfolio to deal with their issue? I'm trying to understand . . .

MR. SIMON D'ENTREMONT: No, we're continuing to work on a pipeline of business development and we're having conversations. At the end of the day, we'll present options to government and they'll decide whether or not they want to proceed. That's their decision, their prerogative, but we continue to have a pipeline of companies that we work with to try to undertake initiatives in various stages and we'll be presenting those to government when . . .

MS. MACDONALD: So we're using the same essential components - loans, loan guarantees, contributions?

MR. SIMON D'ENTREMONT: At the end of the day, that will be a decision of government, what tools and what types of tools they're prepared to use.

MS. MACDONALD: But that's what we're doing right now. That's what's in place right now.

MR. SIMON D'ENTREMONT: Yes, those tools as they existed before still exist.

MS. MACDONALD: Nothing has changed.

MR. SIMON D'ENTREMONT: The option is there for government to continue to use them if they would like.

MS. MACDONALD: We're still doing the same things right now that we were doing three months ago, five months ago?

MR. SIMON D'ENTREMONT: We have the same programs - the same tools exist in their current form right now.

MS. MACDONALD: One of the things that I notice in the AG's Report is around the economic analysis that was done on these 10 companies in the Jobs Fund. If I'm reading this correctly, I think the AG found that in nine of the 10 files an economic analysis was, in fact, done, but one of the 10 files there wasn't, it wasn't completed. I'm not really sure which one that is, I don't know if you can shed any light on that, if you can tell us which one didn't have an economic analysis assessment and why that was.

MR. SIMON D'ENTREMONT: Sure. That would be the Forestry Infrastructure Fund, the \$12 million investment. For that particular investment, usually the way we do our economic analysis is that we want to know what our return on investment is for the province. We base it on taxation income to the province from employment and that's a general part of our analysis. That type of analysis makes sense when the benefits are job creation, so if you want to create 100 jobs, you want to figure out what the payroll tax is going to be on 100 jobs and that's how you help establish at least the economic argument, they can be social and socio-regional, and so on, arguments as well.

For the Forestry Infrastructure Fund the goal of the project was not job creation for the company, it was to keep the supply chain for forestry going. The goal there was whoever took over the Port Hawkesbury mill would require an active supply chain. Once that supply chain dries up there's a risk you'll never get it started again. If the foresters move out West, if the truckers sell their trucks and that supply chain dries up, then when you want to take over the mill the supply chain is dry and you can't get it going again. Given that the focus was on keeping the supply chain, our analysis was around the benefits of the supply chain and being able to keep it going rather than on the economic analysis of the job creation - of which there was some, but it wasn't the primary motivator in that particular case.

MS. MACDONALD: So of the 10 files that were checked an economic analysis was done on nine out of 10 and the one for which there was no economic analysis done it would have been quite difficult to do that and it would have formed part of the larger Pacific West analysis at any rate, I would think?

MR. SIMON D'ENTREMONT: Yes and it wasn't the primary motivation for us so we were measuring other benefits primarily because those were the other benefits we were trying to get.

MS. MACDONALD: I notice that you have accepted all of the recommendations and you have implemented many of the recommendations and other recommendations are in process. I also noticed Recommendation 3.10 which is the one that makes the distinction, I think, between capital and working capital, and your response on that. Reading between the lines of this gave me the impression that this recommendation at times will not be practical. I wonder if you could elaborate on that because it seems to me that sometimes the requirements and pressures that are faced in the business world don't

conform nicely to the processes of government which take so much more time, in my experience, and can get bogged down in a lot of red tape sometimes, there's a tension there. This recommendation seemed to reflect that a bit for me.

MR. SIMON D'ENTREMONT: Sure, I'm happy to comment. When we looked at this recommendation, which is a sound recommendation that good practice in terms of accountability and transparency is that companies or clients should incur costs and we would reimburse those costs, that's a good practice and it's a nice, safe way of doing our business. But as you mentioned, the Jobs Fund is a flexible tool - and we talked earlier about guarantees, forgivable loans, lots of tools - and one of the tools that are available is provision of working capital. The challenge with the concept for us - and it's not a challenge per se in that it's an option for us that we can pursue if government wants to make it so - is that for companies that need working capital from us by definition don't have enough working capital and don't have a good availability of funds. For them to have to incur the expenses first and then submit to us the receipts afterwards for us to be able to disburse would be challenging, given they're asking for working capital and don't have enough. We'd be making their working capital needs a bit worse.

