

HANSARD

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COMMITTEE

ON

PUBLIC ACCOUNTS

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Legislative Chamber

**Office of the Auditor General
November 2016 Report**

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Public Accounts Committee

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Hon. David Wilson

Ms. Lenore Zann

In Attendance:

Ms. Kim Langille
Legislative Committee Clerk

Mr. Gordon Hebb
Chief Legislative Counsel

Ms. Nicole Arsenault
Assistant Clerk, Office of the Speaker

WITNESSES

Office of the Auditor General

Mr. Michael Pickup, Auditor General

Mr. Andrew Atherton, Assistant Auditor General

Mr. Robert Jewer, Audit Principal



House of Assembly
Nova Scotia

HALIFAX, WEDNESDAY, DECEMBER 7, 2016

STANDING COMMITTEE ON PUBLIC ACCOUNTS

9:00 A.M.

CHAIRMAN

Mr. Allan MacMaster

VICE-CHAIRMAN

Mr. Iain Rankin

MR. CHAIRMAN: Good morning everyone, I welcome everyone to this meeting of the Public Accounts Committee. Today we have a public meeting with the Auditor General to discuss the November 2016 Report of the Auditor General. We'll begin with introductions.

[The committee members and witnesses introduced themselves.]

MR. CHAIRMAN: I'd like to remind everyone to make sure your phones are on silent so we don't have interruptions. Mr. Pickup, I'll turn it over to you.

MR. MICHAEL PICKUP: I'd like to thank the committee, Mr. Chairman, for having us here to discuss our November 30th report. First I'd like to take this opportunity to thank my team, both the two folks who are with me here today but also the 30-plus folks who are back in the office and watching this.

As you know, this is our fifth report this year covering a lot of areas. This is a record year for us in terms of number of reports, and the three of us here today owe a great thank you to all the people back in the office who do all this work and who are so committed to the work they do.

I would also like to thank the people we audit, the organizations we audit. All these organizations are made up of people, the Public Service at large, and we work very closely with them in a professional manner. I always want to keep in mind across these four audits that we have over 20 recommendations but there's only one that we have a disagreement on so the overwhelming majority of the recommendations have been agreed to, as well as the underlying observations supporting that. I think that is a positive sign.

This report of course serves as a tool to both the Public Accounts Committee, to all the members of the House, and to the public in terms of holding the government accountable for their performance and also holding the government to account for future performance, to see that the recommendations are implemented.

The four audits we have in this report very much impact people. They are about education for students, they are about safety in child care centres across Nova Scotia, they are about ensuring a speedy reaction and recovery when bad things happen to the infrastructure we rely on from one end of the province to the other, and the security of information and the efficient processing of transactions that Nova Scotians do with government, whether that's buying licences or permits or registrations.

I think that will be it for opening comments and I'd be happy now to take your questions.

MR. CHAIRMAN: Thank you, Mr. Pickup. We will start with Mr. Houston of the PC caucus for 20 minutes.

MR. TIM HOUSTON: One of what I would call the significant findings of your report had to do with the process for determining new schools and school capital projects. As I understand, there's quite a detailed process to come up with to prioritize. The school boards initially put their wish lists of projects first. That's received by the department, which then ranks them and puts them into different priority listings. Then that ultimately goes to something called the Tangible Capital Assets Committee, and they rank them as well.

As I understand by the findings in this report, all that happened, and then all that was superseded right at the Cabinet level at the end in terms of which capital projects were done for schools. The first 10 priorities on the list were done, and then they dropped down the list and did some other schools. A couple of those schools have the interest of the people of the province over the last week, I would say - there was a school built in the Premier's riding, and there was a school built in the Minister of Education and Early Childhood Development's constituency. Those were ranked very low; they were down in the 20s, depending on what list you were on. I think you had the school in the Premier's constituency as priority No. 26, and the one in the Minister of Education and Early Childhood Development's constituency as No. 28.

So, Nos. 26 and 28 were done. No. 11 on the priority list wasn't done. No. 12 wasn't done, No. 13 wasn't done, No. 14 wasn't done. In the course of your audit or in the course of the last week, have you been able to see any evidence as to why the decisions to build rankings No. 26 and No. 28 were made in the face of a process that would have ranked them taking everything into consideration? Why did they drop down? Can you answer that question today?

MR. PICKUP: Two key things, as we mention in the report, there are two aspects to this process. There's box A, if you will, which is as you described. It goes through a process up to the Tangible Capital Asset Committee with some rankings and then a list and to Cabinet for approval. Box B, if you will, is Cabinet deliberations and discussions, taking as one of the inputs the information that would come from the Tangible Capital Assets Committee.

As we mentioned in our audit conclusion, given the rankings by the TCA, we saw no reason why Nos. 19, 21, 26, and 28 had been done. We also indicated in Paragraph 2.28 of the report that process A coming out of the Tangible Capital Assets Committee identified some concerns with Bridgetown and Tatamagouche, that more consideration ought to have been given to possibly renovating or other options within the region. Those two red flags of things to be followed up on, to us, as part of the audit, were never closed.

MR. HOUSTON: So box A is kind of a practical process where numerous people look at it and rank things and say, this is where the need is, this is where we have to look after kids and make sure they're in a good structure. Process B, I guess you would describe that as just a purely political process at the Cabinet level.

In this case, since they've never been able to explain it to you, it would certainly appear that the political process just trumped all the practical process leading up to it. They said, we're not interested in that list. What we're interested in over here is box B at our Cabinet Table. We're interested in the political process. I'm the Premier, and I'm going to build a school in my riding. Is there any evidence to suggest that it's anything but that?

MR. PICKUP: Whatever happens in box B, if you will, after things come out of the Tangible Capital Assets Committee, that is obviously within the right of Cabinet. Any discussion or any other information they may have looked at, I wouldn't be aware of. But during the course of this audit, in meeting with departmental officials, we gave plenty of opportunity, saying, is there information you want to provide that would close out some of these concerns or might enlighten us as to why Nos. 19, 21, 26, and 28 were actually done? There was no such information provided.

MR. HOUSTON: In the absence of being able to provide information and other data or support that says, this is why we did this and why we had to overrule the three committees - they couldn't provide any information on that. The only possible conclusion is that it's politics, and the Premier put politics before kids in the communities that lived in No. 11, No. 12, No. 13, No. 14, No. 15, No. 16, No. 17, No. 18, all the way down to No.

19, and his school was No. 26. The only possible conclusion that I can draw is that this was politics over kids. Is that the only conclusion you can draw? Based on the fact that they couldn't provide you any substantive information to tell you otherwise, is that the only possible conclusion here or am I missing something?

MR. PICKUP: My conclusion, our conclusion if you will, was that given the information we were provided we don't understand how these schools moved up. Recognizing that is within the full authority, obviously, of Cabinet to make those types of decisions and what we encouraged then was a dialogue between Nova Scotians, with the Legislature, with the Public Accounts Committee to understand how this may happen - but it would just be conjecture on my part.

MR. HOUSTON: In the case of the school in the Premier's constituency, you have it as approved funding of \$23.92 million in your chart on Page 35. We asked the Department of Education and Early Childhood Development for the list of schools so we could see one to 10 and all the schools all the way through that corresponded with what you had identified as the Premier's at No. 26 and the Minister of Education's school at No. 28. That's not a list that the Department of Education and Early Childhood Development would provide to us. They instead provided another list. I'm going to call it a bit of a smokescreen.

I have a list I would like to table to you today and just see if you've come across this. It's just purely titled Capital Projects. There's no date on it. There's no indication of under whose authority this was presented, but this I can tell you - because I was at the press conference - this is a list that the Minister of Education and Early Childhood Development provided to the media in response to their request for the list that corresponded with some of the findings that you had.

On that list - whilst you had the school in the Premier's constituency as No. 26, it actually turns up on this list as number 23, which is still obviously not in the top 10, but it has a cost now of almost \$29 million. You had, on your chart of approved funding, \$24 million, the cost is now up to \$29 million. I believe in your report you had identified that department staff had some concerns with whether or not a new school was necessary because there were more cost-effective options in terms of different renovations and stuff.

Not only did they ignore the findings of the board staff who said there are other ways we can do this cheaper, they went ahead with a new school that now - according to this list - I would submit the cost is ballooning. It's up almost 20 per cent from what was approved.

I see you're getting that list now. I wonder if you can take a quick scan and tell me if that's a list you're familiar with. Maybe there was a typo in your report and maybe this is the real list, but maybe you can have a quick look at it.

MR. CHAIRMAN: Mr. Pickup, I'll give you a chance to have a look at that if you need some time. No? Proceed.

