

HANSARD

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COMMITTEE

ON

PUBLIC ACCOUNTS

Wednesday, May 28, 2014

LEGISLATIVE CHAMBER

May 2014 Report of the Auditor General

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Public Accounts Committee

Mr. Allan MacMaster, Chairman

Mr. Iain Rankin, Vice-Chairman

Mr. Bill Horne

Ms. Suzanne Lohnes-Croft

Mr. Brendan Maguire

Mr. Joachim Stroink

Mr. Chuck Porter

Hon. Maureen MacDonald

Hon. David Wilson

[Mr. Bill Horne was replaced by Ms. Margaret Miller]

[Ms. Suzanne Lohnes-Croft was replaced by Mr. Stephen Gough]

In Attendance:

Mrs. Darlene Henry
Legislative Committee Clerk

Mr. Gordon Hebb
Chief Legislative Counsel

WITNESSES

Office of the Auditor

Mr. Alan Horgan, Acting Auditor General

Mr. Terry Spicer, Assistant Auditor General

Ms. Evangeline Colman-Sadd, Assistant Auditor General



House of Assembly
Nova Scotia

HALIFAX, WEDNESDAY, MAY 28, 2014

STANDING COMMITTEE ON PUBLIC ACCOUNTS

9:00 A.M.

CHAIRMAN
Mr. Allan MacMaster

VICE-CHAIRMAN
Mr. Iain Rankin

MR. CHAIRMAN: Good morning, I call this meeting to order. Before we begin, I'd like to remind everyone to put their phones on silent, so we don't have any interruptions. I'd like to begin with introductions.

[Committee members and witnesses introduced themselves.]

MR. CHAIRMAN: So today, we have the May 2014 Report of the Auditor General. Last week, we had the chance to have an in camera session with the Auditor General.

Mr. Horgan, please begin with an introduction to the report, and then we'll begin with questioning.

MR. ALAN HORGAN: Mr. Chairman, I don't have a formal introduction other than to thank the committee for inviting us here today to speak about our report and to say that we'd be very pleased to attempt to answer any questions you might have.

MR. CHAIRMAN: Okay, thank you. We'll begin with the Progressive Conservative caucus and Mr. Porter.

MR. CHUCK PORTER: Welcome to the committee this morning as well. I have a number of questions on the report that has been completed. One, to start off with, that I believe you're working on - just a short time ago, we learned a little bit this morning about *Bluenose II* that was supposed to go out and its trials will not be happening due to a missing certificate.

Just a couple of quick questions before I move into some of the other stuff - realizing maybe and just confirming for us that you are in the process, Mr. Horgan, in your department of auditing the *Bluenose II* project. Is that correct?

MR. HORGAN: That is correct. We were asked by the minister to do the audit and we agreed to that request.

MR. PORTER: What do you know about the certificate process? Is this a long thing or is this just a matter of filing for something and picking it up this afternoon and heading out tomorrow as opposed to today? Do you know anything about that at all?

MR. HORGAN: We really can't discuss that because it's an audit in progress. We're still somewhat in the early stages of the audit. Until the audit is complete, we do not discuss the results of our audits.

MR. PORTER: Thank you. I can appreciate that, so maybe just a couple of quick questions around that piece of it. What percentage of the audit is complete? Can you speak to that?

MR. HORGAN: I would say the planning stage of the audit is complete and we've already done some of the field work.

MR. PORTER: Will the news from today impact the release of that report, the date of it being released? I know you just - I think the microphone went off maybe, Mr. Horgan, before you got to finish that last piece, so please do.

MR. HORGAN: I really don't know if that will impact the audit. I mean, there are a lot of things that go into determining how well an audit progresses and I'm not too sure. We are aiming for the Fall report, which normally comes out in November, but it depends on how the audit proceeds.

MR. PORTER: Just in light of any of that, what is their plan or is there a plan to release a preliminary-type report or it will it just be the, I guess, what would be considered your Fall report as you've just alluded to? It would be just part of that?

MR. HORGAN: That is correct. We'll just have the one report on the audit.

MR. PORTER: I want to move on to the drinking water piece of your report. It's always something that I think we pay and have paid for a number of years now quite close attention to, when it talks about our drinking water. Certainly our intent today is not to instill fear in anyone that there is something wrong with any of our drinking water. I want to be very clear on that before asking any questions because certainly there was nothing that indicated that. It was around other things like deficiencies and so on.

I think that people have not yet forgotten some of the bigger events that have happened around the country and around the world. We all know, each and every one of us, the importance of water. We were talking this morning, a couple of us, and there was even a comment - you could go without food for a little while, but we certainly need our water to maintain ourselves and all the good things that we do.

Can you just maybe talk a bit about the high number of deficiencies around the water testing, a little clarity around that? What exactly do you mean - is there a specific reason that you found for that?

MR. HORGAN: Mr. Spicer was responsible for that audit so I'll ask him to address your question.

MR. TERRY SPICER: Through our field work we noted that water sampling wasn't being done at some of the entities like it was supposed to be done. The reason for that is really - we're not sure. It's hard to know why people are not doing what they're supposed to be doing, I guess. There were a number of examples where water sampling wasn't done and inspectors would identify that as part of their audits and report that as a deficiency to the entities. It was part of the audit process but those were things that weren't happening; that's correct.

MR. PORTER: You say samples not being done at certain entities; so we understand clearly what that means, what do you mean by certain entities? Take the time if you want, go through those steps for me because I believe this to be an important issue and people also will be paying attention to this. Maybe just explain exactly what you're getting to there, if you can.

MR. SPICER: Registered water facilities, there are two types of facilities. There are the municipal facilities, which are typically the larger, more complex facilities and they have certain requirements for water testing. The registered facilities, which are typically the smaller type of facilities, by regulation, are supposed to sample their water four times a year for bacteria and once for chemical.

As part of the inspectors' three-year audits, they would look at whether the entities are doing the water sampling like they are supposed to. Our review of the audit reports from those inspectors indicated there were a number of cases where the sampling of water

wasn't being done by the entities as they were required to do it. That's where those deficiencies are brought up.

We also raised some issues in the report around how inspectors follow up to make sure that those types of things are being corrected. That's the key water sampling finding.

MR. PORTER: I'll just ask this question, although your audit found they weren't being done, are we certain that they weren't being done or they weren't being filed accordingly or can you even do one without doing the other? Just for clarity around that - so and so goes out, he does the sample, forgets to file it or doesn't file it for some reason, is that the case or are they actually not being done? Maybe one and the same, I don't know.

MR. SPICER: These would be cases where the inspector concluded that the sample wasn't done. It wasn't done as far as the inspector was concerned.

MR. PORTER: How many boil-water orders, for example, would have been done last year?

MR. SPICER: Actually, I wouldn't have that detail here. No, I don't have that number, sorry.

MR. CHAIRMAN: Mr. Porter, is that something you'd like to request at a future date?