The other issue is this is a generic recommendation that can apply to many of our programs; we deal with non-governmental organizations, community-based organizations. We have a program right now, for example, where we give them an advance of 50 per cent. They incur some costs, send us a bill, we give them a bit more money, and that way we keep going. So for these small, community-based organizations, getting the working capital requirement to be able to have the money, to spend the money, for us to be able to give it to them is a bit of a challenge.

We can implement that recommendation. When the deadline was due for this we were in between governments. We had no way of asking our government whether or not they were prepared to undertake this, because this is more of a policy decision of government than it is a program implementation one. That being said, for some of our programs, where we do have an expectation that they incur first and then we repay it, we're going to tighten that up quite a bit as per the recommendation, because it's a good recommendation.

But on the issue of making it mandatory for all our programs, it would by definition exclude working capital and that's a policy decision of government. So if there's a time that government wants to make that decision, we're prepared to proceed.

MR. CHAIRMAN: Mr. Larsen.

MR. LARSEN: An example, just to crystalize it in your mind, is the Yarmouth ferry. They wouldn't have a pot of money that they are able to get started with, so we provide what's called an accountable advance. The first advance might be \$2 million, which allows them to have the cash to start executing on their strategy. They would then

provide evidence that they spent the money, in receipts and so on and so forth, and then another disbursement or accountable advance could occur.

Sometimes the businesses we deal with and the solutions that are trying to be addressed don't match up exactly but the spirit of the recommendation is an excellent recommendation, which is to make sure that you get those receipts, make sure that you do a good job of looking at them. How we do that, too, can be an issue - and as an accountant, I'm sure people understand this - do you want to look at 100 per cent of the receipts or do you look at the receipts that really lead to 80 per cent of the total dollar amount and what's your risk-based approach to checking those things?

We are in complete agreement with the spirit of it but with some of these things, how you would handle a situation like the Yarmouth ferry and their need for advances is not really a situation where we, as the civil servants, were able to say that's something that government may or may not want to do.

MS. MACDONALD: I know my time is getting short. I have two very quick questions and in case we run out of time, I want to thank you for coming today.

My last two questions are to the deputy. You have a lot of experience in this field, how would you characterize the kind of economic development investment climate that we're in right now and have been, let's say, at the time that this audit was done and looking back, for example, on those 10 files? Are there any jurisdictions that you're aware of in the rest of the country or in North America that have no public investment in private industry and provide no support through a variety of tools, such as we talked about here today - are there any jurisdictions?

MR. SIMON D'ENTREMONT: I don't know, I'm not sure I have enough comprehensive knowledge of every jurisdiction to know that there is one without. It's common practice for governments to have a bit of a role in economic development but they exercise that in different ways. Some jurisdictions will focus on taxation, other incentives, there are different mechanisms, different ways of doing economic development.

The work that we're doing - and, actually, we're going to get the answer to that question very soon - is we work hard with Dr. Tom Traves who we hired. He has been supported by an economist firm that we've hired - Millier Dickinson Blais - and part of their work is doing a jurisdictional review exactly asking that question - what are other jurisdictions doing, what are the best practices in economic development, and what are the different options for going forward? It's a good question because we've asked the same one and we're collecting that information right now from a firm that has good experience looking across different jurisdictions, trying to find out - what are the best practices? Are there new and emerging practices?

In a way, it depends on the types of businesses you're trying to attract. For example, if you have a company like Michelin that you're trying to attract investment, or these large

multinationals with branch plants in our province, there's an interesting dynamic that takes place there. Their competitors are not other businesses in the same business. It's their sister plants in other jurisdictions because the game that's played now is that they need to go to their head office, to their board, and make a pitch about why capital investment should flow in their direction. They're competing . . .

MR. CHAIRMAN: Thank you, Mr. d'Entremont, the time has expired. Mr. Maguire.

MR. BRENDAN MAGUIRE: I want to thank you all for coming here today. I want to keep my questions quick and direct so that we are able to maximize the 14 minutes. In response to the honourable member's comment around what this government is doing differently - we're taking a thoughtful approach to economic development, and the Traves report will provide recommendations so that we don't make the mistakes of the past.

