

HANSARD

NOVA SCOTIA HOUSE OF ASSEMBLY

COMMITTEE

ON

PUBLIC ACCOUNTS

Wednesday, March 22, 2017

Legislative Chamber

**Department of Municipal Affairs
Financial Oversight**

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Public Accounts Committee

Mr. Allan MacMaster, Chairman

Mr. Iain Rankin, Vice-Chairman

Mr. Chuck Porter

Ms. Suzanne Lohnes-Croft

Mr. Brendan Maguire

Mr. Joachim Stroink

Mr. Tim Houston

Hon. David Wilson

Ms. Lenore Zann

[Mr. Keith Irving replaced Mr. Chuck Porter]

[Mr. Bill Horne replaced Mr. Joachim Stroink]

In Attendance:

Ms. Kim Langille
Legislative Committee Clerk

Mr. Gordon Hebb
Chief Legislative Counsel

Ms. Nicole Arsenault
Assistant Clerk, Office of the Speaker

Mr. Terry Spicer
Deputy Auditor General

WITNESSES

Department of Municipal Affairs

Ms. Kelliann Dean, Deputy Minister

Mr. Paul Wills, Chief Executive Officer, Municipal Finance Corporation

Ms. Katharine Cox-Brown, Director, Municipal Finance & Operating Grants



House of Assembly
Nova Scotia

HALIFAX, WEDNESDAY, MARCH 22, 2017

STANDING COMMITTEE ON PUBLIC ACCOUNTS

9:00 A.M.

CHAIRMAN
Mr. Allan MacMaster

VICE-CHAIRMAN
Mr. Iain Rankin

MR. CHAIRMAN: Good morning everyone. I call this meeting of the Public Accounts Committee to order. This morning we have with us the Department of Municipal Affairs. We're going to be discussing financial oversight. I'd like to start with introductions, beginning with Mr. Maguire.

[The committee members and witnesses introduced themselves.]

MR. CHAIRMAN: A reminder for everyone to ensure their phones are on silent. Ms. Dean, you have the floor for some opening remarks.

MS. KELLIANN DEAN: Thank you for inviting us to talk about municipal financial oversight in Nova Scotia. I'm pleased to be here today with Kathy and Paul to answer your questions. I'd like to note that Paul is a designated accountant who worked at the municipal level and as a municipal advisor with Municipal Affairs, before coming to the Municipal Finance Corporation. Kathy is a designated accountant with experience in the Auditor General's Office and other aspects of government. They bring valuable expertise and insight to our team.

Mr. Chairman, I'd like to start by explaining the context for our department's work with municipalities, with an overview of the sections involved in financial matters. Our mandate at Municipal Affairs is to promote responsible local governance that supports healthy, vibrant and safe communities. It is generally not to intervene but rather to provide advice, support and guidance to municipalities as they strive to operate efficiently and effectively.

Our Municipal Planning and Advisory Services section includes Kathy's group, Municipal Finance and Operating Grants. They manage operating grants such as equalization and grants in lieu of property tax, as well as our community transit programs. They also review municipal financial information to ensure municipalities are meeting reporting requirements. They analyze the financial health of municipalities and offer recommendations for improvements.

Kathy's team works closely with our municipal advisors who are in regular contact with municipalities across the province. The advisors answer questions, provide guidance and advice, and encourage municipalities to act on the recommendations provided by Kathy and her team.

Municipalities are governed by the Municipal Government Act, or the MGA, and the HRM Charter. This legislation gives municipalities their authority to raise revenue, to manage planning and development and to deliver services such as water, waste water and solid waste management, police, fire and emergency services and public transit and libraries. It gives them these powers as individual, locally-elected governments that are accountable to their citizens. That gives them a fair degree of independence and we respect that.

All municipalities are accountable to the province within this legal framework. The MGA requires that municipalities submit their audited financial statements by September 30th each year. Reporting is outlined in our Financial Reporting and Accounting Manual, or FRAM, which municipalities must follow. They are required to provide a financial information return, a statement of estimates, capital investment plan, annual expenditure reports and financial statements. The department uses this information from these documents to populate what we call the Financial Conditions Index, or FCI, which the department and individual municipalities use to monitor trends in their financial health. This information is available online and updated annually.

Municipalities use the FCI to better understand their own financial position. Nova Scotians can use it to learn about the financial health of their municipalities and the department uses it to assess how well municipalities are operating.

The department's analysis through the FCI helps identify strengths and areas for improvement. We monitor the financial indicators and follow up with municipalities to provide guidance and advice.

The FCI is also one of the tools our advisors use to evaluate municipalities' ability to borrow from the Municipal Finance Corporation. The corporation's mission is to provide capital infrastructure financing to clients at the lowest available costs within acceptable risk parameters. They also provide financial management advice and assistance. Ultimately our staff are working with municipal officials to better manage the long-term financial health of municipalities.

To make this process faster and more efficient, we're launching a new municipal reporting system this Spring. It will make it easier for municipalities to prepare and submit the financial information required under the MGA. That means we should be able to conduct our analysis and provide the municipalities with their FCI earlier.

Mr. Chairman, as much as we already support municipalities to ensure prudent financial management, we are continuously working to improve. We've completed all of the Auditor General's recommendations from the 2015 report, including strengthening our internal controls and processes and doing some restructuring in the financial oversight section of the department to better support municipalities.

We also work through a collaborative approach with our municipal partners, the province's 50 municipalities, and the organizations that represent them, like the Union of Nova Scotia Municipalities, and the Association of Municipal Administrators. For example, we're working closely with these partners to make adjustments as necessary to the legal frameworks such as the MGA and HRM Charter reviews that are currently under way. We're working together to standardize the municipal expense practice and require that expenses be posted online. We also signed a partnership framework in December to focus our collective efforts on nine joint priorities.

I want to stress that our partnership approach reflects the fact that municipalities are individual locally democratically elected governments that are very much accountable to their citizens for the decisions they make and the actions they take. That is why our partnership approach is vital to the success of our municipalities. We are in regular contact with all our municipalities, providing guidance and advice on financial and other matters, and continuing to do our best to help them be strong and sustainable over the long term.

MR. CHAIRMAN: Thank you, Ms. Dean. Mr. Houston, of the PC caucus, you have 20 minutes.

MR. TIM HOUSTON: Thank you for your opening comments. I do want to talk about the Richmond situation. We know that because of the - I use the word "scandal" - expense scandals in Richmond County, the Office of the Ombudsman prepared a report to investigate what was happening down there.

The Ombudsman found that not only was the municipality at fault but also that the department's lack of oversight and enforcement of policies somehow made them a bit culpable as well. In fact, the report specifically stated, "An emerging concern relates to the

level of ongoing scrutiny and oversight required at the municipal level, and the extent to which municipalities can be their own fiscal ‘watch-dogs.’”

The Ombudsman was concerned about that, and I would just like to start off by asking, do you agree with the Ombudsman’s concern on the municipalities’ ability to be their own financial watchdog?

MS. DEAN: What I would say is that the department has a role to play in providing advice and support to municipalities, as I outlined. We fulfilled that role with respect to Richmond. When we became aware that there were issues, we offered support and advice. We encouraged the municipality to review their financial situation. We were involved to the extent that we needed to be under the legislation.

Again, these are democratically-elected municipal units that are accountable to the citizens. We are there to advise, we’re there to provide the support that we can, and our staff did that. They actively engaged with council, they actively provided advice and recommendations around what Richmond could do.

When we received the Ombudsman’s report, we took those recommendations seriously, as well as the forensic audit report recommendations. We looked at those to see how we could improve because there’s always opportunities for improvement.

One of the outcomes of those recommendations was the formation of the Nova Scotia Joint Municipal Accountability and Transparency Committee - a joint effort between Municipal Affairs, the Association of Municipal Administrators, and the UNSM, the Union of Nova Scotia Municipalities. The work there is helping us to strengthen accountability and transparency, as I think has been indicated by the minister.

MR. HOUSTON: When did the department become aware of the issues in Richmond?

MS. DEAN: We became aware of issues with Richmond in concert with our work with them around their financial statements. Also when we received the management letter, we became aware that there were issues identified there that Richmond needed to take a closer look at.

MR. HOUSTON: What was the date of the management letter?

MS. DEAN: I don’t have a copy of the management letter with me. I would have to get back to you.