MR. PICKUP: My answer to this is I just want to be clear. The list that we used and the information that we used, including incorporating into what's on Page 35 with the rankings on there, that is what we audited. That was what was provided to us. This document that you have tabled, I have never seen. We were never given this during the audit. This is not something that was subject to audit so I don't know. I can't speak to this list.

What I can speak to is, I have faith in what we put in the report. This is what has been cleared. I met with the deputy minister and the minister on this report. We talked about the rankings in this. What this list is, I'm not sure and it was not provided during the audit so I really could not comment and wouldn't comment, even if I spent a few minutes on it now.

MR. HOUSTON: Your report is based on the list that you were provided during the audit. We have asked the department on numerous occasions for that list. Instead, they provided this, which is not the list. It's some other bob-and-weave politics or some effort to put up a smokescreen. So clearly the department is not interested in providing us the real list, so I'm wondering if you could table your list today in the face of the fact that when asked for a list they're providing another list.

I'd like to see your list just to have comfort in the findings of your report because this is all they're providing, they don't tie out. Would you be willing to provide the list that you were provided as part of your audit?

MR. PICKUP: A couple of key points on that. First, the main point for me is that the rankings we have here, the top 10 rankings were approved in addition to these ones that we indicate, so everything that came between these sort of makes the point to say okay, why did these ones move ahead of the ones that were under it? So which particular schools they were, and how the flip-around from No. 11 to 21, for example, matters less to me in the sense of making the point; this point stands.

The other point I would make more directly is that we got this information through Finance and Treasury Board. We cleared this information with them and the actual backups and some of the support that we would have would be considered working papers that we wouldn't provide. So we stick to what we have publicly reported in the report.

MR. HOUSTON: Okay, so the Cabinet, the politicians, decided to supersede the suggestions of the committees that were working on priority rankings and they went ahead and spent \$65 million, I guess, on schools that weren't really ranked.

So if that \$65 million or \$64 million was going to be spent in the education system, it could have been spent on projects that were ranked higher at Nos. 11, 12, 13, 14, 15, 16.

But they made a political decision to spend that where they wanted it, in their own constituencies. In a province that we hear the Premier say every day that we have no money for this, we have no money for that, but we do have money for a school in his constituency - that is basically the message that people should receive from that.

On top of this spending, we also have the school in Eastern Passage, a \$21 million school. Maybe you can tell us a bit about that school because my understanding from reading the report is that is not a school that was even put on a wish list to begin with. It was not on any list, it was just done. Can you maybe fill us in a little bit on what's happening there?

MR. PICKUP: Sure. On the Eastern Passage school, I can sort of wrap that up into a few key points. It was initially approved by the previous government with no indication of why it was being done - it didn't go through a process, it wasn't requested over a 12-year period, so the funding got approved then. The current government approved the actual dollars to go to this and kept with the commitment of the previous government. Still, there was no business case, no analysis, no needs support to indicate why this school was needed and the impact that it's going to have.

Part of why we do this audit is students. Some of the potential risks of building this school - when you move the students from either Cole Harbour or Auburn High and they go to the new school, it may very well be they will not have the programming options that they will have going to the school now. For example, I visited those two high schools and they have things like the automotive shop, they have some career options or possibilities - you can take a course in carpentry. The new school is not going to have those types of facilities.

There are probably potential impacts upon programming, just like the economies of offering certain other types of courses where you need a certain base number, not to mention extracurricular activities that may be impacted when you suddenly lower your student population. I don't want that to get lost. I mean the \$21 million that could have been spent somewhere that there was need recognized - yes, that is the case, but what is also going to happen now, in terms of programming.

MR. HOUSTON: So not only is the money being spent, it could actually result in a negative impact on the education of the children in those communities, with fewer programming options at their school.

MR. PICKUP: My understanding, for example, is if you have a child going to the new high school and they wanted to take a 75-minute course in carpentry, which they could do now at Cole Harbour, it would be a long walk from Eastern Passage High School down to Cole Harbour to take a 75-minute course in carpentry and then get back to your high school. If you don't have those things available, suddenly you've lost some of the access to programming. I hope people are thinking about that aspect of it as well.

MR. HOUSTON: If you had the authority, would you stop that construction right now?

MR. PICKUP: My recommendation was fairly clear. I think the decision should be revisited based on what the needs and the impacts are, like what I was just talking about. Then an analysis should be done and then with that analysis a decision ought to be made, and I think a good, open discussion on the decision.

I can understand for parents that are in that area, maybe they do want a new school, but I hope they are also understanding some of the potential impacts upon programming as well.

Since I've been here in 2014, I don't think there's a single audit that I have received more feedback on than this one, and in particular the Eastern Passage High School, and 99 per cent of the feedback I'm getting is all the same - why is this happening, what can I do about it? I've been suggesting of course that they contact the decision-makers like the minister and engage in a discussion with him on this.

MR. HOUSTON: People are not happy about it, based on the feedback you're getting?

MR. PICKUP: Ninety-nine per cent of the feedback that I receive is two-fold: on the dollar side and on the programming side.

MR. HOUSTON: Are you done with this file on the Eastern Passage High School? Is there anything you can do to look at maybe whether some protocol was broken or is that file over for now?

MR. PICKUP: I think we've done what we can do in that we've brought it to Nova Scotians. We brought it to the Public Accounts Committee. We brought it to the Legislature. Now it's up to legislators to hold government accountable as to why this is happening.

MR. HOUSTON: Just before I move on from that, I guess what Nova Scotians can take from this report is the school in the Premier's riding approved funding of \$24 million - current costs \$29 million. The school in the Minister of Education and Early Childhood Development's riding, approved costs of \$21 million - actual costs so far millions above that. Plus the school in Eastern Passage, \$21 million - who knows what the actual costs would be. Start adding those up, it becomes real money and all three of those, there is nothing substantive to show why those decisions were made.

The only reasons all three of those decisions were made were politics. That's my conclusion from that and I don't think it's a wrong conclusion. Do you?

MR. PICKUP: My conclusion would be on Eastern Passage and on these other schools as well is that we do this audit to explain to people whether, based on a process in place, it would appear that the money is being allocated to where the need is greatest in a time of scarce resources.

For example, on the four that we talked about, there was no doubt that the school boards had submitted requests for these schools and the school boards had wanted them. So it was not a question on those four of not being wanted, but governments make decisions in terms of limited resources and our belief is, going into this, as I think most people would reasonably expect, that the money gets allocated to where the need is greatest. So for those four, that would be the story, and for Eastern Passage . . .

MR. HOUSTON: The need wasn't the greatest. The money was allocated where the need was not the greatest for those four.

MR. PICKUP: Based on, as I said before, box A, the bureaucratic process - and the process, I would add, that is explained in the capital plan information that is available on the government website as to how capital decisions are made. There is a nice little summary in a box as to how government suggests that the capital decisions are made.

MR. HOUSTON: So we have this situation with the education system right now, when the Premier says he was willing to put money into classrooms, I guess he needs to be a little more clear that he's willing to put money in schools in his constituency. I guess that's the conclusion people should make from that.

In terms of the decision-making process on school capital stuff - which we now know is very political, unfortunately, still even though it's 2016 - the decision-making process on the P3 schools is either non-existent right now or we're just kind of flying by the seat of our pants on the P3 situation.

What are your thoughts on the analysis that the province has been doing over the last year . . .

MR. CHAIRMAN: Order, time has expired. We'll move to the NDP caucus and Mr. Wilson.

HON. DAVID WILSON: Thank you for coming here again today. There are a number of important chapters. I know my colleague just spent most of his time on one, I'll hit another one and hopefully in our second round we'll be able to touch on all four chapters.

I do want to take some time on Chapter 4, Critical Infrastructure Resiliency. I don't know if there has been enough emphasis placed on this audit or I haven't heard a lot of discussion around it. I have to say that being here in the Legislature for a number of years,

I know how important this chapter is and the effects on Nova Scotians if the government doesn't react, I think, or listen to some of the recommendations and act on them.

You indicated here and what stands out to me is that no department was given responsibility for a critical infrastructure program. We know that the Emergency Management Office kind of takes a lead most of the time; we hear them out front when we hear issues happening across the province. You indicated a number of them here in your audit. Should that be the number one priority? I know all your recommendations you feel are important, but should that be kind of the high priority one for the government to tackle? I'll get into some of the examples you use, but I would think that would be one that I would hope the government would react to quite quickly.

I know in Recommendation 4.1, you indicated that, "Executive Council should clearly define if the Emergency Management Office is responsible for establishing a critical infrastructure program, and if not, assign . . ." They agreed with it - their response was, "Executive Council Office will review and determine the appropriate responsibility for critical infrastructure."

Are you aware if that has been dealt with? I would think that should happen. If you could just remind me, when was the audit finished, so they would have known your concerns? When were they given the recommendations that your office made on this chapter?