MR. PORTER: Sure, if he can provide it, that's fine. I guess I'll just move to the next piece of this. As a follow-up to that, there process when those boil-water orders go into place and we've had them in a variety of areas around the province. What are the steps following that? We found some deficiencies. Does that mean 30 days out or whatever it might be, following the order being tested as okay, we're good to go, you can drink the water? There's a follow-up to that and you've audited that piece as well. Maybe you can speak to that a bit, whether those procedures are being followed.

MR. SPICER: Sure. There is a process for boil-water advisories and the way the process works is, as an entity does their water sample, they send it to a lab and the lab will do their testing on it. If the results come back that there's an unacceptable level of bacteria, as an example, the lab will then notify the department and the entity as well is supposed to notify the department. The department will get that notification and then immediately communicate with the entity that you're now on a boil-water advisory and you are to communicate to the users that the water is unsafe.

During that time, the entity should be trying to rectify whatever the problem is. When they get to a point where they get two clean water samples, they can communicate with the department that they have those two water samples and the department will verify, yes they have, you're now off a boil-water advisory. Then what's supposed to happen is the

inspector, within 30 days, is supposed to go out there and do their own water sample to ensure that the water is, in fact, still safe to drink.

Our testing found that in a number of cases, those - well, one case where there was no confirmatory sample done, and a number of cases where the samples weren't done within the 30 days, as required.

MR. PORTER: Just on that piece then, to get into the boil-water advisory piece in the beginning, how many negative tests - and I'll just refer to them as negative or found bacteria in the tests - is it one, is it two, is it three that determine, all of a sudden, now you're on a boil-water advisory?

MR. SPICER: There are Health Canada standards that the Nova Scotia program adheres to. Once they exceed whatever the bacteria limit is, as an example for bacteria - and there are a number of standards - but once they exceed those standards, then they're supposed to be on a boil-water advisory and the department would communicate to them that way.

MR. PORTER: Correct, there is a certain standard and if you hit it, obviously you're there. I guess some of the concern would be - would there be any reason to believe that some of that would be missed if there was an issue around the number of inspections being done? Are there cases that we're aware of or that you found during your audit that said you probably should have checked that the month before, or without the follow-ups that they're not deemed to meet the standardized levels?

MR. SPICER: That is correct. I think the big risk is - of course, water samples are a key control that these entities are supposed to do, especially the registered ones, because the municipal ones are much more complicated and sometimes they're testing water on a daily basis. But for the registered ones, they are supposed to do it every quarter.

So if the department is not going out and doing its inspections like they're supposed to, they may not be aware that an entity may not be doing their water samples like they're supposed to. If they're not, then of course the lab's not notified whether there's - so ultimately the department wouldn't be notified if there was poor water because the samples may not have been taken. That's one of the reasons why it's important that these audits are done, and done on a regular basis.

MR. PORTER: Maybe just for clarity, you mentioned the municipal units versus a registered unit. Municipal ones are fairly obvious to us and probably to the public. Just for all of us, including the public who would be watching and following this, can you give us an example of a registered entity that you are referring to?

MR. SPICER: The regulations define "registered" as - it's in the start of our chapter here of public drinking water supplies. But examples would be: a restaurant could be one, a

motel, a school, a campground, a daycare, an apartment building, a community hall - any entity that meets the regulation definition. It's about how many people would use the water and whether they're transient or not transient. There are a number of types of entities that could be considered registered supplies.

MR. PORTER: Thank you for the clarification around that. Can you tell us what facilities didn't have their water tested? Maybe sort of leading into that, how many were tested overall? Did you do a certain number of municipal ones, a certain number of registered ones, and then move on to, if you will, what facilities? Was there a common theme here? I guess that's where I want to go with this - is it one way or the other, are there more registered versus more municipal? Can you speak to that please?

MR. SPICER: The audits that weren't done would have been in types of entities like restaurants - five restaurants were not completed during the frequency; four motels and cottages; three schools; two campgrounds; one daycare; one apartment building - and we won't be identifying which particular entities those were. There was no consistent type of entity that wasn't being audited; there were a number of different types within the registered portfolio of entities.

MR. PORTER: You just mentioned that you wouldn't be identifying them. Is there a reason you don't identify them - is that due to regulations in the province around privacy or what is that exactly?

MR. SPICER: I'll let Mr. Horgan respond to that.

MR. HORGAN: I'll respond to that because it is a situation that impacts most of our audits. The situation is that when we do an audit, we do sampling, because we can't look at 100 per cent of all transactions or organizations that a department deals with. When we look at a sample, the whole purpose of looking at that sample is to get an impression of how well the department is doing as a whole, not just for those 30, 40, 50 items we might look at.

When we find a number of discrepancies, that is highly suggestive that those discrepancies exist outside the sample, throughout the entity we are auditing. If we named the items in the sample for one, it's kind of unfair to them because it's suggesting that they are the only problem and it's also perhaps suggesting that the department doesn't have to be concerned about any other sample items other than the ones we name.

We know, because we're finding so many problems throughout the system, so we just think it's unfair and maybe counterproductive to name our sample items. Of course, we provide the details back to the department so they know exactly what we selected in our audits, exactly what we found, and then they are able to trace it back. In fact, we expect them to take a look and confirm that what we observed is what is actually going on. They are in a position to react if they believe there's some real risk.

MR. PORTER: So, in this case you are referring those facilities back to the department, I am assuming you mean the Department of Health and Wellness - is that correct?

MR. HORGAN: Pardon me?

MR. PORTER: You said you were referring a list of these to the department - which department are you referring to?

MR. HORGAN: When we do an audit and we do the sampling we always refer it back to the department we are auditing - in this case it would be the Department of Environment.

MR. PORTER: I just wanted to clarify where we're going with this. Restaurants may fall under the Department of Environment, daycares may fall under something else. Just specifically, did they go back to a variety of departments or just back to Environment because the water issue would be there?

Were there any hospitals that were tested in your audit and were there any deficiencies found in those?

MR. SPICER: Our sample didn't include any hospitals.

MR. PORTER: Is there any particular reason for that, or did they not fall into the mandate of the particular audit you were doing?

MR. SPICER: If they were registered facilities they would have been part of the population that we would have looked at, but they just weren't selected as a sample item. We looked at two regions, western and central, and divided the sample up accordingly so they just weren't selected as a sample.

MR. PORTER: I'll just go to what you found as to why the inspections weren't being done. Mr. Spicer, you defined out that there were certain entities where it wasn't done along the way, but there was some talk about whether there are an adequate number of inspectors and the job is just not getting done or not enough inspectors. What exactly does your audit show to be the real facts here around what the issues might be, and why do we find deficiencies as we do in something as important as our water testing around the province?

MR. SPICER: As we've mentioned in this committee before, it's very difficult for us to narrow down why something doesn't happen specifically. But I can tell you, through our interviews through inspectors, a couple of the reasons that were mentioned potentially were the number of resources that they had available to do it. Also it was mentioned that sometimes inspector responsibilities would change and certain entities would sort of get

forgotten perhaps, maybe that they would just kind of get left behind sort of thing with the changing of responsibilities.