MR. HOUSTON: The management letter was dated July 2015, and the first time that the department made any recommendations that I’m aware of was March 2016. There’s a big gap in time there. I understand from the Ombudsman’s report that councillors and people from Richmond were reaching out to the department and they weren’t getting

much feedback. You did say in your opening comments that it's not viewed as the role of the department to intervene - I take a bit of issue with that.

You characterized the department's role as to advise, support and provide guidance. I think just this week we have three municipalities that have more flags than what they would want to on their financial situation. I thought I read yesterday or last night or maybe even heard this morning that the minister was in the media saying that he's going to hold back some of the grants from at least one of those municipalities until they provide some information.

Did I hear that right? Maybe I was just a little bit asleep or something when I caught it on the radio. The minister was definitely talking about one of the municipalities - I think it was Lockeport, I'm not sure - saying that he was going to hold back some grants until something happened. Is that something that is happening right now as we speak?

MS. DEAN: When a municipality does not provide the financial information that's required, under the MGA we withhold grants, and so for any municipality that hasn't provided financial statements that are required, they will not receive grants until that information has been received by the department.

MR. HOUSTON: So that's an intervention then . . .

MS. DEAN: Absolutely.

MR. HOUSTON: That's the department intervening to make something happen. In the case of Richmond, where you had people coming to the department worried about improprieties and stuff like that, the department didn't intervene and if I believe what I read in the Ombudsman's report, it didn't support or guide or anything. The department kind of said, we're not the police, you guys deal with it, you're accountable to your own electorate down there.

Is that a fair summary? Is it in your mind, to your recollection, did people from Richmond come to the department looking for help, raising concerns and the department said, deal with it? For at least a period between July 2015 and March 2016?

MS. DEAN: First I will say I was not with the department at that time, but what I know of the situation through discussions with my staff is that they were involved with people in Richmond. They were speaking with members. They were encouraging appropriate action, and that action was eventually taken. So they did continue to provide advice to Richmond, and as a result there was, as you identified, an Ombudsman's investigation, but Richmond also did a forensic audit.

So the department was encouraging them to do that. It did take them some time to come to that conclusion, and we had offered assistance between the time that the management letter became available and the Ombudsman report came out. At one point,

they were not prepared to accept assistance that we were offering to them to do further assessment of their financial position.

MR. HOUSTON: At which point was that and what assistance was offered? Do you know the dates on what assistance was offered and when it was offered?

MS. DEAN: In February 2016 we offered to engage a consultant for Richmond County to help them with their financial situation and they weren't prepared to do that at the time. However, in late March, council voted to do a forensic audit. At that point, because that was underway and the Ombudsman's report was underway, we wanted to see what those reports would conclude and what their recommendations would be before taking any further action . . .

MR. HOUSTON: That's in February, though. The management letter is dated July. In my experience, there would have been discussion about the management letter, people would have been talking about that building up to it probably June, maybe even May. I'm not sure, it would take a while to finalize the management letter. The point is that this was going on for a long time and I'm sure the citizens of Richmond would have been alarmed to know this was happening but nobody really probably knew this was happening.

The department made an offer in February of a consultant - I've just understood there now - and then in March the forensic actually happened. But what about all through summer 2015 and Fall 2015 and the early winter 2015? What was happening at the department? Does the department get many calls for help in the run of a year from municipalities saying, we think we have a problem here with some issues? The ones in Richmond, by the way - now the RCMP is investigating some of them, so pretty serious stuff. Does the department get many calls in the run of a year from municipalities, saying oh my, we might have a problem here, can you help us? Would you get many calls in the run of a year?

MS. DEAN: I don't have any numbers on the amount of calls we would get . . .

MR. HOUSTON: I suspect that would be a very small number, though. I suspect that if a municipality is calling the Department of Municipal Affairs saying, we think we have a serious problem here, I would hope that you would know about that.

MS. DEAN: If we received a call like that, we would follow up with the municipality, and indeed . . .

MR. HOUSTON: So how many of those calls would you get in the run of a year, would you guess?

MS. DEAN: Well I don't have an exact number of the calls that I would get in the run of a year.

MR. HOUSTON: But it would be one or two, would it not? Would it be more than five? If it's more than five, I'd be pretty concerned.

MS. DEAN: I don't have a number, Mr. Houston, and I'll have to get back to you on that. One of the points I will raise is that when the management letter became available to us, we don't receive the statements until September so we wouldn't have received that until September. In mid-September we met with the auditors to discuss that management letter, that internal control letter, to determine what could be done about that.

We're into the Fall before we're receiving the actual financial statements, which does not mean that we hadn't had conversations throughout that period with Richmond or with the auditors.

MR. HOUSTON: If I may, the July management letter, did you receive that in July or did you receive that . . .

MS. DEAN: No, September.

MR. HOUSTON: The letter itself you received in September. Would you say that was an odd letter to receive or was that kind of normal? Did this set off any alarm bells, this particular letter?

MS. DEAN: I think whenever you receive a management letter that indicates there are issues, you want to understand it and get to the bottom of it, which is what we tried to do.

MR. HOUSTON: Right, all hands on deck.

I am curious - you don't have a number today, that's fine, I'll accept that you don't have a number. Is it your opinion that you receive very few calls in the run of a year of things from municipalities or very, very many - things that would broach this level? I would assume the deputy minister would hear about a call like that. That wouldn't get stuck in the bureaucracy anywhere if a municipality is sticking up their hand saying we think we have an issue here. That would probably make it to your desk, would it not?

MS. DEAN: If there are severe issues I would be made aware of them. One of the points I'd like to make is that our municipal advisors are in constant contact with municipalities and so if there are areas that they require assistance with, they provide assistance on an ongoing basis.

To your point, if there is something significant, I expect that I would hear about it.

MR. HOUSTON: Okay. And how many severe or significant issues have you heard about in your tenure as the Deputy Minister of Municipal Affairs?

MS. DEAN: It's difficult for me to - I don't really have an exact number. There are a variety of things that would arise. A few, I would say.

MR. HOUSTON: A few, okay. It's really . . .

MS. DEAN: Perhaps we should characterize them. Are we talking about issues like in Richmond County - are we talking about issues where there's an Ombudsman's report? Are we talking about issues where the financial indicators are perhaps flagging areas of concern that we need to focus our attention on? Another issue, for example, might be that we haven't received the financials and that we need to take some kind of action.

MR. HOUSTON: Let's take the financial side of it out. Let's talk about issues where an Ombudsman's report is involved or there are issues like Richmond. How many of those have you heard about?

MS. DEAN: Two.

MR. HOUSTON: Two, okay. So when it happens, it's a pretty rare occurrence and it's a pretty significant occurrence and I would think it's something that should be dealt with pretty quickly. When you hear about that, what's amongst the earliest steps you take? How quick does the minister know?

MS. DEAN: Well I would be briefing the minister on a regular basis if there are issues that arise. If I'm doing my job, I'm briefing him as I'm learning of these things.

MR. HOUSTON: So the minister would probably have known about the issues in Richmond in September, when you received the management letter.

MS. DEAN: I can't speak to that specifically because I wouldn't have been the one briefing him then; I wasn't there. My assumption would be that he would have been aware.

MR. HOUSTON: So all through the Fall, people were aware in the departments, the people on council in Richmond were aware. Meetings were happening, I guess. The Ombudsman's report said that councillors in Richmond had sought assistance from the department with regard to proper expense policies and claims, ". . . and reported receiving minimal guidance or were told the Municipality needs to govern its own issues."

Did you see that? Presumably, you've read the Ombudsman's report on Richmond. Did you see that statement in there, that the councillors from Richmond said they received minimal guidance from the department?

MS. DEAN: I can't speak to the specifics of which councillors would have been speaking on that issue. I don't know specifically who our staff would have talked to or what guidance they would have been providing to which councillors at the time. I know

that they spoke with the warden at the time and the CAO, and that they were having discussions about what would be appropriate or not.

Again, they approved their own expense policies, so the challenge here is that municipal units approve their policies, and they need to abide by their policies. Again, they are democratically elected governments that are accountable to their electorate. We're providing advice to make sure that they are within guidelines, that they're adhering to the legislation, but they're expected to follow the policies that they set.

MR. HOUSTON: Maybe it's okay in the department's eyes how it acted on this one, but I think the department took too long, and I don't think the department did everything it could have done. When you have people from the council saying, we need some help - and the Ombudsman report, I think, was pretty damning of the department.