MR. PICKUP: They would have been fully aware of this in September. To answer your other question, I may surprise you by saying certainly I think this recommendation is step one to everything else, all these other recommendations happening in this chapter.

MR. DAVID WILSON: I know you do reviews after about two years, I believe - you'll go back and do kind of a report card on the departments. Do you get notified - for example with this recommendation, have you been notified by the government that this is one that we corrected immediately - step one, as you would say - so that they could follow through with some of the other concerns that were pointed out in the audit? Have you been contacted by the government? Are you aware that that recommendation that needed action has been taken yet?

MR. PICKUP: I'm not aware. They have not contacted us, but in fairness to them, I mean the normal part of the process is we make these recommendations and we kind of walk away, they decide how they're going to implement them, and then we give two years before a formal follow-up.

I would suggest that part of why we bring this info to you is obviously on important things like this you can call witnesses and ask them what they're doing with these higher priority items.

MR. DAVID WILSON: I would hope with the examples you use that it does put a high priority on this. I don't think we can wait two years. One of the things that stood out to me reading through your report, I kind of forgot about some of the issues that happened or concerns a number of years ago. You indicated the fuel disruption and I remember - I believe it's the busiest gas station in the Maritimes, on Robie and Young, didn't have fuel. The one gas station in my community did and there were lineups right down through the community. I think that's important for you to give these examples of how concerned people were post-tropical storm Arthur. I think we had almost 115,000 Nova Scotian residents without power for 24-plus hours.

Then of course more recently, the droughts in southwestern Nova Scotia. I would think that that example alone would show the importance of the recommendation that you gave on ensuring that there's someone at the wheel. Then of course, we know about the hurricane and the aftermath in Cape Breton. We're still hearing today concerns from residents about the inaction or the delay of action being taken by this government.

There are a number of examples that have heightened, I think, and supported your recommendation. It does concern me that the government hasn't reacted quickly enough. Do you believe we're ready to address the next issue that's around the corner? Or are we going to continue to see examples of not really being prepared, I think is what this audit has said, in the future? Can we afford to wait two years to find out if the government will act quickly on this?

MR. PICKUP: The discussion around how prepared the government is now is probably a good discussion to engage in with the people who would know about that and perhaps have them as a witness. I will say that the findings in this audit of course are significant. They identify exposures. Until you do this work and go through these, you can't satisfy people that you are ready when unknown events do occur to reasonably prepare for them. This type of work, this type of audit, this type of exposure is well-documented in other jurisdictions as well in terms of the work that has been done.

We know that this is not theoretical. We know there are going to be unknown events that happen. The last 10 years have shown that. The number of unknown things that have occurred compared to the previous 30 years before that is tremendous. In terms of where the government is now, I do like some of the response and reaction that is happening, like with the Canso Causeway which we give as an example in here. Certainly, this identifies some big exposures.

MR. DAVID WILSON: I recall a couple of years ago, a little less than two years ago, we had the Department of Transportation and Infrastructure Renewal in here at the committee and talked about the safety of bridges and overpasses. It seemed to be in the media and it got the attention of many Nova Scotians, but then it seemed to go away. I know at that time, there was a lot of discussion around the importance of knowing the stock and what we have in the province just on the bridges and overpasses alone. Through your audit, and I know you weren't specific in giving examples - you gave the example of the

fuel shortage - but say overpasses and bridges, did anything come across through the audit that you would be concerned that the government and TIR haven't acted to ensure that Nova Scotians are safe on our roadways when they're using the infrastructure that we have in place? We know it's aging.

MR. PICKUP: This audit really focused, to start with, at a high level. There are 10 key sectors under the national strategy for critical infrastructure resiliency. One of the key sectors, to address your question, is transportation. We picked a few examples in the area of transportation to talk about how resilient the government would be if something did happen. This is not looking at the age of inventory or looking at the state of highways, for example. The two examples we gave in relation to transportation were the Canso Causeway and then the link from Amherst through New Brunswick where we said that complete risk assessments and protection plans have not been done.

What this really is about, if I put it in simple terms, I think is that you can't prepare necessarily or mitigate every possible thing that could happen. For one thing, you can't identify everything that's going to happen, and you probably can't afford to completely mitigate the risk. What you do then prepare for is to say what are the critical things that we rely on, and how do we rely on them? If something does happen, how are we going to respond, and how are we going to recover? The example of the Canso Causeway link is that. Nobody would argue that that is a critical piece of infrastructure. Doing a risk assessment is to say what some of the key risks are impacting that and which ones we are going to manage. By the way, if something was to happen to the Canso Causeway, how would we respond? How would we recover if it was gone for a day, a week, or a month? What are the recovery plans in terms of the key things that are flowing through there, whether those are key supplies going through there related to the economy, or various other aspects? That's really what this is about, doing that type of work.

MR. DAVID WILSON: In the 10 critical infrastructure sectors that you mentioned, I know you mentioned a bit on transportation. One of the ones that is a concern of mine because of more recent events is around water and the water treatment facilities in the province. Just last week, we woke up and turned the taps on, and the water was brown. There was no indication of why it was like that. Of course, I made the call and found out there was a water main break somewhere in the community, but no indication to the residents on that. How deep did you go within that?

I know for many of those, especially here in HRM, the responsibility falls upon the municipality, but the province has an ultimate authority over the municipality. Maybe a little bit on critical infrastructure sector of water and the treatment facilities in the province, what did your audit find with that? To what level did you look at that?

MR. PICKUP: There's a couple of key points that you referring to. First, I'll start with the municipal issue. We looked at partnerships and how well the province was doing in making partnerships with the private sector and other levels of government. At the end of the day, most of the critical infrastructure in Nova Scotia is likely owned by the private

sector, if you are into energy. Of course there are interdependencies between municipal government, the provincial government, federal government, and the private sector as well.

If you had, for example, a municipal facility, perhaps it is dependent very much on a provincial highway so if something was to happen, and you had to get there, you had to rely on the province. Therefore, it's really up to the province to have that lead role in making these partnerships. What we found was that the province has not been effective in making these partnerships so that they ensure that the plans are in place. It does not mean that the province makes a plan for the private sector. What it means is those partnerships exist, people are at the table, and they sit down and discuss how prepared we are and how interdependent this stuff is. It's really about working together and sharing information in a modern way.

Unfortunately, North America is filled with lessons learned when this is not done well. Take Hurricane Sandy, unfortunately a perfect case study of what happens when partnerships don't exist. So that's the issue on partnerships.

At a micro level, in terms of water, for example, which you referred to, we looked at the Hayden Lake water treatment facility and how that was done. The conclusions were generally reasonable there. There was some room for looking at some interdependencies in that area. But we didn't attempt, for example, to pick 35 pieces of critical infrastructure. We picked a couple, just to give some examples, but I think it's one level above all of that for the province to look at the 10 key sectors and then look at having plans in place.

MR. DAVID WILSON: I just want to go to the chart on Page 65 that you have just under Paragraph 4.38, on transportation and food and of course the Department of Agriculture. Some of the work that they're doing indicated what information government has. You talked about the 82 provincially managed dikes currently being prioritized in anticipation of climate change impacts. I would have to say we don't have to anticipate it. My colleague to my right, the community that she represents for years now has been dealing with flood issues. You just mentioned one more recent event that we know of on the eastern seaboard that has significant effects. How deeply did you look into that? The dikes are important, especially down in the Valley when we're looking at the agricultural land down there. What concerns were brought up through that sector that you looked at? Could you just maybe elaborate a little bit on what you found there?

MR. PICKUP: Sure. Given that the only sector that is complete inventory, I would say, developed and maintained, is the health sector. All these other sectors have work to be done. On Page 65 we indicate that the government is currently looking at the 82 provincially owned dikes, but again, I would put that as a small example. We didn't go deep into any of these issues. The idea was that we're very much one level above that in terms of the work that needs to be done.

MR. DAVID WILSON: I know there is - I believe it's called - the Climate Change division in the Department of Environment. I would assume there should be some

relationship between EMO and them. Did you see anything through the audit? I know this is probably more a question for the department or for somebody hopefully we could get here in the future to discuss that. That will be part of the challenge because if government hasn't assigned who is in charge, I guess we'll have to call in a number of departments. But EMO, I would assume, may take responsibility for this.

Did you find any relationship between EMO and the Climate Change division in the Department of Environment? Of course, more recent events that we've seen in the province have been impacted by climate and climate change, so I'm just wondering if that came across through the audit.

MR. PICKUP: Two points - rather than look at any one department in depth, one of the things that I think was surprising for me was that the departmental contacts across a number of departments, a high percentage of those weren't familiar with the National Strategy for Critical Infrastructure. I think that was probably more troubling.