I just want to do a bit of a follow-up on Mr. Horne's question. I have a few notes here. You had said in the past that you did not obtain financial statements for all applicants but going forward you will, which I guess is a clear difference between this government and past governments. Why now? What is the difference? Was this not a pressing need over the last decade or two decades, or whatever, to obtain these financial statements?

MR. SIMON D'ENTREMONT: We're on a path of continuous improvement. The 2011 audit found that we had some issues that needed some attention so we continue to move the bar forward. As I said, we went from a place of having not a lot in controls and process guidelines to making sure we had consistent processes. We've come to a point now where we've developed them, for the most part, and we're implementing them in the 70, 80, 90 per cent range. It's to hit the 100 per cent target that we're going to push for. I think we've gone to good, but we need to get to great and we need to keep pushing the envelope.

MR. MAGUIRE: When it comes to these files that have come across your desk and you've made recommendations to Cabinet, can you identify which individuals in the past, in the Premier's Office, who would have been involved on these files? Would you say that these individuals were actively involved on these files?

MR. SIMON D'ENTREMONT: I've dealt with different people in the - was it the Premier's Office you were interested in?

MR. MAGUIRE: The Cabinet level, sorry, and the Premier's Office - both.

MR. SIMON D'ENTREMONT: We deal with different members in different ministers' offices. Some of our files may touch on forestry. We would have an interest in - through our minister perhaps - getting in touch with the minister of DNR. We work with political staff, as well, in that political staff at times have a good sense of the files and where things are going and what government's appetite is to undertake different initiatives.

Our government needs political advice from political staff and policy advice from the department, so we keep in close touch.

MR. MAGUIRE: So it would be fair to say that they had intimate knowledge of these files.

MR. SIMON D'ENTREMONT: It's not uncommon - in the experience that I've had with the province to date - that political staff have an interest in the development of files within departments and keep in touch with them, want to have knowledge of where things are. They're a good mechanism to actually advise us on where our jurisdiction touches into other departments because sometimes they're assigned, so we work with the political staff of the day. They are at liberty to organize themselves as they see fit and we work with them.

MR. MAGUIRE: Did they ever provide direction or did you ever receive direction from the Premier's Office on these files?

MR. SIMON D'ENTREMONT: I have a lot of discussions with the Premier's Office staff. They often have good knowledge. They are a good source of information for us in terms of what government is willing to do. We may be referred files. They may have some insight into negotiation strategy that's helpful to work with clients and we can use that to input into our process. But at the end of the day, we always go through our process of having the staff do assessment, the Jobs Fund Advisory Board, followed by the minister, and then the minister to Cabinet.

MR. MAGUIRE: So is it fair to say that there was some direction given from the Premier's Office in the past?

MR. SIMON D'ENTREMONT: There are connections with them, certainly. They are a gauge for us as to whether or not governments are interested in undertaking initiatives and what types. There are times where in our negotiations we reach impasses and we need to seek the help of the political side of government, so we would seek the advice of our minister or other staff, if they are the ones with more subject matter expertise on a particular file.

MR. MAGUIRE: We appreciate your time, thank you.

MR. CHAIRMAN: Mr. Rankin.

MR. RANKIN: I just wanted to make some further comments, from a quote from the Premier yesterday I think it's important to put into context when you're quoting. He said social responsibility to the people, in particular the most marginalized, so this isn't limited to Economic and Rural Development and Tourism. We have serious issues with the

lack of housing in this province, waiting lists for children needing early intervention and all the rest. I think the Premier has a very profound responsibility for social issues.

Further to that, it was also mentioned, and I appreciate this, that it is common practice for government to have a role in economic development in other jurisdictions. So it's just really a question, and that's a matter of opinion, how much that role really has an impact. It really shouldn't be astounding, in my eyes, that the minister responsible for that department has the final sign-off. After all, he is the elected member; the bureaucrats aren't elected. He's the one closest to the people and accountable to the electorate.

I would expect that kind of practice to continue, it certainly is a practice in all departments in government. One comparison I'll make is the HRM staff right now pushing through changes. They have a very strong business case to take down operating expenses at the landfill; \$10 million sounds great in the fiscal books but the electorate has to take responsibility for the impact that has on the local environment and the community. That's why we elect members to represent us and all three Parties agreed with my stance on that. In that case staff came up with a recommendation. Politically it was shot down and that's because we are accountable to the people so it's important to make that distinction.