You see stuff like the department saying back to people on council, we're not the police, council is accountable to the electorate - the same message we're hearing this morning. But you have a responsibility to do a little more than that, and I don't think for a long period of time - you have the Municipal Finance Corporation, you're holding the purse strings on them. You should have some concern if money is going from the province to the municipality, and it's in any way being misappropriated, whether it's on strip clubs in Houston or in any way. There's no small way that money can be misappropriated from a municipality.

When people are standing on their desk, waving their hands, saying, over here, we need some help, I don't think it's good enough to say the electorate can deal with that on election day at some point in the future, which is what you're saying when you say that they're only accountable to the electorate.

I believe that the time between a July management letter, which possibly was received in September - you weren't there, I wasn't there. I would be pretty disappointed if that letter didn't make its way to the department for two months, but let's assume that it was received in September. Here we are talking about February and March reactions and actions from the department, and I don't understand why. The minister knew since September. I don't know when it came out about the political contributions that were made with taxpayer money, but obviously another minister represents that area.

It's just hard for me to get my head around that much time passing, and the department's position is, we don't intervene. We do on other things, but we just don't intervene on this. We provide advice, support, and guidance - the Ombudsman said they were looking for guidance, and they never got it. I find it disturbing. As a new deputy coming into that department and kind of inheriting this, did you find it disturbing?

MS. DEAN: What I will say is that it's important that the public has confidence in their elected officials and in governments. The recommendations that were made from the Ombudsman's report and the recommendations in the forensic audit, we take those very

seriously. Our opportunity now is to act on those and to deliver on those recommendations and to move forward. That's exactly what we're doing. The outcome of this, in my mind, is also an opportunity for improvement. There are always opportunities to do things better, I would say.

I'm very encouraged by the work, as I said earlier, of our JMAT committee, which was struck as a way to absolutely respond to these recommendations, to move forward on them, and to find ways to work with municipal partners so that this can be improved. So the step that we're going to be taking to bring in legislation to require that municipal units report expenses online, to have a standardized approach to reporting and to look at potential changes and requirements around audit committees are all positive ways that we can increase accountability and transparency, and I think that going forward that's what we need to be focusing on - how to make sure that doesn't happen.

MR. HOUSTON: Those are all things - the opportunity has been there. Even the expenses online - our caucus introduced a bill months ago or the session before that about doing that. That hasn't happened yet.

Again, it's all things that - I often say it's problem-stretching, not problem-solving. There are solutions to these problems and I don't think the people of the province should feel comfortable that the problems are being addressed quick enough based on what happened in Richmond. I will ask you before we come to the second round, has there been a forensic audit requested for Guysborough?

MS. DEAN: Not to my knowledge.

MR. HOUSTON: The Ombudsman is doing a report in Guysborough, is he?

MS. DEAN: Yes.

MR. HOUSTON: Is that report available?

MS. DEAN: It's a draft report right now.

MR. HOUSTON: Where is the draft report at - with the department or with the council or both?

MS. DEAN: I got a draft report that has recommendations for the department that we need to respond to. It's in draft form, and I would expect that the council would have a draft copy, but it's the Ombudsman's report so I can't speak with authority on where it has been - to whom it has been delivered.

MR. HOUSTON: How long has the department had that draft?

MS. DEAN: We just received it last week, I believe - so it's not in its final form.

MR. CHAIRMAN: Order, please. The time has ended for the PC caucus. We'll move to the NDP caucus. Mr. Wilson.

HON. DAVID WILSON: Welcome back. It's interesting to see the last number of Public Accounts Committee meetings - I'm glad that the committee has a lot of influence on government decision. They seem to make announcements early in the morning on issues that are coming forward at the Public Accounts Committee meetings. I hope we can continue to have that influence on the government.

This is a topic that's important. It's not one that I think everybody runs to the newspaper to want to read about, but accountability and transparency is extremely important to our municipalities, to the province itself. I know in recent reports through the Auditor General that there were a number of recommendations made that I think are related to transparency and ensuring public reporting. Two of the recommendations in 2015, which government agreed to implement: the hospitality policy needed updating with continued monitoring, and a public reporting mechanism needed for senior bureaucrats in their travel and hospitality expenses.

In 2016, government did change and update the policy, but the monitoring mechanism was not introduced or implemented and the disclosure requirements are still not in place for agencies, boards and commissions. I know we're talking about the municipality and your role as deputy and your engagement with the municipality, but I think it goes hand-in-hand.

Are you involved in any discussion in a broader sense within government about the transparency and the need to have departments follow through on recommendations of the Auditor General, and has there been any discussion around expanding the monitoring to include agencies, boards and commissions? Are you involved in any of that, or is your work strictly dealing with the municipality and the things that we've witnessed over the last couple of years around some of the concerns with some of the municipalities?

MS. DEAN: Our work at Municipal Affairs is directly related to municipalities so obviously our department abides by provincial policies and expenses, but I'm not involved in decision making around those policies.

MR. DAVID WILSON: I know we have a representative here from the Municipal Finance Corporation. Do they fall under the policy that your department has around reporting of expenses to ensure that there is transparency there?

MS. DEAN: Yes, absolutely.

MR. DAVID WILSON: Did you have anything to add to that?

MR. CHAIRMAN: Mr. Wills.

MR. PAUL WILLS: I actually started reporting one in December.

MR. DAVID WILSON: Well I congratulate you on that. I'm glad it's starting and we need to continue to see that.

Of course, after the forensic audit into Richmond County, the UNSM and of course the Association of Municipal Administrators of Nova Scotia were asked by the Minister of Municipal Affairs to assist the province in developing the accountability and monitoring mechanism regarding staff and council expenses. The work included developing best practices, improving audit work via an audit committee, the Nova Scotia Joint Municipal Accountability and Transparency Committee now reports to yourself, I believe - the deputy minister of the department.

Are you confident that the appropriate steps have been taken so far to ensure you are meeting the goals of not only the Auditor General but what the minister's requests for municipalities have been over the last year or so?

MS. DEAN: Yes, actually I am. There is extensive terms of reference that was created for this committee. They have been asked to do their work and report back by the end of March. Certainly I have been briefed on their preliminary results but I'm looking forward to receiving the final report.

They are looking, as you indicated, at all the recommendations from the forensic audit and from the Ombudsman's report and they are working their way through recommendations around that. I am very confident in their work, I think that it's going to make a large contribution to improvements in transparency and accountability.

MR. DAVID WILSON: So that's the end of March. Will that report be made public?

MS. DEAN: I'm sure we'll be able to share the recommendations.

MR. DAVID WILSON: Willingly? Or will we have to go through freedom of information? I've heard that a lot over the last 14 years.

MS. DEAN: I think we would willingly do that.

MR. DAVID WILSON: So once that report is issued are there going to be recommendations in there? What's the makeup of that report? Is it just going to be, this is what's going to happen. or are there recommendations that municipalities will have to live up to or agree to meet over a certain period of time?

MS. DEAN: The recommendations will be provided to the department and then we'll engage municipalities in a broader consultation around them so there will be further input and we also expect to be able to engage the public in some of this as well. Again,

respecting the fact that we want to act quickly, we would want to ensure that we engage in a very efficient manner. It will provide an opportunity for municipalities to have some input into the recommendations of the committee and for us to then determine, for example, whether they need to be implemented through legislation, regulation or how we would be able to enact the recommendations.

MR. DAVID WILSON: Would they not have that ability now, if the makeup of this committee includes members from municipalities? My concern is when you say that you are going to engage municipalities, I would hope that's what's happening to form these recommendations.

If the recommendations are going to - you are going to engage with the municipalities - does what the minister released today pre-empt what could be in the report? I mean, the end of March is only another two weeks away - why did the minister make an announcement today that he's going to bring legislation in to deal with some of the concerns? Why today? It's kind of strange to do that if the report is not on the minister's desk yet.

MS. DEAN: Again, some of the recommendations are more easy to implement than others. The minister has always said that it has been his intention to bring in legislation requiring online expense reporting. That was endorsed by the committee in its recommendations. That was one of the areas it looked at, as well as a preference for some standardized reporting, and also there was a recommendation around the audit committee.

Some of them we can move on more quickly than others. The other element in that is if it doesn't have a financial impact on a municipality then we can move very quickly to implement. We just want to be sure that some that require further discussion, where we have the opportunity to do that, that we take the time to make sure we're doing that right.

MR. DAVID WILSON: So what the minister announced today around legislation, is it solely on the reporting of expenses online? Or will some of the recommendations in in the report that you'll receive in a couple of weeks, will that be also in the legislation? Or was what the minister announced today solely just to have expenses online, there'll be legislation on that? Or is there ability to expand on that and have, I think, a stronger piece of legislation that deals with transparency accountability across the province for municipalities?