On the climate change issue, we are currently doing an audit on climate change. We're looking at adaptation and mitigation as well and we're going to be reporting on that in the Spring of 2017. That may answer more of your questions at that time on what's happening on climate change.

MR. DAVID WILSON: You just mentioned, and I believe you said, there were no concerns with the Department of Health and Wellness. They're meeting, I think you said they're meeting what's required. Just elaborate a little bit on the Department of Health and Wellness, and what can the other departments learn from the Department of Health and Wellness on how to handle critical infrastructure issues within their responsibility?

MR. PICKUP: Department of Health and Wellness was the only sector of the 10 where they had a working group in place. They were working on this. They had developed a list of critical infrastructure and what that meant, and they're maintaining and updating the list as well.

The team took comfort in the health sector that they were on top of this, and absolutely, I think the other nine sectors could leverage off the health sector and what they're doing. I would also suggest that the other nine sectors could leverage off some of the information that is available federally. There is a gateway system that can be used and to date that hasn't been used, so this isn't necessarily starting from zero.

MR. DAVID WILSON: Are you aware of how long that working group has been working towards ensuring that they're doing what is required?

MR. PICKUP: I don't have the exact date on hand.

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

MR. IAIN RANKIN: Thank you to the Auditor General's Office for a good report. When we came into government - and I remember when I was running - all MLAs would have asked the Premier, the Leader of the Official Opposition at the time, what kinds of commitments are we making in this campaign in our own local constituencies? It was very clear that the capital commitments, particularly around schools, would be upheld. That was a commitment made, and in Eastern Passage, it was clear that we would follow on what past governments had decided.

When I think about Eastern Passage I think about the other two MLAs that supported it, the community asking for it since the 1990s. I know the councillors of the area - in 2003, Councillor McInroy supported the school, wrote a letter to the school board. In June 2006, the school board approved the new high school to be built in 2011.

If I was running in that community and I wanted to represent my constituents, I would be making sure that the Premier and the government upheld that commitment. So my question for you today is, do you feel that government as a whole should go back on their commitments made before an election?

MR. PICKUP: I think whether a government wishes to honour their commitments is up to a government to decide, that's not up to me.

MR. RANKIN: Okay, so looking at Eastern Passage, and I don't think it's fair to look at that particular community in isolation - did you look at the reasoning behind the building of Auburn? So we have two schools in Cole Harbour and Cole Harbour is declining in population, Eastern Passage is increasing in population, has 13,000 kids with no high school. Can you tell me that there is more of a reason to look at a new build of a growing community in Eastern Passage than there was the decision - and I know the Auditor General's Office's mandate is to look at expenditures in the past and the reasoning around it.

I was just wondering, within the audit did you look at a macro level at the decision behind building a second school in the Cole Harbour community, along with looking at the decision to build the Eastern Passage one, which was brought forth by the school board?

MR. PICKUP: So if the question was, did we look at Auburn High which was built 20 years ago, we weren't auditing a decision made 20 years ago.

MR. RANKIN: So you just looked at Eastern Passage in itself, in isolation?

MR. PICKUP: Right, but on the Eastern Passage you indicated that the school board asked for it. We indicated in the audit that that had not been asked for in the last 12 years.

MR. RANKIN: Okay, it was approved by the school board in June 2006; that's what I have.

Did you look at the school board's funding in terms of getting the kids from Eastern Passage to the school? I have a number of \$0.5 million in 2009-10, was that analyzed - and that's just the financial part. Was it looked at how early the kids had to get on the bus in the morning, in terms of being moved out? Also, were you looking at the proportionate amount of kids who were at Cole Harbour High who actually live in Eastern Passage? There are a few questions there.

MR. PICKUP: The answers to all of those questions are similar. I would expect that that type of analyses and the type of questions you are asking are all great questions that would go into consideration of making a business case to put a school forward, which the school board decided not to do. One of the school board studies even talked about perhaps needing only one high school, not three, needing only one high school in 10 years' time.

MR. RANKIN: Right, but since the decision was made to build the school - and again I'm looking at 2006, so it wasn't built in 2011 but there was funding approved by prior governments for Cole Harbour High for a trades program. So again, Cole Harbour is a community declining in population, Eastern Passage is increasing in population, and government funding has been put into Cole Harbour. That's one point. Another point is, one-third of the kids in general in the population end up going into trades, so whether we like it or not, the location decided for the trades program is Cole Harbour.

Can it not be and is it not being used for the whole population on that side of the bridge to be able to go to a trades program, whether you are from Eastern Passage, whether you are from Portland Street, north end Dartmouth, to be able to all go to that trades program in Cole Harbour?

MR. PICKUP: You are asking detailed questions that are better off asked to the department.

MR. RANKIN: I mean that would be a good consideration, would it not?

MR. PICKUP: Any consideration in terms of suggesting that school, as I indicated, that would go into a school board analysis, I assume, and support whether or not to ask for a new school and put it on their list. What they may or may not have analyzed in making the decision not to request Eastern Passage High School, you would have to ask the school board.

MR. RANKIN: Okay, and maybe we can get them in and do that. Would you accept that it's conceivable that repurposing one of the schools in Cole Harbour, given the decline in population, in the medium term might be appropriate - or some other option?

MR. PICKUP: I would suggest that my understanding of the process and the way it is intended to work, as described by the government under its capital plan decision-making on the Nova Scotia Government website, is that the starting point of all of this is

based on requests from the school boards that come in and then get evaluated. They get ranked and prioritized and then decisions get made.

The fact that this school wasn't asked for by the school board in the recent past, I would presume by that that they did any analysis necessary to support that.

MR. RANKIN: Yes, it may not have been asked for in the past, but I don't think the intent in the community has been lost. This has been going on since the 1990s. The current MLA supported the school. The last MLA supported the school. The MLA before that supported the school. Your recommendation is for government to review that decision, but you understated the importance of the school board in this and the votes on the school board. Did the school board not follow your recommendation and review this and have a vote recently in the last year, the elected school board? Did they not essentially review the decision and have a vote on that?

MR. PICKUP: We were auditing the Department of Education and Early Childhood Development and the government, not the school boards. Our starting point was what came in to the Department of Education and Early Childhood Development as a request. If the request didn't start by coming from the board in, whatever happened in that back process before that wasn't part of this audit.

MR. RANKIN: The way I see it is, the school board did follow your recommendation to review it, and that motion was defeated seven to three by board members. The elected school board voted to proceed, basically, with that construction.

I'll leave Eastern Passage for now. I do want to look at the capital projects list that my colleague brought up. This ranking system - do you think that there are any other implications beyond the ranking system provided? I just want to be clear who does the rankings as well in your answer. Are there any other considerations for government to look at beyond a black-and-white list of rankings?

MR. PICKUP: I would describe the process as box A and box B. Box A is everything that happens in the bureaucracy that results in a list going from the Tangible Capital Assets Committee into Cabinet. Box B, I would describe as the Cabinet process, that they have the authority to make the ultimate decisions. Whatever they use in that decision-making and whatever that process is, is not subject to audit.

MR. RANKIN: But do you recognize the importance of that process? There are elected people there who have to look at this, right? These are the people who are accountable for making the ultimate decision. The people who are ranking them aren't accountable. They provide evidence to make the ranking system. It goes to Cabinet. The Auditor General's Office and the Public Accounts Committee aren't privy to the details in Cabinet, I think for good reason.

MR. PICKUP: What we have said in this audit is that we think that Nova Scotians and members of the Legislature should look to the government to explain. You have the results of the bureaucratic process that results in this. Part of that process is not having the suggestion for Eastern Passage High School, and then something happens within government, within its authority, to go forward with this. In open transparent government, I think these are fair questions. If anything, I'm certainly proud that we did this work to raise these questions and to engage citizens in the discussion with their government as to how decisions on capital get made.

MR. RANKIN: No, I'm not questioning the appropriateness of asking questions. I'm just asking you if you're considering some of this.

In the 99 per cent of emails that you've received, how many of them were from Eastern Passage residents?

MR. PICKUP: I didn't try to figure that out. Most of them didn't indicate where they are from.

MR. RANKIN: This ranking system, and I'm not specifically talking about Eastern Passage, but you pointed to the two other schools that were ranked in the 20s. What if the top 10 were all in HRM - HRM is the growth centre - and there were some that are from different parts of the community? Is there not any other consideration beyond that ranking system in terms of where they are in the region? What if a part of the province hadn't had any capital funding allocated to it in over a decade? Do you think that's important?

MR. PICKUP: What I think is important is that somebody explain that process to us in terms of something we could look at. For example, if we've got No. 26 and No. 28 being approved, what would make those jump ahead of Nos. 11, 12, 13, and 14?