I think we noted in the report that there were some issues in the system on the scheduling dates for audits. Of course, those scheduling dates are used by the inspectors to know sort of what their workload is in the upcoming time frame. If the dates in the system are wrong, then the inspectors would be using those dates as the dates to do the inspections by. Now that doesn't explain why something might be a couple of years late, but it may be an explanation as to why things may be several months late.

MR. CHAIRMAN: We've exhausted the time slot there, so we'll move to Mr. Wilson and the NDP caucus.

HON. DAVID WILSON: I'll continue on with the drinking water audit through the Department of Environment because I think - not that any of the other areas are not as important - with this, with the audits that you brought forward in this package, I think this one really has the interest of a lot of Nova Scotians.

We hear, especially through the summer months, of boil orders in municipalities, in land lease communities across Nova Scotia. I know there have been some recent reports on some land lease communities that have chronic issues of boil orders and concerns from the residents, so I'm going to spend some time on that.

Through your audit, what you looked at was the reporting mechanism of the 1,600 registered entities, I guess, to government. Did you look at if those inspections or those tests that were done on the water were adequate, or is it just the reporting mechanism back to the Department of Environment?

MR. SPICER: We would have looked at the inspection process the inspectors would have done when they went out to do an inspection of a registered facility. We make some recommendations throughout the report around the need for more appropriate guidance as to what inspectors need to do when they are there. As an example, they do have audit checklists, which are good. It lays out sort of the general areas you should be doing as an inspector when you get there.

But where improvement is needed is more specifics about, as an example, water sampling. It's a key control in making sure that water systems are safe. When an inspector goes out to one of these entities, what should they do to make sure that water samples are being done? Should they actually look at lab reports, a third-party document, or should they look at annual reports from entities to determine what, and if they do, how many sample lab reports should they look at? It's those types of things that we made recommendations that should improve what inspectors do when they're there, to make sure that they are mitigating the key risks.

We would have certainly looked at that as part of the audit process. We would have looked at the boil-water advisory process as well, which is sort of outside the actual audit process, but making sure that the boil-water advisories were working, and inspectors and the department were doing what they were supposed to do with relation to those advisories.

MR. DAVID WILSON: What I'm hearing then is there wasn't a lot done on the third-party testing. I would assume that that's just a standard test. I mean, if a facility sends their water, gets it tested, they do a number of things - check for certain chemicals and *E.coli*, really the issue is how often that's being done, how it's reported back to the department. That's the concern.

The onus is on the registered entities to do the testing - correct? They don't request from the Department of Environment, we need our water tested and then the department organizes it - it's the entities themselves, the registered ones that need to call for the testing, is that correct?

MR. SPICER: Yes, that's correct. The entities are required, registered systems are required to test their water four times for bacteria and once for other types of chemicals, and they are required to do that with department-approved labs and those labs are identified on the department's website. Yes, that is the process.

MR. DAVID WILSON: Through the audit, is it that those entities are not doing that or is it that they may be doing it but the government inspectors, who go and make sure they are doing it, aren't reporting it? Do you understand my question?

MR. SPICER: I guess there are two issues: One of them is the inspectors are not going out and doing their audits to make sure these water samples are being done - that's a key control from a departmental point of view to monitor these entities, but when inspections are done, a number of the deficiencies that we noted that are being identified by the inspectors is that the water samples are not being done like they're supposed to. There are both areas there.

MR. DAVID WILSON: So I apologize, I just don't understand the system fully. Is there a mechanism for a fine or penalty imposed to those facilities if the department finds they are not doing testing that they're supposed to be doing?

MR. SPICER: Yes, the department does have a compliance model that the inspectors can follow when they find deficiencies. Of the files we tested, there were no fines issued - they were all letters requiring them to fix the deficiency that was noted. But the inspectors do have a compliance model that they can follow, which includes summary offence tickets and minister directives that they could use when they believe they're necessary.

MR. DAVID WILSON: I think, reading through the audit, I believe you looked at 38 different entities out of the 1,600 - and I appreciate you couldn't go out and review 1,600 of these entities - so I think the Auditor General mentioned even though it's a small sample, you feel that it represents a larger issue. If you were able to look at all 1,600, would you say that you still feel there would be about 61 per cent not completed, the requirements that fall under the Act? Is that your opinion that you believe, overall, of the 1,600 registered entities you would see a significant number of them not get a passing grade?

MR. SPICER: Yes, we can't extrapolate the 61 per cent entirely to the 1,600, but our findings are large enough that we are comfortable saying there is a very high probability that the same issue exists with the remaining population.

Now, just to clarify, it's the number of inspections that are being done on these entities - the 61 per cent were not audited within the time frame they were supposed to be. Our sample included a number of types of entities, as I mentioned to Mr. Porter. There were restaurants, motels, schools, campgrounds, and apartment buildings, so it was a fair breadth of types of different entities that would be out there so it wasn't all schools as an example, or restaurants. Our sample was fairly broad in the types of entities that would be included.

MR. DAVID WILSON: I know during our in camera session, one of my colleague's questions around - the campground, for example, used to post their water testing results and I guess it's not being done now. In your recommendations, did you recommend that registered facilities should post their water sample on their website? Similar to how you walk into an elevator and you see an inspection sticker on an elevator - in your audit, did you recommend that they should maybe post their water sample testing results?

MR. SPICER: No, that wasn't a recommendation in the report.

MR. DAVID WILSON: I know you made about 19 recommendations and I think the department agreed on 17 of them. Which two did they say that they would not implement?

MR. SPICER: The two recommendations that they didn't agree to - one of the recommendations that we made related to the department obtaining some acknowledgment from the entity that they actually received the audit report, because the way the process works now, an inspector will go out and do his audit and would discuss some of the findings with the entity, but goes back to their office to do the final write-up and put it all down. That report is typically mailed to the entity.

Right now, the department doesn't have in their files anything that says the entity actually received the report. We said it really is best practice that you have some documentation that the entity actually received the report that has been issued so that

they're aware of the deficiencies that they need to fix. That was one that they didn't agree with.

The other one related - we made a recommendation - this is more of a management issue around tracking the time that an inspector would take to do, as an example, a municipal audit versus a larger registered audit versus a smaller registered audit versus boil-water advisories versus deficiency follow-ups, so that they are able, when they're looking at their resources and if they move to sort of maybe a risk-based approach to doing their audits, knowing what resources they have available and how much time these various key things that they do take - it's good information to have, and that's one that they didn't agree to implement as well.

MR. DAVID WILSON: I think we all can remember, as Mr. Porter mentioned, there have been some drinking water disasters around the world. More closely to home here is, of course, in 2000 in Ontario, in Walkerton. I believe there were seven deaths and 2,300 illnesses due to *E. coli* in the drinking water in a municipal unit.

From what I read with that incident, what was found was that they had operators who might not have been fully trained. But, more importantly I think, through the investigation there was some cover-up of mistakes and testing that did not, or did occur but weren't reported, and it was with the *E. coli* testing that resulted. Through your audit here of the 38 that you have done, have you found any concern or any areas that concern you that people aren't being reported or the government is not being reported by entities that could create a drinking water disaster here in the province?