MS. DEAN: The intent right now is to look at the elements of online expense reporting and some standardization with respect to that. Whether or not we can incorporate anything else, we'll have to evaluate that based on the recommendations that come forward.

MR. DAVID WILSON: The recommendations from this committee, will they be - I guess I could use the word "binding" - is the municipality accepting whatever comes from the committee? Or will you be evaluating the report and say no, these five things we don't like, but these 10 things we like so we're going to go with these 10? Or is the report the

report and it's a road forward for the government? Is it going to be binding, you're going to accept all recommendations, or is it a wait and see what the committee actually brings back to the minister and your department?

MS. DEAN: The report is not binding, the report is advice, so the report is giving their best advice to the department about how to move forward in some of these areas. Obviously, we respect their advice and their hard work, and we'll have to assess the feasibility of those recommendations when we get them.

MR. DAVID WILSON: Can you give us a timeline on when you and the minister and the government will respond to the report? Is it something we're going to see drag on for a year, six months, after the next election? This is something that has been ongoing for a number of years, a lot of concern, I think, from taxpayers, from municipal units on what direction we're going to move forward. Can you give us any kind of timeline?

I know government doesn't like to give a specific date but I'd even be okay with a Fall, Spring, winter, or summer kind of timeline.

MS. DEAN: I appreciate that and we don't want these recommendations to drag on either. There may be some, though, that we would look at in the context of a review on the Municipal Government Act. But having said that, it's in everybody's best interests to enhance transparency and accountability in these areas as quickly as we can, as effectively as we can.

What we're not able to bring forward in the Spring, I would expect we would bring forward in the Fall session, if legislative requirements are required.

MR. DAVID WILSON: I wouldn't think you need legislation to have municipalities post their expenses. To me that's just government - I mean they could just say do it, it's a policy of the provincial government. I think there are other opportunities to really enshrine specific policies into legislation, other than just reporting of your expenses.

How do the current fiscal oversight measures for Nova Scotia municipalities feed into the province's decision making on the municipal file? Through this process you're engaging with municipalities. We know from MLAs that rural municipalities are struggling, especially with the decline in population a lot of the times in rural municipalities, how has that helped the Department of Municipal Affairs gain a greater understanding of some of the financial realities or budgetary reality of some of the municipalities? Has that led to yes, we need to look at how we engage the municipalities as we move forward on hopefully allowing them to be functioning in an appropriate way, not only in the accountability and transparency area but on meeting services for taxpayers, especially in rural communities? Has this opened your eyes on the challenges that municipalities have around budgetary decisions and your engagement with them?

MS. DEAN: Yes, it's important and that's one of the reasons why it's so important for us to receive the financial information from municipalities in a timely manner. What we do with that information is compile it and we look at it and we analyze it with respect to our financial conditions indicators. That is something that is relatively new in that we are using that to really look at the health of municipalities, to look at some of the strengths that they have and some of the areas where they might need to be improved.

The FCIs, as we call them, were posted recently for the past fiscal year. Again, what they do is allow us to compare the health of various size municipalities with each other of like municipalities to see if there are any trends that might be troubling, any areas where we could go in and provide some additional support, some training, some planning assistance, and as was indicated earlier, the system that we have tends to show where there are red flags or sensitive areas where municipalities may be experiencing difficulty.

The benefit of being able to look at municipalities through this lens enables us to see things that are improving. For example, there are some municipalities that have lessened the red indicators over the past couple of years, so that is a positive sign that things are improving in some areas.

Then there are other areas where maybe they're experiencing difficulties. I know that, for example, uncollected taxes was an issue that was highlighted through the Auditor General. We looked at that as it related to the FCIs and began to monitor that and also took action by asking the municipal auditors when they go in and look at the annual statements to pay particular attention to that area, and then as a result we saw some improvement in the FCIs in this particular area in 2015-16.

So again, it's by using some of these tools and looking at how we can then intervene in a way that is supportive for municipalities to help them improve. That's the real benefit of being able to collect this financial information and monitor it on a regular basis.

MR. DAVID WILSON: Is there a will from government to look at how they can support municipalities differently into the future? We know Cape Breton, for example, has for some time now indicated that they feel there's an imbalance between Cape Breton and the rest of the province around municipal funding.

So is there a will from the department, from the government, to try to support and change the way as we go forward to support municipalities, because I think many of them are struggling? Of course, the end concern is the dreaded amalgamation discussion. I know we've questioned the minister on this in the past and maybe I'll ask it again - is there any current discussion around amalgamations of municipalities around the province being forced on them through the provincial government?

MS. DEAN: We're not in a position to force amalgamation on municipalities. We do believe it's best when they come together voluntarily either through dissolution or amalgamation so that they can create a healthy, sustainable community.

Having said that, there are benefits to amalgamation for some communities that decide to come together. It may not always be the only solution for a municipality that is experiencing difficulty. For example, there are sometimes options for municipalities to look at offering shared services - so to come together to offer shared services to multiple residents in multiple municipalities rather than just one municipality. That's another innovative, creative way that they can also try to address any financial challenges. Again, the opportunity for amalgamation, I think when it works best is when the parties are coming together voluntarily working through the process.

MR. DAVID WILSON: We've seen in the past - I know you said you're not in that position, but you can be. It takes one directive from Cabinet, from the minister, to say let's do it. We've seen it in the past. There's good and bad on both sides. I've seen it in the old Halifax County going through forced amalgamation in 1995, I believe. That concern is still there, so I would hope that the government is genuine in their attempt not to force amalgamation on municipalities but look at ways the government can support them differently. As we've seen in the decrease in population, especially in our rural areas, there's going to be a need to look at how municipalities - especially the smaller ones - can continue to function in a way that supports their communities and their residents. I don't think amalgamation is the answer all the time. Maybe it's a different way of doing things, looking at new ways the province can support municipalities.

I think I only have less than a minute, so we'll wait for the second round. I appreciate that.

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

MR. KEITH IRVING: I just want to preface my comments having spent seven years at the municipal level, I appreciate very much the issues that Municipal Affairs deals with, with respect to oversight advice to municipalities.

I just want to give the opportunity for the department to clarify the work that went on between September and the eventual decisions by the council - after, I guess, the second attempt at the council table - to agree to a forensic audit. Could you expand on the role that the department took with respect to advice and what they did with the management letter?

MS. DEAN: Sure, thank you. Again, in September, we received the internal control letter that would have highlighted some of the challenges in Richmond County. Then at that time, staff met with auditors to actually discuss the internal control letter, to see what the findings were and to see where the issues were. We also then received Richmond County's audited financial statements and met with council to offer support.

I will say that even during that period, there would have been ongoing conversations between our municipal advisors and either the CAO or the warden. I don't know the very specific people who were in contact, but it certainly isn't radio silence during

that time. It is ongoing discussions, as we would have with any other municipality that might be looking for advice or experiencing difficulty.

I understand that upon understanding that there were some very serious issues there that needed to be further explored, the department did request that council consider doing a forensic audit and looking further, and made an offer of assistance to help them do that. At the time, and this was in February, they weren't prepared to do that.

Then, as you would know, the Ombudsman began its investigation, and Richmond did vote to conduct a forensic audit in late March.

MR. IRVING: There was a motion brought forward by a councillor probably on advice and support by the department. I don't know exactly the timing on that, but that was defeated in a 5-5 vote, so clearly things were beginning to move along. As that was moving along, public pressure also began to mount as it became public that there were improprieties here and serious concerns.

I want to quote from the Ombudsman's report. They said, "It is an understatement to observe that the Department of Municipal Affairs is clear as to its role with the municipalities. The response of Municipal Affairs staff was focused and upfront, and their candor appreciated. However, there is a disquieting sense that the deference may not be as readily acceptable to citizens in the Municipality."

I think this is the challenge of these issues, having come from the municipal world. You've mentioned that they are democratically elected. I know the department gets requests from citizens in many municipalities on the behaviour of their council, the decisions they make. I went to the department recently to express concerns of my constituents over the actions of the municipality.

This is where it's important, I believe, to recognize the importance of the democratic process and accountability. Would it be fair to say it was a healthy process, even though it may not be as quick as some members of this Legislature want or as quick as the public wants, but to allow democracy to work and citizens to engage? Could you comment on the important role that citizens played in putting pressure on their elected officials at the municipal level to move forward on this file and conduct the forensic audit?