MR. RANKIN: So there are a lot of unknowns - I appreciate that, and I think you can appreciate that. Did you look at how long those schools in Tatamagouche and Bridgetown were on the list? Do you think that's important? The school boards brought their schools forward, and successive governments said, no we're not going to. Maybe they were higher in the rankings, or maybe they went back down in the rankings based on a whole bunch of externalities that you can't control. Do you think if, say, Tatamagouche was on the list waiting for 15 years, there should be some consideration to investing in that school?

MR. PICKUP: What we looked at in terms of the bureaucratic process that comes out of the Tangible Capital Assets Committee is essentially the result, I would hope, of how capital decisions are made as outlined on the government's website. For example, the government indicates things they look at. Is the existing structure safe? Does it fit within priorities? What is the weighted cost against the benefits? Does this make fiscal sense? Will the infrastructure result in improved service to the public? What is the risk of not building it?

The government has told Nova Scotians that these are the things they consider in developing and ranking capital projects. From this process, we got a list of rankings. There is another part of that process where Cabinet decides. We're not questioning that authority. What we are saying is, could anybody explain to Nova Scotians what would give the extra weight to those items that would change their ranking based on those questions that are on the government's website as to how capital decisions are made in Nova Scotia? Remember, it's not me that's putting this forward; it's the government.

MR. RANKIN: I appreciate that. I just think there are other considerations besides the public servants ranking them. I think there is a reason why the elected people have a chance to look at them and weigh in on how long they've been sitting on a list and neglected. I think regional considerations are important. Would you admit that there is a need for Tatamagouche and Bridgetown based on the elected school boards' requests?

MR. PICKUP: The requests came in from the school boards, so that was the starting point. All of these schools that we talk about were clearly on the ask list from the school boards.

MR. RANKIN: What about a consideration in terms of money savings? So if you have two schools, did you look at if there were plans to consolidate and build one school and close a school? In the long-term budgeting process, you would actually find savings. So if there was a school ranked higher, but they had a better fiscal plan, wouldn't that be more appropriate? Sorry, if it was lower in the rankings. If Tatamagouche, for example, was consolidating into a P-12 school, but you have something ranked No. 15 that didn't have an appropriate fiscal plan, and they were just building a new school, do you think that would be taken into consideration as well?

MR. PICKUP: I think what you're raising is a troubling finding of this audit. When it came up with this list, the bureaucratic process said, for Bridgetown and Tatamagouche, our assessments have concluded that more consideration of renovations or other options within the region - which is what I think you're suggesting - should be evaluated, and a look at those things is needed. That has never been closed for us in terms of the meetings we had with the department during the discussions to ask, what happened to these concerns? These are fairly significant concerns being raised.

I would also suggest that, as part of this bureaucratic process, some of what you're indicating the bureaucracy looks at doesn't make fiscal sense in light of other needs. Will it be improved service to Nova Scotians? What is the risk of not building it? All of these are things that get considered when the bureaucracy comes up with this assessment.

MR. RANKIN: Do you think that's a full enough list of considerations?

MR. PICKUP: I think that is box A of considerations. Box B, as I have indicated several times, is within the authority of Cabinet to make that decision . . .

MR. RANKIN: What should box B consider?

MR. PICKUP: Box B is whatever other information or considerations or deliberations happens at Cabinet.

MR. RANKIN: Do you recognize the importance of box B?

MR. PICKUP: Clearly in the audit report, we say we are not questioning the authority of box B. Cabinet makes these types of decisions. But I believe that the discussions should occur between Nova Scotians and their government as to what may be the reason why, for example, box B saw that Eastern Passage should occur when it was never a recommendation or a ranking through the box A process.

MR. RANKIN: Thank you.

MR. CHAIRMAN: There are still about four minutes remaining. Mr. Maguire.

MR. BRENDAN MAGUIRE: One of the things that we're forgetting here is that the biggest stakeholder for Nova Scotians are Nova Scotians. One of the schools mentioned in this report was J.L. Ilsley High School, or one of the schools that you have publicly spoken about. As the MLA for Spryfield, I feel it's the most important high school. I can understand the people of Eastern Passage, I can understand the people of Tatamagouche, I can understand the people of Bridgetown, Truro, all over the place, fighting for their schools.

Are you taking into account the will of the people and the decade-long fight from the people of Eastern Passage? Multiple governments have said that this is a need, multiple school boards have approved this. I don't want to go over what my colleague said but you said there wasn't evidence for this school but the evidence was in the public will. Multiple governments, multiple MLAs - we threw this back to the school board and said, is this what you want? Hundreds if not thousands of people showed up.

You said you are getting all this negative feedback around Eastern Passage being built - where are these people coming from? How many emails, how many calls have you received about the school? I can tell you that over the course of the last five, 10, 20 years, thousands of people have come forward, just like thousands of people have come forward about J.L. Ilsley. I can tell you, if my high school is built or if my high school is refurbished there are going to be people from all across this province who are going to be upset that J.L. Ilsley was built. I won't be, I'll be happy, but the people in my community have fought for their school, just like the people in Truro, Pictou, Bridgetown, and Tatamagouche have fought for their schools.

How do we balance this? How do we balance and say, you know what, this school here has been top of mind for the people of Nova Scotia and for the people of their community for two decades, but we don't take that into account because it's just numbers.

Are we just looking at this from numbers or can we take a step back and say we have to listen to people and we have to take into account families? If it is a growing area, just like my area is a growing area, I mean how do you square that?

MR. PICKUP: My first part of that answer would be, the process we have in Nova Scotia is we have elected school boards, presumably elected school boards represent the people . . .

MR. MAGUIRE: To interrupt, we keep going back to the elected school board that represents the people and the elected school board approved Eastern Passage.

MR. PICKUP: The elected school board did not indicate a need for Eastern Passage High School, that was not on their list . . .

MR. MAGUIRE: Wait a second. It was brought back to them to vote on - do you want this school, is this where you think the funds should be spent - and they approved it.

MR. PICKUP: Whatever decision-making they may have gone through in Eastern Passage after the decision was announced to spend this funding, this is not how the process is laid out by the board.

MR. MAGUIRE: But there is a break, there was an out. There was an out given to the school board to say if you do not feel that this school is the proper school to be built - you have a list, you have priorities, it's your decision to decide where this money is being spent.

They could have said no but this is an elected school board, they were given the option to say no. Nobody held a gun to their head, they had a democratic vote and they voted to bring Eastern Passage forward. I mean if that is their job, that in itself should be evidence that the school is the right school.

This is coming from somebody who is saying hey, guess what, I want J.L. Ilesley built and I want it built five years ago, I want it built 10 years ago.

MR. CHAIRMAN: Order, time has expired. We'll move back to the PC caucus and Mr. Houston.

MR. HOUSTON: I appreciated that interesting discussion there. J.L. Ilesley was actually on the priority list, was it not? Do you recall what number it was?

MR. PICKUP: I don't recall the number but it was . . .

MR. HOUSTON: I think it was No. 15 and the Premier's school was 28 and Eastern Passage was nowhere to be seen. So if anyone should be offended by their own community getting passed over by the politics of politics, I think we know where that should be.

When looking at the P3 situation, about 15 years ago there was a round of P3 schools, a P3 initiative taken in the province, and in hindsight a lot of the criticism over the last 15 years has been that there wasn't much analysis done at the time on the most cost-effective way to build a new school; is the government to build a new school or have a P3 arrangement? The criticism has been that there wasn't much analysis at the time on what to do, they just proceeded down the P3 route.

So 15 years have passed and those schools are now coming up, has there been a lesson learned by the government? Are you seeing significant volumes of analyses done on whether the school should be purchased or whether a new school should be built? Has the lesson been learned and is the analysis being done now satisfactory - from your audit findings, is there satisfactory analysis being done on what to do with the P3s?

MR. PICKUP: Keeping in mind we cut off on the P3 analysis at the end of May, essentially, to say what had been done up to date, our finding was that this file wasn't as actively managed as it ought to have been. For 20 years people knew that these five schools would be coming up - or there would be five years left, sorry, in all of these 39 P3 school leases and that work would have to be done. We weren't satisfied that enough work had been done on the P3 file at the date of the audit.

MR. HOUSTON: It's tens of millions of dollars, maybe hundreds of millions of dollars at stake with the P3 situation and you were not satisfied that there's adequate analysis being done by the department.

MR. PICKUP: There was \$700 million spent to date and then another \$200 million or \$300 million to look at in terms of purchasing, so we were not satisfied at the time of our audit that enough work had been done up until that point.