MR. SPICER: No, no specific examples where information wasn't passed on to the department like it was supposed to. I guess our concern would be that if these entities are not being monitored like they're supposed to, there is a risk that, as an example, they may not be doing their water samples like they should. The key part of that is that the water samples, if they're not doing them, the lab is then obviously - the labs are responsible to indicate to the Department of Environment that there is a bad result. Obviously they can't do that if the entity doesn't do their water sample. That element of the control breaks down a little bit if the samples are not being done. But no, we didn't find any specific instances where information was withheld from the department, or there was no evidence of that in the audit reports that we looked at by the inspectors.

MR. DAVID WILSON: I'm reassured by that, but by no means do I want to indicate that this is not a serious issue because, as you said, if the testing isn't been done then there is nothing to report. I hope the government recognizes the importance to act on this and to ensure that people have confidence in the water system. I know for many years, here in my community, they have advocated around North America that Halifax water is one of the better-quality waters that you see. I think in this audit you mentioned that the municipal inspections are adequate, I think I read somewhere in the report, but your concerns are mostly with the registered entities. Is that correct, that most of what you found

and the concerns you have are with the 16 - or I don't know, I guess the municipalities are in the 1,600 - the non-municipal units that you looked at?

MR. SPICER: Yes that would be fair to say. We had some concerns with what inspectors actually do when they audit municipalities, just from a clarity point of view. But the majority of the issues with the audits being missed were definitely in the registered side. The municipal audits were done primary within the time frames that were required and, as we note in the report, if there were a few months' delay, six months would have been the maximum difference over the three-year period and typically there would be reasons why that would be, because they were still dealing with deficiencies that brought the audit forward a little bit. So there were reasonable explanations as to why.

MR. DAVID WILSON: I believe in what you provided us you had mentioned that nine of them were between one and three months late, three between six and 12 months late, but you also indicated 11 were between 23 and seven years late. I appreciate the fact that you don't want to call someone out when you only looked at a certain number of the registered facilities, but seven years late I think is pushing the limits, especially if they have to have it every three years. You are looking at over two cycles. Have you had any indication from Environment that that one - I believe it might be one - is it one that is over seven years late in water testing, that they are going to ask them to be tested immediately?

MR. SPICER: We haven't had any communication about that specifically, but I would assume that, as Mr. Horgan mentioned, they know what our findings are and which ones were very late being audited so I would assume that that one has been flagged as something that needs to be done immediately. I would suggest that you ask the department that specifically.

MR. DAVID WILSON: I was just going to mention that because I'm sure that we'll have them in to answer some of the questions. Is there not an opportunity here, through the electronic system that we have in government, the computer system, to have warnings that these tests aren't being done? Maybe we can't but I would think it should be more than just a paper audit in a file in a filing cabinet that says this facility is seven years late on doing a water test. Is there a way for government's IT section to have some kind of alarm go off when a facility - maybe not monthly but most definitely if you're three, four, five years late? Is there an opportunity here or would that cost too much money? I don't know; maybe that's another department question, but maybe you could answer that.

MR. SPICER: Well, in fact, the activity tracking system that they have now is used by the inspectors. The dates due on the next audits are in the activity tracking system. When we were looking at that, we noted there were dates that were - they weren't meeting the three-year cycle and management couldn't tell us why that is. We had some concerns about, well, if that's the case and inspectors use that information to do their audits, then you're already in a position where you're not probably going to meet your required three-year time frames.

The activity tracking system that they have there is capable of doing that, so I really can't explain - and again, this would be a question for the department - how something that's seven years late, as an example, doesn't hit management's radar through that system - I'm not sure, the information is there, so it can be tracked.

MR. DAVID WILSON: Thank you for that, and we'll have some questions for the department, I guess.

MR. CHAIRMAN: We'll move on to the Liberal caucus.

Mr. Rankin.

MR. IAIN RANKIN: I just want to stay on the topic of water for a minute and take a little bit of a different approach. Over the last number of years the province has been involved in, I believe, a bit of a duplication of oversights, specifically with the municipalities. I understand there are 1,600 registered systems, but the municipality has a pretty rigorous process - especially in HRM, they're well-known for this process.

I guess what I'm wondering is, given that there's prescribed accreditation by the municipality, what is the purpose of the provincial inspectors coming in afterwards, and do you believe there would be cost savings if the provincial inspectors that were used to inspect the municipalities were pulled away and then focused more on the registered places, thereby getting better utilization out of those inspectors instead of continuously adding?

I guess I'm just wondering when we are ever going to be able to get 100 per cent of these places inspected twice by two levels of government, plus the federal threshold from the Canada Health Act that you noted before. I'm just wondering, why have we so much oversight on this - is it just because of what happened in Walkerton, three provinces over, at one instance?

MR. SPICER: That's a good question. The department's role is to monitor that these entities, including the municipalities, are operating under the guidelines that are required. So the municipalities - as an example, Halifax's system would be a very complicated and detailed process, which they would have their own staff monitoring that. But it is important that an external party comes in, just to make sure that they are meeting the requirements that they're supposed to meet and they are using Health Canada standards, as an example, when they test their water for what's allowable and what's not.

There is a role, obviously, for the department in both the municipal and the registered ones. The question of whether they should be pulled from the municipalities to do registered ones is really not probably for us to say. I think the department has indicated that they're in the process of reviewing the three-year cycle that they currently do audits on with a focus, I think, of looking at it on a more risk basis where, perhaps, the municipality

ones - the larger ones that have more sophisticated systems, more internal controls in place - are of less risk than perhaps the registered ones.

Maybe the department will look at it and start using their resources more on a risk-based approach. If the risk-based approach is a comprehensive approach, it's certainly something that's a valid way to do things. The goal of getting to 1,600 facilities every year or two, or whatever, is a fairly daunting task.

MR. RANKIN: I guess another question would be: Who is the primary responsible agent for testing water? Is it not the municipalities, based on Supreme Court decisions going back to 2009 when, over the last 14 years, time and time again they said that solid waste and land planning are under the purview of the municipalities? Is not water a part of that group?

MR. SPICER: The Environment Act provides a mandate for the Department of Environment to monitor public drinking water supplies in the province. There is a legal mandate under the Act for the province to do this. How they do that is sort of up to them and, as I mentioned before, how they want to decide how they use their resources to do that.

Conducting water samples and running their systems is the responsibility of the owner of the system, but there is a role for the department to monitor to ensure that these systems are being operated based on the guidelines and the regulations that government has.

MR. RANKIN: I'll leave the topic of water alone, but there are some commonalities in the three departments that you've looked at in your report. It was stated on the top of Page 69 that the AG Office is stating again that there were noticeably underutilized electronic information systems. I think that's kind of a disturbing commonality amongst those three departments. What can be done, in your judgment, with the present people resources that we have currently? What is the nature of this apparent operational deficiency and, in your judgment, what are the effective remedies?