MS. DEAN: Yes, there was considerable citizen engagement. I believe social media was very active during that time, and to your point, when there is public engagement and public concern and public pressure, that does hold a council accountable and also is a highly motivating factor in a council needing to take action, which eventually they did.

I will say that it is a balancing act in terms of the department's role in all of this. We conducted ourselves as we would normally do in these types of situations. There are some who feel we should take a much more heavy-handed approach and yet we're trying to respect the fact that these are democratically elected governments. So again, there's a

role for the citizens, there's a role for Municipal Affairs and there's a role for the council. It is a balance trying to determine how best to effect the change that needs to happen.

MR. IRVING: I would suggest that this process worked out in a relatively timely way, with respect to citizen engagement and that if we expedited this process and rushed it - I mean, the deeds were done. The process worked, in terms of the management letter unveiling this to the council - half the council began wanting to take action. The municipality provided advice to that council and the public pressure built.

Perhaps you could comment on some of the other, that it's not uncommon for the public to be going to Municipal Affairs, asking for action, but in the end it's really the public's raising of these issues, educating themselves in this process, that puts pressure on councils and makes change either in policy or in the council at election time. Is that a fair statement in terms of how our democratic process needs to work?

MS. DEAN: I would agree with you, I think that is a fair statement and I think you can see the results of citizen action in the post-election results. There was incredible turnover during the recent election cycle. There were changes in Richmond but there were changes in other municipalities as well and citizens were very much engaged and part of that change.

MR. IRVING: Thank you. I now want to move on to the Financial Conditions Index. I was involved at the municipal level in Wolfville we did a fiscal sustainable task force report that was very similar, I think, to the Financial Conditions Index. Can you explain the reasons that was created and how that benefits newly-elected councillors and the administrations in good governance around financial decisions?

MS. DEAN: Certainly. I'll give a bit of an introduction to that and then I will let Kathy talk a little bit more about it because she is the guru on the numbers on this one. Essentially the Financial Conditions Index is meant to provide some commentary for councils and the public around the financial health of municipalities and their abilities to meet financial obligations in a broader context.

The indicators are actually grouped into three dimensions: revenue, budget, and debt capital. Then there are five indicators per dimension. I'll let Kathy get into those, but before we go there, I guess to me something that is of note is the fact that these have been in place for five years and we agreed to do a review of them in five years to determine their effectiveness and their usefulness for councils.

We did a survey recently and we have a committee called the Municipal Indicators Committee that's made up of partners as well as the department that wanted to have a better understanding of how the indicators were being used at the council level and what we found is that the CAOs in particular responded very favourably on the FCIs.

They appreciated seeing the financial information in a very simple format. It gave them comparisons with other municipalities, which they found incredibly helpful. They really appreciated the chance to see how their budget and financial strategy decisions that they were making shaped their financial positions in comparison with other municipalities so that they could see a direct link between their planning efforts, their strategic efforts and their outcomes. They liked that they have benchmarks with other municipalities so that they can look at performance, and they view it as an independent report on their financial situation. So we're taking the information and providing some objective analysis on it.

The CAOs also feel that the additional benefit of these FCIs is that they've helped to enhance the councillors understanding of municipalities' financial information. So that's another area where they're using them to communicate financial outcomes to councils to help increase their financial literacy. They do see that it is a snapshot, of course, in a period of time, but find it very useful in their planning efforts and identifying risks, in benchmarking with other municipalities and helps them with their financing decisions and planning strategies for going forward.

I guess with that introduction, I'll turn it over to Kathy who can perhaps give a little bit more explanation of some of the indicators.

MR. CHAIRMAN: Ms. Cox-Brown.

MS. KATHARINE COX-BROWN: When we talk about the financial condition indicators, we look at three dimensions of it when we look at a municipality. We first look at the revenue and then we look at the budget area and then we would look at their capital and their debt area. So for each one of them, we calculate five indicators under these three dimensions, so a total of 15 indicators.

What we're looking for in the revenue, we're looking for vulnerability, single reliance on business, reliance on government. We also look at their uncollectable taxes, what the percentage of that is. We look at the percentage of commercial assessment that they would have coming from their assessment. We also would look at the growth of their assessment as well - is it matching their cost of the CPI?

On the budget side we're looking at what their level of accuracy is in their budgeting, so what they are doing with their expenditures, the residential tax burden that they're having - so what is the burden on a resident for the taxes to pay for the services? We look at the number of deficits that they might have as well. We're also going to look at their operating reserves because we want to make sure that they have the money available if there are some issues.

Then on the capital side we look at their debt management, we look at their capital service. We look at their ratio of debt. We also look at their undepreciated assets, their five-year contribution to capital reserves and their five-year purchase of capital. So basically that's kind of what the 15 indicators look at.

MR. IRVING: I would like to ask whether these tools are being used beyond the council chamber, with respect to councillors' understanding of their financial positions. Are some councils using this to communicate the difficult decisions they make with respect to finances to the public? I say that in the context of my door-to-door campaign in 2008 where all the citizens told me, please pave our roads and lower our taxes.

There seemed to be a disconnect there and it seems there are tools like this that perhaps can better educate the public in the realities of fiscal management of municipalities and particularly the long-term infrastructure costs. Have these gotten out into the public and become more of a tool there, in terms of education?

MS. DEAN: Yes, they are posted online. Some of the CAOs indicated to us that they have actually used them to help them in external communication. Again, they do need interpretation. If you were to just go online and look at them, it might appear daunting. All the information is up there at once. But yes, with some interpretation the CAOs do use them to help communicate publicly. Again, their value is in the trending as well, so if there are specific issues that a municipality is experiencing, reference to that analysis can be helpful.

MR. IRVING: This has been in place for a few years now, I believe. Have you seen the impact of this as a tool for municipalities? Has it changed decisions? Can you comment on that?

MS. DEAN: I'm going to ask Kathy Cox-Brown to comment on that.

MS. COX-BROWN: Yes, we can see when we spoke to the CAAs and also to the municipal finance officer, we find they are using this information, so it does have an impact. They're using it for their long-term projection analysis so it's having an impact even in the future. They're using it for risk identification and management, so it's helping them to identify where they can improve their practices and that. They're using it for capital planning decisions.

What we're seeing is this information is providing a really nice tool for them to identify some risks, to look where they can make some improvements, an actual look at not just the current situation but project some of the information in the future as well.

MR. IRVING: Do we have a sense of how municipalities are doing in general with this tool? Are municipalities improving their financial state? There are struggles out there. I believe one of my colleagues alluded to the challenges, particularly in rural municipalities with declining population and economic activity. Do we have a sense that municipalities are doing a better job at getting on top of their financial challenges as a result of this?

MS. DEAN: I'm going to ask Kathy to respond to that and perhaps speak on some of the overall trends that we've noticed as a result of the analysis this year.

The other key use of these that I do want to mention as well is this data is also used as we evaluate the long-term borrowing needs of municipalities, so we're looking at their overall financial health in accordance with their applications for long-term borrowing that would go to the Municipal Finance Corporation. It's a tool that we're trying to incorporate in various aspects of our business because it does give us that financial picture of a municipality.

The municipal advisers meet with Kathy's team when they come in and go over them, meet with the municipalities to review the results, and again it is a piece of information that also feeds into other areas of our business. I just wanted to make that comment and then I'll ask Kathy to comment on the overall trends that she's seeing.

MS. COX-BROWN: Overall, we are seeing improvements with the municipalities. They all are different but, for example, we've had 10 that used to have red indicators in the beginning in 2011 and 2012, and now we're down to three, so we are seeing improvements.

We're also seeing improvements in other areas. We're seeing improvements in the tax collected, uncollected taxes that we would see. Not only are the averages improving for some of the rurals and actually also for the towns but we're also seeing less of them that are not meeting the threshold that is given, so we're seeing overall improvement in that area.

We're also seeing budget accuracy, their accuracy is getting better as well. Overall the averages are improving in that area. We're seeing improvements in the number of deficits.

Operating reserves for rurals, we're seeing significant improvement so that's building up as well. Again, in the management of debt that we've seen, that has consistently been very good in meeting those ratios and that, so that's improvements.

There are challenges that some will have. We're seeing some challenges with the towns and operating reserves. There are some challenges there. We're seeing some challenges in their infrastructure on depreciation. But even in some of these challenge areas, we are seeing improvements.