It was also mentioned that we were critical then and I think we're going to be critical going forward. We were certainly critical today. There's a lot of other things in this report that I find very scathing; there's over \$100 million in Section 3.45 that was allocated to various businesses with basically no salary targets at the end of the day when the agreement was signed, prior to that when they did the economic analysis, all of these major deals had certain salary figures that were supposed to set out. That's the most troubling section to me in this whole report, that the economic analysis that the business case was given changed with those signed agreements.

I would assume that the department and Cabinet would want to see the maximum benefit for the dollars being allocated, so my final question with time drawing down is, are you able to get any insight as to why the inconsistencies between the projections and the signed agreements existed? Were there clandestine-type meetings with the Premier or economic development ministers? Is it possible to say that the private sector was able to out-negotiate the government with any of those deals? Would that be fair to say?

MR. SIMON D'ENTREMONT: Sure, that's a very good question. The way our practice works is our officers sit down with companies and try to hammer out an agreement and there's lots of different things at play - how much security we're going to get, how many jobs we're going to create, what are the benefits? These are not kind of linear discussions, they're very flexible and you have to be trading off different pieces for different pieces.

What happens is we may end up in a situation whereby we have a company that thinks their projections and their analysis thinks that the most likely scenario, let's say, is

that they will create 100 jobs. But then we try to negotiate an agreement, let's say the government was interested in negotiating an agreement whereby there was loan forgiveness, the company may be hesitant or get into an arrangement whereby they negotiate that if they only create 99 jobs instead of 100, they get no forgiveness. So we may negotiate, as part of our negotiations or come up with some options for government that say that if they get 90 jobs instead of the 100, they can get some loan forgiveness.

We have some examples in our files where that's the case. In many cases that was made clear to the decision makers that there was a difference, or at least the two numbers appeared in the documentation so it's like only one number appeared, they didn't know the other.

We can do a better job letting the decision makers know that if there's a 90 and 100, that we make that clear, for instance, if they're at 90 and the original projection was 100, there's a difference of 10, you should know that before you make - sometimes it was in the documentation and it wasn't always - you know, you're reading different pages and if there are two different places, you might not pick up the fact that they're different. They were negotiated intentionally differently, but we need to do a better job to make sure that the people who look at those are well aware that that's the case so we're going to do a better job there in the future.

MR. LARSEN: For example, one of these is related to Michelin and the intention of that isn't the creation of an additional 50 jobs per se, although that's a great benefit. With a company like Michelin and the footprint that they have, incenting continuous investment and leveraging significant investment by them increases their stickiness here, improves their productivity, makes it so that they're in their top quartile or top half of their plant. If a company like that is doing a \$100 million expansion, for example, and there is a \$10 million incentive related to that, it may be low actual job creation, but that's not the primary policy objective per se.

What we can do, I think, is do a better job of setting out clearly in our files the policy objective there and why, for example, in a case like that, a grant or forgiveness may not be linked to specific job targets and getting that kind of clarity around there. I'm not trying to defend - we can do a better job on all of our files in the situations the deputy mentioned, but also in explaining why something might be different.

MR. SIMON D'ENTREMONT: If I can add as well, we have other tools in our portfolio that might be better suited to a situation where we're interested in the more-is-better scenario, where the more jobs will pay more. So rather than having a loan forgiveness piece, like I mentioned the 190 jobs, perhaps they are less motivated once they hit 191 to push the envelope on job creation.

What we can do is use the payroll rebates at NSBI whereby the more you create, the more you get. For that type of tool, it creates a much more linear plan for growth and that

more is better, so they don't stop at 100; they can go to 110 as long as we let the cap go - 120 - and keep pushing the envelope.

We work with our partners to find out what's the right tool for the right project. If it's employment-based, really a real hard-hitting job number piece, maybe payroll rebate is the better tool. If it's like Michelin where it's big investment, the job numbers aren't maybe as big compared to the dollars, but we're just trying to get, as Jeff said, the stickiness. We're trying to anchor their investment in the province, maybe one of our programs is a better tool.

MR. CHAIRMAN: Thank you, Mr. d'Entremont. The time for questioning has expired. You now have a chance to provide some closing remarks.

MR. SIMON D'ENTREMONT: Thank you for the chance to talk about the department's programs and how we plan to make them better for the clients we serve and the business community, but also for Nova Scotians.