MR. SPICER: Specifically with the drinking water system, the activity tracking system - although we understand, from management, it has its challenges - it's continually being refined and developed for use by the department, but we identified some examples of information that's in the system that could be mined to enable the department to look at what some of the more key risk areas are.

As an example, we identified the cause of boil-water advisories by region is something that's in the system that could be taken out so that the department could look at maybe there are some common causes here that we can communicate and try and be proactive in addressing that particular risk. Another one would be the reason for enforcement and compliance - what are some of the key deficiencies that are being found when you're doing these audits?

It's a matter of management looking at that system and identifying what's in there and how do we report and get it out of the system so we can use it in our operations. The other area, specifically on the drinking water one, that we had noted, there were some cases where deficiencies, as an example, weren't noted in the system as they were supposed to be. Any system is only as good as the information that's in it, so it's important that the inspectors and management make sure that all the information that should be going in that system gets in there - then it's just a matter of identifying what your information needs are and designing the system so you can get that easily.

MR. RANKIN: Would you say the appropriate KPIs are in place for these types of initiatives - key performance indicators?

MR. SPICER: Well, no, I don't think there are key performance indicators identified in a number of these areas. As I mentioned, one of our recommendations to management was starting to capture the key time that inspectors do in a lot of these key areas that they look at, so that you can step back and say 60 per cent of our time is done doing municipal audits - is that where we want to be, is that where the risk area is, and can we use that resource somewhere differently?

I think there is some value in redefining the information that they need, making sure that information gets into the system.

MR. RANKIN: For Natural Resources, on Page 91, the Auditor General makes at the outset a pretty significant statement that "The Department of Natural Resources is not adequately managing mineral resources in the Province. ... A number of our recommendations address the need to implement basic processes which should have been in place prior to our audit." And at the end of the chapter, on Page 113, the department is not recognizing enough of the list of deficiencies. In part, the department states, "The launch of the NovaROC application in the Registry of Mineral and Petroleum Rights in August 2013 will provide government with modern reporting and monitoring tools and better, more timely and accessible service for industry."

On the business of electronic information again, which I discern is the critical challenge to all of this, including possibly in-house competencies or lack of, the agency office notes that in August 2013 the department launched an electronic information system for tracking and reporting. As of January 2014 the department was continuing work with the developer to address system implementation issues. Relative to management's role that establishes the proper control environment and system control activities, they're aligned with the departments' compliance obligations. Is there yet today an evident underutilization of our resources and in this case the department's not inexpensive electronic system?

So, again, are there better ways not being taken today to improve the quality of service in this department without increasing costs? I think that should be critical in these

performance audits, to figure out how we can better utilize without the increase of cost to government.

MR. SPICER: That was a long one. I think as our report summary indicates, a number of our recommendations really address a need to put in fundamental basic controls at that department, which I wouldn't expect would be big resources uses at all. We indicated in the report that royalty returns, as an example, are not being reviewed and we noted that there were some errors in the ones that we looked at. Actual annual reports that are being received from the mining operations are not being reviewed and compared to quarterly reports to make sure that any obvious or large discrepancies are identified and looked at. So really those are not big resource-types of recommendations; they're really just looking at what your fundamental control framework is and putting those things in place.

We noted that the new NovaROC system is in the process of being developed and these systems can take time to implement and change so that they meet the needs of the users. We know that they are looking at trying to better track, as an example. Annual reports, we noted in the report, are not being received and quarterly returns are not being received on time. So a system like that would be much more useful in identifying which annual reports were received and which weren't, and so what quarterly returns need to be received and which haven't been.

Once it's in place I think it will help with some of those administrative things, but again I don't see it as a big resource. I mean the system is there; they just need to make it work to their needs.

MR. RANKIN: Okay, I think I'll pass it on to my colleague, I have some more questions, but I'll give him some time.

MR. CHAIRMAN: Mr. Stroink.

MR. JOACHIM STROINK: I want to go to Communications Nova Scotia and my question is: You identified in certain cases work would commence before purchase orders could be created - in Section 3.29 of the report it indicates that six incidents occurred of this happening and I'm just wondering, can you explain how that happened and what has occurred from that and what changes are occurring?

MS. EVANGELINE COLMAN-SADD: That is correct. When we tested for procurement at Communications Nova Scotia we found a number of deficiencies, a number of issues, one of which related to work starting before purchase orders were issued. In terms of how that occurs, I guess simply not following procurement policy would be how it occurs, because work is not supposed to commence before purchase orders have been finalized and whatnot. In terms of what has happened since that point, I think that

would be something you would have to follow up with the agency to see what steps they may have put in place to deal with that.

MR. STROINK: Thank you very much. I'll pass it on to my colleague.

MR. CHAIRMAN: Ms. Miller.

MS. MARGARET MILLER: Thank you for being here today to answer some of our questions.

My question, too, is on Communications Nova Scotia and one thing I want to be clear about on all of these audits, whether it be with water or mining or with anything, what is the time frame for these audits?

MS. COLMAN-SADD: Do you mean what a typical time frame would be? It would depend. In this particular instance it was April 1, 2011 to September 2013. They typically would cover a year or a couple of years, previous to the point in time when we started our field work, but it does vary from audit to audit, and it typically is stated in the Audit Scope and Objectives section of each chapter.

MS. MILLER: Paragraph 3.18 of the report mentioned that of the sample items that were tested, 21 of the 50 sample items did not receive approval for release with Communications Nova Scotia. Who would be the person or who is responsible for the approval of the news releases and the advertisements made by Communications Nova Scotia?

MS. COLMAN-SADD: There are some differences in who might be involved in an approval in this instance. The chart right below Paragraph 3.18 speaks to how things broke down. In some instances there was approval from the Communications Nova Scotia staff member involved. In other instances there was approval from the client department and then in 21 instances there was no approval that we could find from anybody that was involved. There are policies in place that say that the client department: the Department of Health and Wellness, the Department of Education and Early Childhood Development, the Department of Economic and Rural Development and Tourism, whomever Communications Nova Scotia is working with on that news release or on that ad, there is supposed to be some approval at those levels.

Communications Nova Scotia staff work in those departments and have indicated to us that they will sometimes get verbal approval from client departments, but of course then there is no evidence of such approval. As you can see, in a large number of instances, approaching half of our sample items, there was no approval indicative at all from either CNS staff or staff at the client department.

MS. MILLER: Just one more question about Communications Nova Scotia. You talked about permanent exemptions. How often do the departments apply for permanent exemption talked about in Paragraph 3.23? What other situations is it applied to, other than to do media buys?

MS. COLMAN-SADD: I'm not certain the extent to which, across government, departments might apply for exemptions. Specifically at Communications Nova Scotia we happened to test some permanent exemptions that related to media buys, but in terms of other departments, I couldn't speak to what they might have exemptions for or not.

MS. MILLER: Thank you. I'll pass it on to my colleague.

MR. CHAIRMAN: Mr. Maguire.

MR. BRENDAN MAGUIRE: Thank you for coming here today. In my previous role before this I actually worked in the water field. I am very well educated on Walkerton and the tragedy that happened there so I want to go back to the report on the Department of Environment.