MR. IRVING: This was developed very much in consultation with UNSM, developed out of the Towns Task Force, which was a municipal committee. I guess there might have been some provincial folks on there. I think it's fair to say that this is a great example of where the department is not making decisions for municipalities but providing advice and giving them the tools so that they can make better decisions.

I think in the context of this discussion, in terms of municipalities and their finances, the FCIs . . .

MR. CHAIRMAN: Order. Time has expired. We'll move back to the PC caucus, Mr. Houston, for 14 minutes.

MR. HOUSTON: In terms of the Guysborough interim Ombudsman report, do you have an expectation as to when that report would be final and public?

MS. DEAN: I can't speak for the Ombudsman on that account. We need to provide our feedback to them by mid-April.

MR. HOUSTON: Which periods in time did the Ombudsman report cover?

MS. DEAN: I'm sorry, I don't have that at my fingertips.

MR. HOUSTON: Does one of your colleagues maybe know?

MS. DEAN: No. They wouldn't have received a copy.

MR. HOUSTON: Would it be during the point in time when the current member for Guysborough-Eastern Shore-Tracadie was the warden of Guysborough? Would it cover some of the time pre-2013?

MS. DEAN: I believe it does, but again, I would have to verify.

MR. HOUSTON: In terms of when you came into the role, I think in June 2016, this was a year after the management letter for Richmond, and it was after the forensic audit had been recommended in March. All those things had happened before you arrived as deputy minister. Did you receive a file on the Richmond situation, and did you review that file?

MS. DEAN: I believe there has been a FOIPOP request that has gone out on the file.

MR. HOUSTON: That wasn't my question, actually.

MS. DEAN: Which I would have reviewed.

MR. HOUSTON: My question was not who is looking for that file or anything. My question was, did you look at that file? The file exists. That was the first part of my question. I guess you're saying yes, it exists. The second part of my question is, did you review it?

MS. DEAN: I've reviewed information, yes.

MR. HOUSTON: You reviewed information. I'm asking, did you review the file? Did you go through the file in its entirety? Or did you just flip through it?

MS. DEAN: I've reviewed information on the Richmond situation.

MR. HOUSTON: Okay. In your review of the file on the Richmond situation, did you notice any minutes from meetings that might have taken place between the department and the municipality or between the department and the minister, whatever the case may be? Did you notice any minutes from those types of meetings?

MS. DEAN: There could have been. I can't recall specifically.

MR. HOUSTON: I'm wondering, did you notice whether the member for Cape Breton-Richmond participated in any of the meetings where the discussion of the Richmond situation was happening?

MS. DEAN: Again, I don't have those documents in front of me, and I can't recall with any certainty what I would have read in there. I'm sorry. I don't have those with me right now.

MR. HOUSTON: There's a FOIPOP request, so we'll get that in the fullness of time, I guess.

MS. DEAN: It has already gone out.

MR. HOUSTON: The file is out there somewhere.

MS. DEAN: For clarity, documents have been disclosed around Richmond through FOIPOP. Again, that was some time ago.

MR. HOUSTON: Okay, you're talking about some time ago.

MS. DEAN: Well, since I've been deputy.

MR. HOUSTON: I'm wondering what involvement the member for the area may have had, and you're saying you don't know.

MS. DEAN: I can't say with any certainty at this point without information in front of me.

MR. HOUSTON: The issue for me is, there's definitely a perceived conflict of interest that the government has with these situations in Richmond and in Guysborough. We have a situation where the former warden of Richmond was an employee of the Liberal caucus office. He would have had some knowledge of what was happening in all these situations. In the Guysborough situation, the sitting member now for that area was the warden. He would have some knowledge of those situations. Those two people probably even participated in some of the expense receipts that have been reviewed, like the trips.

We've even seen expense things where members of the Richmond council were ordering pizza to the member of the Legislature's apartment, which was rented from a Liberal donor.

So there's all kinds of moving parts here. There is definitely a perceived conflict of interest. What I'm trying to ask you, as we sit here in the Public Accounts, is whether, as the new deputy minister inheriting this and looking at the file, you were aware of these moving parts. It's a messy situation, and I'm just wondering if it struck you as messy when you came into the chair you're in now.

MS. DEAN: I would say that to come into a situation where the Ombudsman is investigating, where there is a forensic audit underway, where Elections Nova Scotia is investigating, and where the RCMP is investigating, yes, is a situation that is unusual and complex. My role is to try to sift through that, to try to make the best recommendations we can, and to try to take the most appropriate action that we can as a department based on the recommendations. I think that's key.

While I came into the role, and there may be information, we also knew that we were going to be receiving some critical pieces of information that we were going to need in order to take appropriate action. I believe that we've worked very hard to do that, to respect the recommendations that have been made by those entities, to take them seriously, and to look at how we can move forward and make improvements based on that.

My job now is to make sure that we do act on these recommendations that are aimed at the department and that we make the improvements that we can - in collaboration with our partners, I will add. As we pointed out earlier, there is a balance there between the department's role and the role of municipalities. So it's really important that we keep that in mind as we move forward on some of these recommendations.

MR. HOUSTON: There is a balance, but the balance must always tip in the favour of taxpayers receiving some comfort that things are happening as they should happen. I am concerned that the various interrelationships that I've just mentioned may have caused the department to take a bit of a hands-off approach and tell people on that council, "We're not the police. You guys deal with it," and tell people on that council to figure it out. It's a bit of a hands-off approach, certainly some delays, in my mind. From the time that management letter was received until action was taken, I believe there were some delays.

I thought we might get some understanding as to the reasons for those delays today, but maybe we won't. I guess we'll have to wait and see what happens. Then we have the Guysborough thing. We'll wait, and you'll respond to the Ombudsman before mid-April, and then something will happen after that. So in the next couple of months, we'll hear on that I guess.

You mentioned the Elections Nova Scotia review. Elections Nova Scotia was investigating the use of taxpayer funds for partisan donations. Is that a report that you have? Elections Nova Scotia was doing a review of it and a report. Do you have that report?

MS. DEAN: I can't recall if I saw that report. What I am aware of, though, is that they required that any payments be reimbursed, which they were. That was my understanding of the outcome of the report.

MR. HOUSTON: Elections Nova Scotia has concluded their investigation then, to your knowledge?

MS. DEAN: I believe so.

MR. HOUSTON: Is the department aware of this happening in any other municipality? Did any other municipality come forward and say they may have inadvertently done something like this? Has the department been made aware of this happening elsewhere?

MS. DEAN: To my knowledge, today right here, no. I would have to go back and double-check with staff, but at this stage I'm not aware of any.

MR. HOUSTON: Okay, maybe we can get that, Mr. Chairman, if there are any other municipalities that have raised that.

Now in terms of learning from this and going forward and making changes, I think the minister was on the radio this morning talking about some of the wonderful changes he'll have coming forward eventually. Is the department considering any kind of spot audits on municipalities going forward?

MS. DEAN: At this point we're not considering that. There have been discussions about whether there should be a requirement for a municipal auditor general, which we can continue to evaluate the need for that, or how that might work. I know that has been discussed in the past with the municipalities and the department. It was difficult to determine how that would work, given the number of municipalities - 50 - and one auditor general and how that work would be divided and how that would be supported financially. Having said that, we'll absolutely look at what could be possible, in respect to auditing of municipalities.

MR. HOUSTON: The minister first talked about that municipal auditor general back in November. When does that decision get made? It's frustrating to hear - okay, the minister says in November that he's considering a municipal auditor general, phew, pressure off, now we don't have to do anything on that file. Here we sit today and now the department is still saying we're not sure if we're going to do that or not. Do you have a timeline for when that decision might be made?

MS. DEAN: Again, that was one of the aspects that was under consideration with the Joint Municipal Accountability and Transparency Committee. We may receive further information, recommendations with respect to that from that committee. At that point we'll see how we need to move forward.

Again, this issue has been looked at so I don't want to give you the impression that we haven't looked at it seriously. I know that it was before my time and I'm willing to consider other alternatives. If a spot audit is the way to go and through our work with the municipalities and UNSM they determine that that may be a more viable alternative - I guess what I'm saying is that we're still open to looking at what might work best with respect to auditing municipalities.

MR. HOUSTON: So if you're open to looking at it, when are you going to be closed to looking at it? When will the department make a decision on these things?

MS. DEAN: I don't have a specific timeline on that particular item. It may be something as well that gets looked at in the context of the MGA review. Having said that, I'm sure that given the importance of this topic and the importance of the recommendations, it's something we should be focusing our attention on and it shouldn't take us two or three years to determine a course of action on that.