MR. HOUSTON: I can't even get my head around that with that much money at stake that nobody is doing a proper analysis. One thing you did find in the audit which was particularly interesting was there was a situation where the government contracted out some third parties to deliver services to the schools and they paid the third party a certain amount of money to do that. The third party didn't actually do it, they actually subcontracted it back to the actual people at the school board to do it, but in the meantime, what was paid to the third party and what they paid back to the province, they pocketed a tidy profit on that. I think your analysis showed they pocketed \$52 million that just, poof, disappeared from the system into somebody's pocket, for the same level of service. Is that a fair summary of what you found in your report? If it is, can you say how in the world that happens?

MR. PICKUP: What you're referring to is in Paragraph 2.36 of the report. That came out of the 2010 audit of the P3s and it is as you described, it ended up in a \$52 million profit over the 20-year lease for the service provider. Again, that came out of the 2010 audit and at that time we raised a number of concerns that we thought ought to be followed up.

MR. HOUSTON: Okay, your audit period ended in May, and here we are in December, so I guess as Nova Scotians we just keep our fingers crossed that somebody in the government, somebody in the department did the work over the last five or six months that hadn't been done in the previous 15 years and actually is doing some analysis, before we read about these announcements where they spent \$70 million to buy these schools or whatever.

When you left in May from doing your audit, you weren't satisfied that the proper analysis was being done and yet all this money is going out the door so maybe we'll keep our fingers crossed that it has been done now over the last couple of months, even though it wasn't in the past 15 years.

MR. PICKUP: We were auditing right up to the end of May, which is pre when these decisions were made. I had some good discussions with the deputy minister at the department about our concerns. They accepted these, they accepted the recommendations.

I think there's enough concern here and big enough dollars that we will likely be going back to audit that post-May period to say what happened with the actual decisions and how has that been handled.

MR. HOUSTON: Has that audit been scheduled? Would that happen in 2017, would you think?

MR. PICKUP: Reporting in 2017 would be our intention - which always comes with caution - assuming that these things are actually far enough along in terms of the decisions being made that the decisions are still in significant negotiations. We'll have to look at that. I know there have been a lot of announcements, but we're hoping to do this for 2017, yes.

MR. HOUSTON: There is a lot of money going out the door so the sooner the better, probably. If you're taking requests, I would love to have that audit before we go back in for the Spring session.

I also want to talk about the daycare affordability and accessibility portion of your audit. There are about 17,000 children in the province who are in daycare, at the time of the audit at least, and about \$40 million in grants and subsidies. The \$40 million in grants and subsidies that the province invests in the daycare system is meant to make sure that daycare is affordable and accessible.

We have \$40 million being invested to make daycare affordable and accessible. Has the department actually defined what "affordable and accessible" means?

MR. PICKUP: The department has acknowledged that it has work to do to say what exactly that means to have affordable and accessible daycare and to make the measures to be able to have specific targets and outcomes around that so as to be able to go back to hit.

They've made a number of internal recommendations and have looked at this. Now will be the time to manage those recommendations to work on this.

MR. HOUSTON: They're spending \$40 million to make daycare affordable and accessible; meanwhile, they don't even really know what affordable and accessible means. So therefore, is the conclusion also that they can't say whether they're being successful in spending the \$40 million appropriately to make daycare affordable and accessible?

It just seems like a big web to me. As a taxpayer, what conclusions should I reach from the fact that this money is going into the system? It can't be measured, and they don't even know what the real goal is.

MR. PICKUP: The first thing I would do is break it down into two pools of money, grants and subsidies. So some of this is going to the operators to help make spots affordable to people who need these spots. It's defining what all that means. What is affordability? How is that going to happen? What will be a measure of success? The department acknowledges that they have work to do on that.

Some of this money is also going to operators in terms of paying wages, for example, up to certain standards so that people stay in this profession and so that there are licensed child care spots available into the future. That's a part of it as well.

The department has been studying this, in fairness to them. They've made a number of recommendations. We've come along and made similar and additional recommendations. They've accepted all of them and now recognize that there is work to be done.

MR. HOUSTON: The department has taken some action on wages for people who work in the industry and also on fees that families would pay. Was that action taken during the period of your audit or after? Specifically they've set a wage for early childhood educators. They've also set a cap on the fees that child care centres can charge. Is that something that's going to happen post your audit or before?

MR. PICKUP: Some of that had been announced during the audit, but took effect after the audit period. So I wouldn't be able to comment, for example, to give you a roll forward.

MR. HOUSTON: People working in the industry and operators have expressed significant concerns about the ramifications of those changes. In fact, they say that those changes are going to make daycare less accessible and probably therefore ultimately less affordable.

They talk about the lack of analysis that would have been done and the lack of consultations having these unintended consequences. They lay out a pretty good case, that the changes that have been made are going to be counterproductive and will see operators

close, which will hurt accessibility. I'm wondering, for purposes of your audit, I guess that wasn't really in scope for you this time around?

MR. PICKUP: Except we do note in here a couple of issues related to that, for example, the grants that may be going on wages. There was some confusion in some cases where that may have just been applied equally, or people at lower levels got more than the people at higher levels. There was some confusion around that from what we saw during our audit, notwithstanding the fact that some of this only came in place after. It would probably lend itself very well to an interesting live discussion with the department to say, okay, you had these recommendations as at a point in time. A number of things have happened since. What have been the results or the impacts on this file?

MR. HOUSTON: It just seems to me, knowing that your staff was doing an audit and then probably were aware of some of your findings, I guess at the time that they would have come out with these announcements of these changes that they were going to make - it looks like they were trying to be reactive to something and maybe trying to get out in front of something.

Again, we have seen this time and time. We talk about the schools and the politics of what schools are built. We had the lockout this week of students. We know that was all political manoeuvring. We saw it with Seniors' Pharmacare. All these times this particular government is always politically trying to stay a step ahead of something. Every time they try to get a step ahead of something, it turns out that the foot that they're putting down is where it's unintended. It seems like this was something that happened here, too. We know that there has been no analysis on P3s. I think there has been no analysis on these possible changes.

I'm saying that based on the fact that the department can't even really define what accessible and affordable means. To make these changes to the wages and the fees that are charged, it seems like it was premature. Would they have been aware of some of the findings that you were making at the time you made the announcement? You had field staff in, and you see the department make an announcement for child care. I don't know if you were surprised by that or not, but I wouldn't ask that. I would just ask, did they know some of the things you were finding when you saw those announcements go across the wire?

MR. PICKUP: They would have known these findings since early September, but in terms of how long they've been working on all of these other things, it would be better to ask the department that.

MR. HOUSTON: We will maybe try and get the department in to answer some of these questions because it's not working - I think there's a danger it won't work, I should say. People are raising serious concerns. They're well-thought-out concerns, and I certainly respect them.

Back to the P3s and the \$52 million - how do we describe it? An error, a misunderstanding where it kind of just went out of the system and into somebody's pocket as profit? Are you able to say where that went? Who was the subcontractor who profited from that situation?

MR. PICKUP: We haven't named the actual provider. I don't have the name. The point is the same for us - whether it's provider A or provider B, it's \$52 million that was an extra cost.

MR. HOUSTON: That's the only way to describe it, just an extra cost. There was no benefit from that additional expenditure in your view?

MR. PICKUP: We have been pretty clear that this was a finding of the 2010 audit. Nobody disagreed with that.

MR. CHAIRMAN: Order, time has expired. We'll move to the NDP caucus. Ms. Zann.

MS. LENORE ZANN: Good to see you in here again this morning. I'm going to be focusing on the child care situation, since I'm the Critic for Education and Early Childhood Development, and Chapter 1 obviously is about licensed child care.

Your audit covers the period from April 1, 2014, to March 31, 2016, so it actually doesn't include changes that were made recently, I think in June 2016. I notice that you found that the Department of Education and Early Childhood Development was not actually managing the grant and subsidy programs to make sure that they achieve what they were intended to.

My first question is, there were these recent changes that were made by the government to the provincial subsidy. While any kind of money is really helpful where we're starting to build up that whole idea about early childhood development, how important that is, they didn't really address the need for more spaces and didn't really address the flaws in the current model of funding child care and won't actually assist the families who are not eligible for subsidies.

In your report you said the department was using the number of subsidized spaces as a measure for affordability. So does it make sense to look at the number of subsidized spaces as a measure for affordability when there are actually only a few thousand spaces available out of 17,000 spaces but there's a lot more need?

MR. PICKUP: The key component here for us was that the department in running this business - looking after licensed child care - needs to develop clear performance measures and set those targets. They acknowledge that the percentage of subsidized spaces right now is not meeting that need and that they need to work on that. We made that recommendation and they accepted it.

What those actual metrics should be, what those indicators should be to really get at those issues is really going to be critical to this so that people understand what it means to have accessible and affordable child care. They are great concepts, but with this more disaggregated detail - and the department acknowledges that. I think it would probably be an interesting discussion with the department in terms of how they're advancing that and how exactly they figure out what accessible and affordability means to Nova Scotians.