One of the pieces of information that came to light during the Walkerton investigation was the falsifying of reports, and in some cases reports not being done at all. In your report you stated that management does not use the department's information system to its fullest potential. This is a little alarming. Is it fair to say that utilizing the information system to its fullest potential could prevent these mistakes that were made in Walkerton?

MR. SPICER: With respect to falsifying reports, I don't think that the use of their information system would help them with that area. Our recommendation in that area is that there is some important information on potential risks to water safety that's in that system that's really not mined out and used like we would think it should be. That was the gist of our recommendation - that there is good information in there and they should be using it in identifying potential risks, like causes of boil-water advisories, as an example. There may be a certain thing that comes to light that they may want to communicate to certain types of entities that this is happening and other entities. You may want to be aware of this to prevent contaminations. It's that thrust that that recommendation comes from.

MR. MAGUIRE: It will ask for more eyes on the report, too, so that's also helpful. We understand the importance of following up on the boil-water orders and things such as that, but did your department look into seeing if preventive measures were being taken by some of these smaller registered and larger municipal providers, for example, education around cross-contamination and things like that? So, the preventive side of it to make sure that everything is being done properly to prevent another boil order and things like that.

MR. SPICER: We would have looked at what the department would do with respect to following up on boil-water advisories and what inspectors would do, but we didn't go to any registered facilities to look at how they were actually reacting to a boil-water advisory.

MR. CHAIRMAN: Mr. Maguire, you have about 30 seconds.

MR. MAGUIRE: That's it, thank you very much.

MR. CHAIRMAN: Okay, we'll move back to the Progressive Conservative caucus for 14 minutes.

Mr. Porter.

MR. PORTER: Thank you, Mr. Chairman, I want to stay on the water side just for a few minutes, and I hope to get time to get over to the chapter on physicians, but we'll see how it goes.

I just want to touch on a couple of things here. We talked about the resources around some of what you found in the audit and the inspections and how they're not being done or not being recorded adequately, or not showing at all actually, I guess is what it came down to in the end in your audit. I'll ask the question, is there, in the opinion of those of you who did the audit, do we have the adequate number of resources working to manage it?

MR. SPICER: Mr. Chairman, we can't really provide an opinion on whether there are adequate resources because we would need to do an extensive amount of work on how inspectors use their time as an example, and that relates to one of the recommendations that we have here, that that information should be captured in the department as to where are your inspectors spending the bulk of their time and is that time, in the opinion of the department, reasonable. When you're looking at allocating resources and whether there is enough resources, you really need to know where your inspectors and staff are spending their time now. We didn't do that analysis, so the department is really the best to talk to that issue.

MR. PORTER: Mr. Chairman, thank you for that clarity around that and certainly I'm sure there will be a time in the future that we'll have the department in. I guess though still from an audit perspective, this is what we would say is one of the most significant issues we'll ever talk about probably with regard to our health and safety - drinking water is certainly number one, it's right up there.

It sounds like you took a small sample, in general, as per your audit. Given your findings, does it require from your department, not just the Department of Environment, or in the future following the Department of Environment doing their implementation perhaps

of some of your recommendations, does it require a “sooner rather than later” follow-up in more detail by the AG’s Office?

MR. SPICER: Alan, I don’t know if you want to talk to that?

MR. CHAIRMAN: Mr. Horgan.

MR. HORGAN: Mr. Chairman, it’s an interesting comment, because we definitely have our practice for returning to a department to check on implementation and we stick pretty close to the two-year role. Where you say something being so important maybe requires quicker follow-up, one thing I definitely would suggest, as I mentioned at earlier meetings, is that we’re very glad that your committee has agreed to consider follow-up as something that you might look at, not only that you will endorse our recommendations, but also ask the government Audit Committee to follow up and monitor the implementations.

Yes, there’s a role we can play, but I’m kind of pleased that the committee has also agreed there’s a role you can play and that can happen quicker than us returning after a couple of years. If you call the department in as a witness in the next little while, I would hope that part of that would be for them to report on what they have done so far. If this committee actually refers implementation or asks the government Audit Committee to monitor the implementation, that would be done more on the short term than on the longer term. I think if we all kind of play a part that we could stay on top of it.

MR. PORTER: Thank you very much for that. I’m not sure that you’ve totally answered my question at all, but you did touch on a couple of pieces. I was really focused on - it’s one bit to implement the recommendations that you put forward. That’s fine, but what I have heard here is it was really a small sample of what you could have - you could have delved in probably a lot farther to get some more. Maybe at some point you will, but that was really what my question was. Is there a need to really delve deeper into some of this given the significant importance of the issue - being water - that we’re talking about here?

Having said that, we know that, as far as we know, there have been no significant issues around water in this province and we’re all happy about that. The audit is a good piece to say, yes, there are some issues along the way, but overall - I don’t want to put words in your mouth, but I guess you can give me a summary overall of what your thoughts are, that things are - yes, there are some recommendations, and I read through the recommendations.

I’ll ask this piece and maybe you can touch on both, but from what I read - and I’m not in government - but there doesn’t appear to be anything there that’s jumping out that says this is going to cost a lot of money to implement. Am I right on that or am I wrong on that or can you speak to that? Just take the 19 recommendations as an example maybe that you have put forward from your audit and speak to the potential cost if you can and what

you as an audit committee see as a time frame that is reasonable to not only begin, but to implement what you have put forward around what we would deem as Nova Scotians to be a pretty important issue.

MR. SPICER: Sure. If you go through the recommendations, I think I would agree with you, Mr. Porter, that there's nothing there that would strike me as being a tremendously costly thing to implement. A lot of it is complying with the standards that you have in place now and providing some more guidance to staff on some key areas that they work on. That's going to take some time from the people who are there. Their management is going to have to put the effort in to do that.

One of the big findings is that the registered facilities are not being audited within the time frame that they're supposed to, with some of them significantly over. The department is going to have to look at - our report indicates there are 73 inspectors total in the Compliance Division, of which nine work solely on public drinking water. The Department of Environment has a fairly large mandate, so they're looking at other programs. I think it's incumbent upon the department to look at when they should be auditing these facilities. What is the risk, where are the risk areas, and evaluating whether they have the resources that they need to adequately do that. I think once that's done, then they will be in a better position to say, we have the resources that we need to do what we believe is an appropriate monitoring of these facilities.

Of course, we wouldn't have done that because - it goes back to my other point about knowing what the inspectors are spending a lot of their time on, to say, where is a lot of our time going and is that the best place for that? Are we getting the best bang for our buck from a risk-mitigation point of view by spending that time there?

But overall, I would suggest that the recommendations should be done. We use a two-year time frame and the department will have to look at these and determine which ones it makes sense to do first. We would expect the vast majority of them should be done within the two-year time frame that we would come back and report to the House on the implementation.