MR. HOUSTON: Has the department made a recommendation to the minister on whether there should be a municipal auditor general or has the department not made that recommendation yet?

MS. DEAN: We have not made a recommendation to that effect.

MR. HOUSTON: And you don't know what that would be, as you sit here today?

MS. DEAN: I don't.

MR. HOUSTON: Okay, and the same with spot audits, you don't know if they have value or don't have value? It's something that the department doesn't know, as we sit here today?

MS. DEAN: We haven't made a specific recommendation with respect to spot audits. That would be under consideration, as well as the approach to having a municipal auditor general.

MR. HOUSTON: Now there will be some changes to expenses and expense reporting for municipal councillors. When will those changes be live? When are they going to be required?

MS. DEAN: The Fall - September.

MR. HOUSTON: Do they extend to the CAOs?

MS. DEAN: Yes.

MR. HOUSTON: So it's all elected councillors and the CAO. And it will be a standard expense form or a standard expense policy, or both?

MS. DEAN: We're working through the details of that with the committee. We want to see a standardized approach to expenses and a standardized template that they would be able to fill out so that it would be easy for them to do so. A standardized policy would come in as well, with an ability, I believe, for them to look at rates that would be appropriate, for example, within municipal units, but a standardized approach absolutely across the municipal units.

MR. HOUSTON: And would the policy exclude alcohol?

MS. DEAN: Yes, that would not be reimbursed.

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

MS. LENORE ZANN: Good morning, nice to see you here today. Starting last July - just to change the topic a little bit - there was, as you remember, a lengthy drought that affected large portions of southwestern Nova Scotia. Very possibly this was brought on by climate change, global warming, so it could in fact be not just a one-off, but could become something that we have to deal with every year in different areas of the province. We just don't know yet.

Thousands of residents, as you know, were affected and suffered with dried wells, forcing the province and municipal units to respond by providing drinking water and programs that were supposed to help. For instance, opening public facilities for showering and laundry, and in the medium term, the province also recommended that municipalities in the region create programs to help property owners deepen their household wells and the payment for the programs would be made by the property owners who would have to pay for this work through their property taxes over a period of time. However, the vast majority of municipal units apparently could not afford to finance these programs and it's unclear how many actually participated in this program and were able to offer them to residents.

So I have a few questions for you around that. First of all, how did the province's financial oversight contribute to their understanding of municipalities means to react to natural disasters such as last year's droughts or, as I said, if it becomes a continuing problem?

MS. DEAN: I guess what I would say is that the municipal units were provided with enabling legislation, so the ability to create a program to provide relief for those who wanted to pay for something like the drilling of a new well or purchasing something through their property tax bill. I think that the fact that we made it enabling legislation gave

the municipalities the ability to look at what might work within their budgets or their financial constraints, as they would be.

We understand that the municipalities of Shelburne and Yarmouth are actually developing a bylaw for wells; Clare is actually exploring a bylaw as well to outline a program for wells and cisterns; Shelburne is looking at options to address future water shortages as well; Barrington is in discussion with other municipalities with respect to the development of a bylaw; and Queens, I believe, is also looking at a report on offering a clean energy type of program.

So having said that, this again is enabling legislation and so what it does is allow a municipality to provide this service if they wish, if they feel that it is within their fiscal capacity. Again, there are opportunities for us to work with them to look at financing options or ways that they can actually implement this program should they wish to create a bylaw to enact one in their regions.

MS. ZANN: So where did this particular proposal come from, do you know?

MS. DEAN: It was mirrored on a program called PACE, a financing model that's called the Property-Assessed Clean Energy program. Originally, this type of legislation created the ability for municipalities to encourage energy efficiency. Meaning that if a homeowner wanted to put in a heat pump, as an example, they would be able to finance the cost of that over their property tax.

So taking that concept, the department felt that it would be another way to provide an opportunity for municipalities to address another issue - so the drought issue.

MS. ZANN: Somewhat like the Solar City program . . .

MS. DEAN: Exactly.

MS. ZANN: . . . so that if municipalities would like to help their residents be able to get solar heating in their water systems or even for their roofs, they could pay the municipality back in their taxes. Do you know whether or not anybody took advantage of this program at the time and how many did? I was under the impression that not many were able to take advantage of it at the time.

MS. DEAN: You're referring to the water program?

MS. ZANN: Yes.

MS. DEAN: My understanding is that Shelburne and Yarmouth are developing a bylaw now for wells. Clare is looking at a bylaw for wells and cisterns. They're starting to enact that legislation.

MS. ZANN: But they weren't able to do it at the time, though, when the actual emergency was happening.

MS. DEAN: There were other supports. This is a longer-term solution. For clarification, this type of legislation enables these municipalities to help residents look at this issue over the long term. The support that was provided in the short term came from communities, from the province, and from parks that opened their showers, as you indicated. This is to look at how we ensure that if this situation happens again, we can be better prepared for it, and that residents have the ability.

MS. ZANN: So at this point in time, you're saying that there are some municipalities that are now attempting to create these programs for the future.

MS. DEAN: Yes.

MS. ZANN: But at the time, it wasn't in place, and so therefore they couldn't exactly use it.

MS. DEAN: It wasn't in place. What the province did was pass that legislation so that they could act on this very quickly to be prepared so that, hopefully, we don't have another summer as we experienced last summer. Again, recognizing that the power is within the municipality to establish the program and then set up the bylaw. Then of course, residents also need to find a way to make the adjustments that they need to their properties.

MS. ZANN: So does the province and does your department believe that all municipal units in southwestern Nova Scotia can actually provide financing initiatives for homeowners to deepen their wells?

MS. DEAN: I would have to double-check that, but I would believe that they can. Paul is saying that he would like to comment on that, and I will ask him to do so.

MR. CHAIRMAN: Mr. Wills.

MR. WILLS: They're able to borrow through the Nova Scotia Municipal Finance Corporation. Essentially, what they're doing is they're passing the debt on from what they borrow from us to the residents. They cover the full bill, and they make the payments through their taxes to the municipality, which will make the payments to the Municipal Finance Corporation to pay off the debt over a slated number of years. My thinking is it's about 10.

MS. ZANN: Are we assured that the residents themselves will be able to afford to do this?

MR. WILLS: Putting on my prior hats for what I used to do, Clean Nova Scotia or Clean Energy - whatever it's called now - they actually do an assessment to determine

whether or not you can afford to make the payments. There's got to be that trade-off of what you're going to save sort of thing to make the payments. But somebody does an assessment on the ability of the taxpayer to pay.

MS. ZANN: As we know, the municipalities are pretty cash-strapped already, and I believe some of the owners are as well. Does the Department of Municipal Affairs assess the ability of municipal units to take on short-term urgent debt?

MR. WILLS: Can I get you to repeat that?

MS. ZANN: Does the Department of Municipal Affairs assess the ability of municipal units to take on short-term urgent debt?

MR. WILLS: I'm going to answer the question even though I don't work for Municipal Affairs anymore. Municipalities are capable of actually getting a short-term overdraft on their operating account - it's just a motion of the council - that's equal to 50 per cent of the previous year's taxes. The department doesn't actually approve that debt. What the department actually approves is the capital borrowings for the long-term debt.

MS. ZANN: Yes. I was just wondering if they assess the ability of these units to take it on.

MR. WILLS: For the long-term debt, they do.

MS. ZANN: But possibly not for the short term. Okay. Did the province consider guaranteeing these payments at all? In the future, would the department alleviate the potential debt load that it would force municipalities and therefore, their residents, to take on regarding these kinds of issues?

MR. WILLS: Can you ask the question again, but in parts? I have hearing aids and I have difficulty hearing.

MS. ZANN: Has the province or the department considered guaranteeing these payments instead of putting it on the residents? Have they considered guaranteeing these payments in the future so that the department would actually alleviate the potential debt load that it would force these municipalities to take on?

MR. CHAIRMAN: Ms. Dean.

MS. DEAN: That hasn't been the intent of the legislation and that isn't how the PACE program works either. I guess at this point it hasn't been our thought that we would be guaranteeing any payments for units.

MS. ZANN: So it hasn't been discussed, then?

MS. DEAN: Not at this point, no.

MS. ZANN: Would that be something that if municipalities are finding that their residents are unable to do and they are unable to do, would this be something that you could then take back and discuss with the minister and with the province?

MS. DEAN: I'm not entirely sure whether we would be in a position to do that. That's something that I would have to verify.