We really feel the Auditor General's recommendations are going to be very helpful for us as an organization. They're good recommendations. We are developing a culture of compliance within the department that is going to allow us to be much better, much more accountable and much more transparent. We're hoping to be able to do a much better job in the future. Like I said, I think we're doing a good job, but we need to be great; we need to push those 70, 80, 90 per cent compliance rates to 100 per cent, make sure we document the file.

I think our evidence, our track record, of having the loss rates on loans of less than 5 per cent as well as the 5 per cent loss on the Credit Union Loan Guarantee Program are an effective wrap-up measure that we're doing a pretty good job. Of course we always want to push that envelope and do better, and with the Ray Ivany piece and Tom Travis piece, I think if we work on new programming, new ways forward - we've got all of these learnings, which we'll immediately implement, we'll hit the ground running with those programs, doing them right right off the bat.

MR. CHAIRMAN: Thank you, Mr. d'Entremont and to the rest of your colleagues from the department for being with us today. Mr. d'Entremont.

MR. SIMON D'ENTREMONT: I also want to thank the team here and the great team that I have in the department who, over the last few years - and always do - they put in a lot of time. They work evenings; they work weekends - they don't ask for a thing. They just want a pat on the back every once in a while, they're doing a good job. They deserve it. I've got a fantastic team of professionals who have been working really hard. We're going to make this work. We're going to keep pushing the envelope and I've got a great team to help me do that.

MR. CHAIRMAN: Thank you. We do have one piece of business remaining on the agenda before we take a short recess for our briefing for next week. It is a letter from the Auditor General dated January 17th, I believe you all have a copy. In that letter the Auditor General has made three proposals, there's a further suggestion for research which has been suggested could be deferred for the time being, so I think we should defer that for the time being.

But the three proposals are:

“1. That PAC formally accept and endorse recommendations contained in the Auditor General reports when they are issued, and ask that departments and agencies commit to, and take responsibility for, full and timely implementation of those they have accepted.

2. That PAC request that the Deputy Ministers Audit Committee assume responsibility for on-going monitoring and oversight of the implementation of auditor general recommendations, and take a proactive role in promoting full and timely implementation.

3. That PAC accept and approve my May 17 letter. The May 17 letter contained one additional proposal:

That PAC consider holding a hearing at least yearly on the status of implementation of audit recommendations, possibly subsequent to our annual follow-up report. This hearing would require attendance of the Chair of the Audit Committee and possibly other selected Deputy Ministers whose performance in this respect might be lagging.”

So there are three proposals and I would like to open it up to the floor for discussion. Would anybody like to comment? Mr. Rankin.

MR. RANKIN: In regard to recommendation No. 1, we do endorse the idea of accepting all the recommendations made in the office's reports, with the exception of any that might not have been accepted by the audited department or agency.

With regard to No. 2, we do accept this, but it's already really being implemented. The audit committee, which consists of deputy ministers, tracks recommendations using the TAGR system - I don't know if I'm saying that right, it's an acronym, I believe.

No. 3 is where we would like further discussion with the AG, possibly at another time. We're just not sure of the palatability of bringing a deputy minister in and some of the other people mentioned on a yearly basis. We're certainly open to this idea in the concept, but we don't know if it's really necessary to have a habitual meeting of sorts with this type of engagement. Like I said, we're open to the idea and I would say as a comment that we

could do this recommendation on an ad hoc basis when you want to have a specific deputy minister in or specific personnel that the committee is here and we can certainly approach that way of doing it.

Further, we'd actually like to put a fourth recommendation in to that we would like the AG's Office to explore the idea of ranking recommendations from the most important which should be done immediately to the items that can wait a little longer to a later date and perhaps we can discuss this at a future meeting.

MR. CHAIRMAN: Thank you, Mr. Rankin. Would anybody else like to comment? Seeing that there does appear to be support for proposals one and two listed in the letter, could we have a motion that those be accepted by the committee?

MR. RANKIN: I so move.

MR. CHAIRMAN: Thank you, Mr. Rankin. Would all those in favour of the motion please say Aye. Contrary minded, Nay.

The motion is carried.

We do have an approval that the first two proposals recommended by the Auditor General are accepted and I think the Auditor General's Office would be pleased with that because those have been with us for some time and it's nice to have that piece of business progressing along.

With that there was one request for information today by Mr. Stroink and we will ensure the clerk of the committee follows up with the department to acquire that information and provide it to the committee. With that we will take a short recess before we move into a briefing for next week's session. Thank you.

[The committee adjourned at 10:54 a.m.]