MR. PORTER: That says to me that you as the auditor would be happy with the two-year time frame. Again I don't want to put words in your mouth but you're making it sound like you didn't find enough in there, from what you audited, that wouldn't be reasonable to implement the recommendations sooner than within a two-year time frame. Is that accurate?

MR. SPICER: The sooner the better but we leave it up to management to manage their operation. They have accepted 17 of the 19 and we would expect that they would look at those recommendations and put a plan together as to what makes sense, from a logical point of view, as to how these things should be structured and implemented.

MR. PORTER: I just want to touch on one more piece and the clock ticks along here but that's okay. Some people might look at the water issue and go okay, we have registered facilities and we have municipalities. Are there registered facilities where they are not using a municipal water source?

MR. SPICER: All of the registered facilities wouldn't be on municipal systems. That is the clear distinction. In Halifax, as an example, any restaurant or whatever is within the municipal water system, would be on the municipal system and the municipal system is audited and monitored. These systems are all systems that are off any municipal system so they have their own well or water system.

MR. PORTER: Thank you and I just want to clarify for the record - I think some people might think oh, they all flow through a municipal organization when in fact we don't all have municipal water sources through our local villages and the like around the province, so I appreciate that piece.

I want to move, with the last few minutes here, to the physician piece of your report. Being a long-term health care provider I've always found this interesting and looking at the number of doctors, and lack thereof, and family physicians, and emergency closures, and the like, availability when people are looking for a physician, this has been an interesting piece over the years as to how it has evolved. I think there are a lot of people who probably don't clearly understand the mechanism as to how physicians are paid. Can you take just a couple of minutes and tell us how many different variations there are here, or at least the common ones, and why they are that way?

MS. COLMAN-SADD: There are three primary ways that physicians are paid. There is the more traditional way, fee-for-service, which was not the focus of this particular audit but that would be when you go to a physician and they would bill based on a particular visit and a fee code that's associated with that and so their salary is determined based upon the number of visits and the types of visits and what the fees for those are.

For quite some time now in Nova Scotia we have had alternative funding ways of remunerating physicians and the primary ways of doing that are through what's called academic funding plans or alternative plans. Academic funding plans are really at Capital Health and at the IWK. They would often be specialists, specific departments and whatnot. Those physicians have other responsibilities outside of just seeing patients. Academic funding plans, I think, were an attempt to acknowledge the fact that those physicians have research responsibilities, administrative, and in particular teaching responsibilities at the Dalhousie Medical School. Academic funding plans lay out a set of contract deliverables that speak to all of those requirements.

Then there are alternative payment plans, which I think started out as really a way of trying to attract physicians to rural Nova Scotia but I think they've evolved to more than that over the years. There may be a variety of reasons why perhaps a fee-for-service model

might not provide competitive remuneration or might not be the choice of remuneration that you might choose for a physician. A lot of the APP or alternative payment plan physicians are single physicians. There are a few clinics and whatnot but a lot of them are just single physicians that have those types of contracts and more recently some of the Collaborative Emergency Centres. The Collaborative Emergency Centres have chosen that APP route as well. Those are basically the three primary ways that we remunerate physicians.

MR. PORTER: I know I'm running out of time so I'll just ask quickly, in the audit that you performed on any of this, did you find a preferred method that worked best to help provide the service to Nova Scotians?

MS. COLMAN-SADD: For starters, the audit didn't look at fee-for-service, which is one of their methods of remuneration. With regard to the other two, I don't necessarily think there's a preferred method. They're two different methods to accomplish different things. The academic funding plans are trying to acknowledge that those physicians have teaching responsibilities and research-type responsibilities and whatnot and those don't exist in APP. I don't know that you'd be comparing apples to apples if you did try to say which is the preferred method.

MR. CHAIRMAN: Order, please. We've exhausted the time. We'll now move to the NDP caucus with Ms. MacDonald.

HON. MAUREEN MACDONALD: Thank you very much. It's good to have an opportunity to talk about your report. It's a really interesting report in that there are so many different aspects that you looked at that are important to the public. I am kind of surprised in a way that more attention hasn't been given to the section with respect to the information system, iNSchool, for the Department of Education and Early Childhood Development and the school boards. I have to say that my hair kind of stood on end when I saw that your office was able to gain unauthorized access to all kinds of student information that certainly should be private and difficult to access.

When I read your report, you indicate that student information was available to you as part of this exercise - the unauthorized access that you were able to gain to birthdates, medical information, home addresses, health card numbers, locker numbers and combinations of lockers, grades, iNSchool account information, and email addresses, both of students and parents. That's, to me, truly shocking that you can hack into that system so easily. I would imagine that the Auditor General's Office isn't an office that would have that high level of computer skills to be able to hack into a system, but you were able to do that.

I want to ask a bit about - what is it that would kind of indicate to the Department of Education and Early Childhood Development and the school boards that unauthorized

access has been gained into their system? Do they have anything in place that would help them identify this kind of activity if it was occurring?

MR. CHAIRMAN: Mr. Horgan.

MR. HORGAN: Mr. Chairman, it's very difficult for the department to determine if any student account has been hacked. Their weaknesses were around the area of passwords and such. If people were to gain unauthorized access to a student account and didn't change anything, just view the information, there's nothing to indicate that they were there. A student or a parent or teacher would not necessarily know that someone other than themselves has entered their account.

As part of our audit, we looked for what we called suspicious activity - not necessarily indicative that an account has been hacked, but something maybe somewhat suggestive. We looked at cases where there were multiple attempts to log on to an account and we found a number of cases where maybe there were 50, 60, 70 attempts to log on to an account. That's suggestive that someone is trying to break in rather than to go in as the user of the account.

However, in each of those cases, the system does not log whether a log-in attempt is successful, so when we see perhaps 50 attempts to go into an account we don't know if they stopped at 50, or the 51st actually let them in. So in that regard we can't tell if an account was hacked, so the department is not going to know for sure.

MS. MACDONALD: One of the things that I wasn't able to determine from the chapter is where the authority and the responsibility for this program actually lies - at the board level or at the department level, or is it a shared responsibility and does that result in nobody taking responsibility? Sometimes that can happen.

To me this is a serious problem that needs to be addressed, and addressed quickly, particularly given all of the sensitivities and the concerns around young people and the kind of culture of harassment and bullying and all of those kinds of things. We need to protect our kids and this is where they are, they're in school and their activities tend to be reflected in the records that we keep around how they're performing in school and any other issues they have. So this, I think, deserves a high degree of priority in terms of fixing. Who has that responsibility and how is that structured - can you explain that to me?

MR. HORGAN: Certainly it is a shared responsibility, but then I would also say it is clearly understood how those responsibilities are being shared. The Department of Education and Early Childhood Development is responsible for the hardware, managing the network and the network servers, and making sure the operating systems are kept up to date and stuff like that. The school boards each have their own version of the iNSchool software, so they're responsible for configuring their own systems, as to what type of passwords are acceptable, or what kind of authority people have with respect to their access

to the system, and what they can do and stuff like that. Those responsibilities are quite clear.