MS. ZANN: Exactly, that was going to be my next question, which is that you did find that although they've set targets related to accessibility and affordability, it's not really defined yet what it actually means to have accessible and affordable child care.

I know that a significant body of research has found that there are other methods and other systems that work better in other regions, other countries. Did the department actually provide any reason for not defining these terms of accessible and affordable child care?

MR. PICKUP: I think they acknowledge that it is complex and that it will take work to define what that is. In terms of the background story, in terms of how much work they've been doing on this, how long it's going to take - rather than me speak for them, I think it's better they speak to this themselves.

MS. ZANN: So you suggest bringing them in and asking them about that? Thank you, point taken.

Your report says there were about nine instances in which wage allocations appear to be inconsistent with the spirit of the terms and conditions of the wage enhancement grant. Could you describe these instances?

MR. CHAIRMAN: Mr. Jewer.

MR. ROBERT JEWER: We note in the report in Paragraph 1.48 some examples there that their entry level, their Level 1 educators were allocated more of the grant than those at higher levels or, in other cases, grant amounts paid within the level varied significantly or were paid equally across the level.

MS. ZANN: Yes, and I notice I have been taking meetings with various child care operators recently, a non-profit directors' association and the private child care operators as well. All of them across the board are saying that it's unsustainable and that they are having major problems, even with an infusion of a few more million some of those announced, they say the system just isn't working. One operator said that last year, for instance, she went from having a deficit of \$450 that she could account to her board and this year it is going to be \$18,000.

It's clearly not working and they're feeling a real crunch. They are between a rock and a hard place, so to speak, because they are paying certain of their staff more, mainly

the newer ones, and the senior ones who have been at it for a long time didn't really see any wage change at all. Not only that, but they are supposed to have more child care spaces and pay more but yet they are limited in how much they can charge. So that's why they are saying they are going in debt and they don't even know if they can stay afloat and remain open and operable. So what specific changes would you say are needed to address the issues that your office has identified with the child care grant and subsidy programs?

MR. PICKUP: I think the key thing here is recognizing whether or not these programs are meeting the objectives that they're intended to meet. The department has acknowledged they need to look at these things - post the audit, a number of things were happening, so I would suggest that even before our two-year follow-up, it's probably something the committee wants to stay on top of with the department in terms of what is happening with both the recommendations we made to address this.

We and the department are on the same page here with the observations that we made and with the recommendations they've made internally and the ones that we have made. Everybody is trying to work to the same intention here - to make sure that accessible and affordable child care is there in the future, and that Nova Scotians know what to expect, what that means, and that it's sustainable long term.

MS. ZANN: I was lucky enough in my former career as an actor to live in Sweden for a year and work there, do a play, and they have a completely different system there obviously. They have universal day care and so it really helps families, and women in particular, to be able to get back into the workforce sooner if they want to. They just have so many different things in place that really help young mothers and fathers too, and then have child care available for them, and it's affordable for everybody.

Here in Nova Scotia we find that there is capacity, but people just aren't able to access it because the criteria is different. It's set quite low and so there are many people it seems that are missing out, and people who have more than one child - even if they have two jobs, like two parents working - it's really difficult. They say that oftentimes it's more expensive even than university tuition when you add it all up.

What did you think when you saw that there were two programs that were not meeting objectives, but were the programs that received a bit of additional funding in the most recent budget? Did you have any thoughts on that?

MR. PICKUP: In this audit we limited what we looked at to the roughly \$40 million in grants and subsidies. What is encouraging to me is that the department acknowledges that things aren't working the way they want them to work; I think that's step one. We made some fairly concrete recommendations. They have studied this internally and made a number of recommendations as well.

So I think they have that starting place. Now of course will be the challenge to take all of these things and then make it work so that Nova Scotians get accessible and

affordable day care, however that is defined to them and whatever that means to them and that they understand that. I'm encouraged by what has happened but now comes the critical part of seeing this stuff through.

MS. ZANN: So last year the department spent about \$18 million on child care subsidy programming and \$19 million for wage enhancement grants. What would you say is the value of these programs, and would there be more value for money if these funds were actually used to support a system of early childhood education, for instance, rather than using the money for sort of a patchwork of programs with different application and eligibility criteria? Do you think that would be a better use of the funds?

MR. PICKUP: The key to me is with any funds that you're spending, including this \$37 million - is it clear what objectives you want to accomplish and do people understand? So if you're trying to accomplish something in terms of accessible and affordable spots for children in Nova Scotia, what does that mean? Then how do you spend the money to achieve those objectives, and then you come back and look to see if it's working.

Here we've said that some of that objective piece needs to be refined, needs to be enhanced as to what exactly these things mean and what you're trying to accomplish, and then you evaluate what you're doing now.

We've made a number of recommendations where we think things need to change, and the department has made a number of recommendations. Then you adjust these things to focus them on those objectives, and then you come back and tell people the story. Is what we did meeting the objectives as we defined them? If not, what's going to change in how we do things? Or do we have the right objectives? Do we want to change the objectives? To me that is the key sort of process in looking at these programs and services.

MS. ZANN: Have you had any indication from anybody to say they are actually looking at a different way of doing things? Or are they just going to continue to do this sort of patchwork? Do you have any idea?

MR. PICKUP: In fairness to the department, they've been studying this issue. They've been looking at this issue. They've come up with a number of recommendations. So all that is positive. We've raised a certain number of concerns in the way things have been happening up until the point of the audit. They get that. They accept that. But with all this, now will be the time to take it and say, okay, we've got to carry through, get these things done and see how they are working, and then dialogue with people as to how it is actually working.

MS. ZANN: I have only about a minute left, so I'm going to switch for a second to school capital planning. The audit found that the department spent \$700 million on P3 schools and could pay up to \$200 million more to purchase all 36. We also know that the P3 leases resulted in a profit of at least \$52 million for one company. So based on that, do you think public-private partnerships are a responsible method for building infrastructure?

MR. PICKUP: I think P3s are an option to be studied and evaluated, just like any other option may be. But when you do this analysis, when you do these studies, you want a complete and thorough analysis done, so I wouldn't take a position that something is bad or good. I think something is only either after you go through a process to study it. We pointed out in 2010 some of the impacts that can happen when a good process isn't followed. Then we followed that up, up to the end of May with the P3 file management and said we have some concerns to date. Yes, the decisions haven't been made yet. We hope you will take these into consideration . . .

MR. CHAIRMAN: Order, the time has expired. We'll move to Mr. Maguire, of the Liberal caucus.

MR. MAGUIRE: I just wanted to follow up on that last question. Could you make a professional opinion on any potential future P3 projects without actually seeing the details of the contract and the money?

MR. PICKUP: Any P3 evaluation would have . . .

MR. MAGUIRE: Future, a future P3.

MR. PICKUP: I'm not sure if you mean theoretically?

MR. MAGUIRE: Yes. One of the questions that was just asked was around whether you agree with P3s or not. I'm asking, can you actually make an educated, professional opinion on that for future P3 projects without actually seeing the details?

MR. PICKUP: To clarify my response, that was the message I was hoping to try to get across, that in deciding something on a P3, each P3 is unique. It is not that all P3s are good, or all P3s are bad. You would have to study the details and specifics of each case.

MR. MAGUIRE: I just want to go back to the schools for a second. In general, in your professional opinion, what is a better use of taxpayers' money, a refurbished school or a brand new school? For all the information I've ever seen, brand new schools have a lot longer lifespan than refurbished schools. There are newer technologies. When it comes to heating, plumbing, operating, and day-to-day costs, you would think that a brand new school from the bottom up would be state-of-the-art. In the long term, which would be better use of taxpayers' dollars? Which would save the most money?

MR. PICKUP: I would give a similar answer to the one I just gave on P3s. I think each case would be specific and unique. I would argue that that is why there is a bureaucratic process in place to consider some of those things, like whether a renovation or building a new school or purchasing one through a P3 arrangement makes more sense. I think the bottom line is that each case would be specific to that case.

MR. MAGUIRE: So each case on a list of schools - whether it's refurbished or brand new - you're saying there are unique circumstances around how these decisions are made.

If you run into a situation where it's \$20 million to fix two schools - and this is hypothetical - or \$25 million to build a brand new school and they're in the same community, what's the better use of that \$20 million or \$25 million to fix two old schools to bring them up - they're not even talking along standards. Or do you build a brand new school for a few million more?

MR. PICKUP: I'm not sure if you're talking about a hypothetical example or if you're talking about the example in the report. If it's hypothetical, I wouldn't give a hypothetical answer to that, and I would also suggest making a decision like that is part of why the bureaucracy exists - it's to analyze those types of decisions.