As part of this audit when we were able to hack into the student accounts, just as you mentioned, we fully realized how serious this was. In this case we put a very strong emphasis right away onto the department to get it fixed - in this case it's not something that you should wait for our final report to come out. They were able to fix the hole, the weakness that we used, to do that and they did it by getting together with the school boards. They meet very regularly, there are working groups which have members of all the school boards and Education and they get together to talk about the system, any glitches and any improvements that might be necessary and stuff like that. They use these working groups to get the message out that this needs to be fixed and this is how to go about fixing it.

In that respect, we were kind of impressed about how they reacted to the problem; the fact that they had the problem was somewhat surprising because it was a rather glaring weakness.

MS. MACDONALD: That's really reassuring to know that they were able to respond quickly and that these groups are in place to do ongoing work - and I would imagine we will have them here to have an opportunity to drill down a little bit on the work they're doing.

I would like to move on to the chapter on physicians and physician salaries, particularly the alternative funding arrangements, which, after being Health and Wellness Minister for three years, I still can't quite figure out. They are very complex and I'm sure they could fill many chapters.

This is not a problem that's peculiar to Nova Scotia. The payment of physicians, particularly in specialty areas and academic - also teaching facilities where they do teaching and research - is very complex. I found this chapter of your report interesting, but also maybe lacking in detail in some ways for me as someone who is interested in how we tighten up the problem.

One of the things that you talk about is having a risk-based approach to accountability, I would say, or developing better accountability mechanisms between the department and the suppliers of services. I noticed that's a theme throughout your report in many chapters, talking more about risk-based approaches.

I want to know two things. One is, what does that mean? What does a risk-based approach mean? Practically speaking, what are the elements of that with respect to, let's say, the physician AFP arrangements? What would that look like? Can you help me with that?

MR. HORGAN: Mr. Chairman, certainly. I'll address the issue of using a risk-based approach and Ms. Colman-Sadd will address it with respect to the specific audit.

You are right, it comes up in so many of our audits that we really believe that understanding the risks of an organization is so important in order to control those risks, especially in areas where maybe government doesn't have all the resources it needs to give everything equal attention. But even in cases where they might, they can give more attention to the higher risks.

Boiled down to its simplest form, a risk considers two factors: what is the probability of something negative happening, so what is the likelihood; but the other consideration is if that thing were to happen, how bad would the impact be? So in some cases, something can be risky even if it might have a relatively low probability of happening because if it happened it would be so catastrophic that you just can't ignore it. When you consider those things, you come up with basically how risky something is.

Whenever a government is deciding where to apply its attention, which usually is monitoring a program of some sort, if they use this approach, they have a greater chance of making sure nothing really bad happens.

MS. MACDONALD: So the second part of that question then is, what would that look like for this specific activity? It's a huge financial outlay, AFPs. It's close to \$250 million, I think. I have a hard time understanding exactly how you would develop a risk profile for that beyond looking at things like - you're paying for work you're not getting, you're paying for services that aren't delivered. It's just really hard to understand its applicability in this context. That's what I'm trying to understand, how to apply that measurement or these kinds of standards with this kind of service?

MR. CHAIRMAN: Ms. MacDonald, I do apologize, but we've run out of time, another day. I'll move to the Liberal caucus and Mr. Maguire.

MR. MAGUIRE: I just want to jump ahead to Chapter 7 and have some quick questions for you. Did DNR give a reason for the backlog of licence applications referred to in Section 7.21?

MR. SPICER: Not specifically, no. One thing we know about the DNR in that area, there are only a few people working in the licensing area there. Going back to some of my other comments, we know there are not very many individuals working on that particular part so that could possibly be a reason.

MR. MAGUIRE: The chapter also expressed concern that the mineral resource regulations need to tighten up otherwise inaccurate payment of royalties to the province. Did your office find any scenario in which that did occur?

MR. SPICER: Yes, actually. Our testing of quarterly royalty returns did note that in two of the quarterly returns the rates that we used were incorrect and resulted in a total underpayment to the province of \$9,000. When we informed the department of that they went and collected the money. So yes, we did identify some errors in royalty payments and royalty payments being late was the other big issue around royalties.

MR. CHAIRMAN: Ms. Miller.

MS. MILLER: I'm going to move ahead to another category again, back to the Department of Health and Wellness. When I read here the department's monitoring is poor in alternative plans and academic funding plans - I find that very disturbing. You don't like to think that anything is poor that we're doing. It certainly shows that there is a lot of work to do and a lot of questions to ask, certainly. My first question is, is there a specific section of the department that deals with alternative funding arrangements?

MS. COLMAN-SADD: There is a specific section of the department that deals with alternative payment plans and academic funding plans and I believe it's Physician Services. I may be missing a word in the title, but I believe Physician Services is the title of that division at the department.

MS. MILLER: Also, how many alternative payment audits does the department request of Medavie Blue Cross? What do they conduct on an annual basis?

MS. COLMAN-SADD: I think the number would vary from year to year. Medavie Blue Cross has a contract with the province to audit physician remuneration so that would include fee for service, academic funding and alternative payment plans. One of the points that we speak to in our audit is that we didn't find the department was requesting very many audits of alternative payment or academic funding plans, although Medavie certainly does all the audits that it is asked to do, but we found there were certain years when they didn't request any of one type or of the other type. So the number varies from year to year, but there aren't a large number of those completed.

MS. MILLER: Lastly, in Section 6.2, you mention the high number of academic funding plans that still receive funding despite the expired contracts. Has the Department of Health and Wellness provided your office a response on this issue?

MS. COLMAN-SADD: Recommendation 6.2 speaks to the need to have current signed contracts and the department's response to that is that it intends to have those in place for 2015. I think part of what was happening here was the department has been working on some new models and perhaps waiting to sign new contracts, but lack of signed contracts, as the report states, has been an ongoing issue with the Department of Health and Wellness, and something that we've identified in a number of areas in that department.

MS. MILLER: I think that concludes my questions.

MR. CHAIRMAN: Are there any further questions from the Liberal caucus? With that, I would ask the Auditor General's Office if they would like to provide some closing comments.

MR. HORGAN: I would just like to thank the committee for examining our report and for asking us the very insightful questions that they did. I look forward to the committee inviting some of these departments in to speak about what we found during our audits.

MR. CHAIRMAN: Thank you for all the work you've done on this May report. There was one request for information, if it can be provided, and if it can't perhaps it could be asked to the department when that department comes but there was a request from Mr. Porter to provide the number of boil orders that were outstanding or that were requested. If that's something that you can provide to the committee that would be appreciated, if there is some reason why you cannot, let us know. Our clerk will follow up with you on that request.

With that, we don't have a meeting next week but the following week on June 11th we have the Department of Transportation and Infrastructure Renewal coming in as a witness and we're going to discuss bridge infrastructure. There will also be a subcommittee after that meeting where we will look at other agenda topics for the Fall. If there are items you wish to bring before the subcommittee, please discuss it with your caucus and bring it forth through your representative here on the committee. With that, we will adjourn the meeting, thank you.

[The committee adjourned at 10:36 a.m.]