MR. MAGUIRE: So let's use the report then. Same question - if you're replacing two schools in a community instead of fixing them - you're building a new school. Instead of fixing one school, you're building a new school for almost the exact same amount of money.

MR. PICKUP: Which schools are you talking about?

MR. MAGUIRE: For Bridgetown, for example, let's say if the amount of money between a brand new school and fixing a school is a similar cost, which is the better use of tax dollars?

MR. PICKUP: The specifics around this case and the Bridgetown and the Tatamagouche school is you have a process in place within the bureaucracy that takes all of the information that has been provided . . .

MR. MAGUIRE: I don't mean to interrupt - well, I do. I understand that, but I think the key element that we keep skipping over in all of this is we want to talk about stakeholders that are involved and the people who input, but for some reason we keep skipping over the taxpayers and the individuals that live in those communities.

You're saying the bureaucrats are making these decisions, but ultimately the will of the people is to put a government in place to be responsible for the public purse. If the will of the people in these communities is: we want a new school instead of two rundown schools, so we want you to spend a few extra dollars to build a new school instead of refurbishing an old school that's falling apart - at what point or how much influence should the public have over these decisions on how their tax dollars are spent, in your opinion?

We can go to Eastern Passage also. We can use all three examples. There were more than three schools on that list in the last three years that have been refurbished, been built. How much influence should the public have over this? This is coming from someone who

- and I'll go back to - believes that their school should be number one, and so do the people in my community, as they should. How much of the direction of government and the direction of Cabinet should be influenced by the people whose tax dollars we are responsible for spending and the people that we're supposed to represent?

MR. PICKUP: If we park, for example, Eastern Passage High School and we take the other four, clearly the demands that come in from the school boards across the province are greater than what the government says it has the fiscal capacity to pay for. So part of the process is the bureaucracy goes through some steps to provide some advice - a list of rankings, if you will - to the Cabinet, and then the Cabinet makes the ultimate decision.

The report does not question the authority of Cabinet. What it says is up until that part of the process the process had identified these rankings. Some of these schools that were ranked - 26 and 28 for example - got approved. People should be able to ask their government, why did these schools get approved over some that were ranked higher?

So I would also suggest that while you talk about public input, clearly those people at school Nos. 13 and 14 had a public input to that as well, and had a school board that put that forward. How a government decides which schools get built and what they do with that ranking list is clearly within the authority of government and clearly in my opinion to say I think that discussion should happen.

MR. MAGUIRE: Thank you. I'll pass it over to my colleague.

MR. CHAIRMAN: Mr. Porter.

MR. CHUCK PORTER: I know I've only got a couple of minutes, and I want to get a couple of questions in around this. We've referred to each of these schools and decisions and recommendations and a number of things a little bit differently; each is unique. We've been talking a lot about the Eastern Passage situation. We've talked about other types of audits - you've done a number of audits now since you've been here. There were 23 recommendations in this particular audit, 22 of which government agreed with. In this one, a decision had been made by a previous government prior to this government coming along. They assured the public, who have had input for many years on this, as has the bureaucracy, I guess, and have had school boards in the past - some things just don't seem consistent, I guess, and I'm just trying to get some clarity here.

You talked about one other part of the audit in this round, not quite as in-depth maybe as in other parts. I heard the word "exposure" used. I'm curious about the amount of detail. When you consider the recommendation on Eastern Passage, how deep do you delve into breaking all of these pieces out, which I think we all agree are quite vitally important: time frame, public support, and school board support? I would assume, and correct me if I'm wrong, that school boards would have an enormous amount of impact on the decisions being brought forward to government. Is that not accurate, at least in your

opinion? I know we don't have a lot of time, and I want to get another question in, so take a bit of time.

MR. PICKUP: There were a number of questions there. Is there one sort of key question in that that you want me to address, in the interest of time?

MR. PORTER: How much detail? How much do you weigh? How much detail from each of those pieces of the puzzle do you weigh in making the recommendation? How detailed does that get? Is this just a broad overview, a sweep? Or do we dive into the fact that a school board made a decision, the public, the length of time - are they relevant in this?

MR. PICKUP: Keep in mind here we are auditing a government process. It is not me who assessed the process. It's not me who says we are auditing what the government has identified as the capital decision-making process in this province. That process starts with a list coming from the school boards. That list is much greater than what is going to get approved, obviously. Then the government has a certain level of expertise in critical assessment areas that go through all of this and come up with a set of rankings. That's government's own process. We audit that.

At the end of that comes out this list of rankings. Then we said, okay, when that goes to Cabinet, something else happens, and the final decision is this. We are calling attention to some of these where what came out of the Cabinet decision was not the same as what went in from the rankings. Cabinet has that authority. What happened? What is the reason why those schools that had been ranked as lower by the bureaucracy moved up higher?

MR. PORTER: I've only got a few minutes left, and I still want to get two questions in. (Interruption) Three minutes, Mr. Chairman? Thank you.

That said, I understand what you're saying. There's a process. You audit a process. How do you audit a process, though, without detailing what the process entails? By way of the example of Eastern Passage - you made a point about the Eastern Passage school being of some concern, to go back and review that as your recommendation. In picking that school, you must have considered an enormous amount of detail to make the recommendation, or have I got that wrong?

MR. PICKUP: The problem is there is no detail. When our folks went down to the department and asked, why is this school being built . . .

MR. PORTER: Was there not detail from the things that we talked about this morning? Public input, been on the list for considerable years, school board decisions that were made - those were public. Was that not something at your disposal?

MR. PICKUP: We asked the department, what support can you give, what analysis can you show that this school is on your list of needed schools? Remember, the Department of Education and Early Childhood Development didn't ask for this school. They had concerns with this school. It's not me making these things up. It's the department itself that said, there are concerns. We are not asking for this school.

MR. PORTER: I'm not suggesting you're making them up. I guess I'm trying to detail down how we get where we're at. You're speaking to that. There's a column A and a column B, I guess, which you referred to a couple of minutes ago. Just for my own clarity, all of these other pieces - school board, the time on the list, the input from the public - is that not considered part of column A?

MR. PICKUP: I think all of the parts of column A result in the Department of Education and Early Childhood Development - which has responsibility to take all of that and send a list to government - saying, we don't need Eastern Passage; it's not on our list. So I think you need to ask the Department of Education and Early Childhood Development why, all of a sudden, the school is getting built. They told us, we don't know why the school is getting built, we didn't ask for the school, and we didn't want the school. This was decided by Cabinet.

MR. PORTER: So a previous government made a decision, in your mind then, based on the fact that the school board did not recommend that. Is that accurate?

MR. PICKUP: The previous government made that decision without any documented support from the Department of Education and Early Childhood Development asking for the school or supporting the school - in fact, raising concerns with having that school.

MR. PORTER: Regardless of the Party politics - I'm taking that out of it; it doesn't matter - do you stand by column B, which supports that Cabinet has the ability to govern on behalf of the people and for the people in the Province of Nova Scotia to make those necessary decisions, not only in education but also transportation, community services, health, et cetera?

MR. PICKUP: We have been quite clear in the report that ultimately the final decisions are Cabinet's to make. I would also argue - promoting open and accountable government - where there is no evidence to suggest a need for a school, it's a fair discussion to have with Nova Scotians as to how those decisions are arrived at.

MR. CHAIRMAN: Order. The time has expired.

Mr. Pickup, we will allow you a chance now to provide closing comments on today's proceedings and on your report.

MR. PICKUP: I want to thank you today for your interest and for the questions that you raised. Let's keep in mind that, outside of Eastern Passage, the observations we made related to these other schools and the recommendations were accepted by the department. They acknowledge that something in there could happen better.

So I just want to go on the record and remind people that the only area of disagreement we had was on Eastern Passage. If you look at what the recommendation is, it's to revisit it in light of the information. It is not questioning Cabinet's authority to make these decisions. We acknowledge that. Everybody knows that.

In terms of the four audits, we made a number of recommendations that I think can work to improve the services and how they're delivered to people. I would encourage you, of course, to have people like the Department of Education and Early Childhood Development in to have the discussion with them.

Again, I want to thank the folks with me and the 30 folks across the street who do all the work. Although they might not see it, I get the somewhat easy job of coming here and answering the questions. It's these folks who do all of the hard work to get us to where we are today.

MR. CHAIRMAN: Thank you, Mr. Pickup.

We do have some correspondence requests from the November 16th meeting that came from the Department of Health and Wellness. Everyone has that before them. Are there any questions on that correspondence? I see no questions.

Our next meeting date is next week on December 14th when we have the Department of Transportation and Infrastructure Renewal and Tourism Nova Scotia to discuss the Yarmouth ferry.

Unless there is any other business before the committee - seeing none - this meeting stands adjourned. Thank you.

[The committee adjourned at 10:49 a.m.]