MS. ZANN: Have there been any committees struck with the municipalities to discuss other options if this happens again with the droughts or any other types of climate change situations that are putting pressure on them that they have to come up with something quickly and also in the long term? Have there been any committees struck that you know of yet between your department and with the municipalities to discuss the future of climate change-type issues such as the drought last summer?

MS. DEAN: So as you would have heard from my last appearance at Public Accounts Committee, the Emergency Management Office works very closely with municipal units on their emergency management plans, with respect to their ability to react in situations where there is a crisis. We certainly learned a lot from the drought situation last summer, unfortunately. Through conversations and meetings with municipalities, they are able to update their plans and determine how they might change their responses in the future, based on what we've just experienced.

So we are in communication with those municipalities to see what they might do differently if they wanted to, or how we could provide assistance.

MS. ZANN: I have only a minute left. I just wanted to check in with you then, since it's actually International Water Day today. So speaking of droughts and speaking of rising seas, I also noticed that the disaster relief funds for the floods that hit Cape Breton in October 2016 and also in the Truro area had not been paid to those municipalities yet. Do you know what the status of those payments are at this point in time?

MS. DEAN: It's not that the payments haven't been made to municipalities - municipalities have received their payments. I think what you're referring to is the fact that we are reimbursed by the federal government and there's an audit process that happens so we can be reimbursed. That often takes longer.

MS. ZANN: Has the Premier actually requested the federal disaster relief funds yet? As of March 1st, he hadn't requested it yet.

MS. DEAN: We don't have to request it. The programs are set up and they are reimbursed in accordance with the timelines, so we will get that money based on the audit results that will come back to the province.

MR. CHAIRMAN: Order, time has expired. We'll move to the Liberal caucus. Mr. Irving, you have 14 minutes.

MR. KEITH IRVING: I just want to return to the Ombudsman report briefly here, in terms of touching on the recommendations that have been made to your department. There are four recommendations, and they are prefaced that they, “. . . are not intended to encroach on the important democratic principle that elected local governments require a measure of autonomy. Rather they are intended to influence a level of checks and balances in the interests of consistency, transparency, and accountability.”

I just wanted to briefly touch on the four recommendations to your department. One is the forensic examination, which I believe is now complete; the standardization of travel and expense authorizations; re-examination the feasibility of establishing a municipal auditor general; and then fourth, undertake a review of the department's role to ensure municipal compliance with the Municipal Government Act.

Is it fair to say that you are acting on all four of those?

MS. DEAN: Yes.

MR. IRVING: I think the fourth one is that challenging question of the balance of respecting democratically-elected officials, the role of the public versus the intervention by the department in a more heavy-handed way.

Just on the municipal auditor general - and I know that idea has been around for a number of years. I think it dates back to the last government in discussions with the UNSM. The challenge there for us and the municipalities is the cost of that service. Is that a fair statement? Do we have a sense of what is under discussion there in terms of examining the cost?

MS. DEAN: Cost is one challenge, but I think the greater challenge is the fact that there are 50 municipalities of varying sizes and degrees of capacity. Part of the difficulty would be in trying to develop an audit plan for 50 municipalities and determining where you go when, and also if the municipal units are contributing to funding a municipal auditor general, what would the portion of their funding be and how would that relate to their operations.

Having said that, there is still an important principle here, which is an independent auditor having the ability to look at critical issues or to find ways to address risk areas. So whether it's that format or another format it's something, like I said earlier, that we still need to look at to see what we need to do.

MR. IRVING: Fair enough, but I think it is important for the public to recognize that all municipalities have auditors that flag many issues. A municipal auditor would add an increased capacity to that, but we do have professional accountants doing audits,

examining financial processes and books. So the public is protected to a great extent. It's just a question of whether we need to move to that next level of oversight.

MS. DEAN: Exactly, and all of the statements are prepared by professional auditors so the statements have to be audited to financial statements that we receive. Right now, HRM is the only municipality that has a municipal auditor general.

MR. IRVING: And they would have the most complex systems and processes - a larger amount of money being handled, significantly larger relative to most of our municipalities.

I want to move on then to just perhaps get a better understanding of the Nova Scotia Joint Municipal Accountability and Transparency Committee. Why was this formed? Is there a connection to what we're talking about here that has resulted in that committee, and just the make-up of that committee?

MS. DEAN: Again, we felt it was really important to have a committee struck and the minister also felt it was important for us to act on the recommendations of the forensic audit report and the Ombudsman's report. This committee is made up of two members of the Association of Municipal Administrators of Nova Scotia, two from the Union of Nova Scotia Municipalities, two from the department, and also a representative of the Association of Nova Scotia Villages.

Their mandate is really to ensure that there are going to be mechanisms in place to support transparency and accountability to the public with respect to expense management. They had a specific mandate around expense management. Also, they were asked to look at local government expense policies. Their mandate was to increase the transparency of local government staff and elected officials' expenses to the public, to improve the audit function on staff and elected officials' expenses and then to recommend MGA - Municipal Government Act - amendments wherever that would be applicable. They have very specific objectives to follow and they have been working through those issues.

We've asked them again to look at expense management and give consideration to enhancements that will ensure a standardized level of transparency and accountability, look at best practices for municipal village expense policies, look at what the policy could look like for implementation across municipal units and villages. We asked them to look at specific audit procedures for staff and elected officials' expenses that could be executed by the municipal auditors.

Back to your point about the fact that there are municipal auditors in place who are providing the financial statements, this specific area would give us the ability to ensure that internal controls are working effectively, so that's another area.

Also, looking for standard practice for the public disclosure of expenses which points to the online posting in the legislation that we're currently going to bring forward.

We also asked if they would look at the Financial Reporting and Accounting Manual with respect to audit committees to see if there were improvements that could be made there, and look at other expenses or financial matters that might require improved transparency and inform us for future work on that.

While there are immediate recommendations and maybe shorter term ones, there may also be longer term ones that go into our review of the MGA.

MR. IRVING: You may have mentioned this in your opening remarks - is this committee sunsetted or is it an ongoing committee?

MS. DEAN: We've been asked to provide the recommendations by March 31st. Once we have that, then we'll determine the next steps and what the consultation would look like and, in very short order, it isn't something we intend to take a long time on. We want to respect their work and try to deal with it as quickly as we can.

MR. IRVING: And their recommendations are to whom? I presume the minister but are they . . .

MS. DEAN: It comes to me and to the minister.

MR. IRVING: And to the municipalities and UNSM as well, or just strictly the minister?

MS. DEAN: Well they are going to be delivering their recommendations to myself and also sharing those with the minister, and I would expect that we would also be sharing with the UNSM and with the AMA so that they are aware of the work.

MR. IRVING: And the minister's comments on upcoming legislation and some of the things he is expecting to bring forward - has that come from the work of this committee, for the most part?

MS. DEAN: Yes, the elements that we would be embedding in the legislation in the Spring directly relate to the recommendations of the committee. They are preliminary recommendations but they are solid recommendations and we feel we could move on those fairly effectively and quickly.

MR. IRVING: I want to move now to the other municipalities, I guess. Has the UNSM had a response to some of the issues that we've talked about today with respect to Richmond? Has the UNSM been an active partner in discussing the way forward with respect to lessons learned?

MS. DEAN: Absolutely, and they are a key partner on this committee. In fact the minister wrote to the Chair of the UNSM at the time and asked for their support in forming this committee in order to address those issues that were coming out of the Richmond

reports. They believe in the need for increased transparency and accountability, as we do, and they believe in the need for this work in order that the public has confidence in the activities of the elected officials.

The other element that's of interest is that the UNSM also held a meeting - I think it was February 24th or so - where they invited the Auditor General to come in and talk about best practice and expense policies. They are actively engaged in this and taking it very seriously. I think they are also an absolute willing partner in these changes.

MR. IRVING: In some of the work that you have been doing, perhaps capturing best practices from other municipalities in the province, do any municipalities report their expenses online or have alcohol policies that are similar to what the minister is talking about, bringing in now to the MGA to make it consistent across the province?

MS. DEAN: There are a few examples of municipalities that do that. Some report online. There are variations of what we're considering. I have seen some examples of municipal units that do that already. In other provinces there are examples of legislation requiring it.

MR. IRVING: I ask those questions in that I think it is important for us to recognize that most municipalities are operating at a high degree of ethics and accountability. The Richmond situation is serious and I don't want to downplay it, but I think we need to be respectful to the many municipal partners and colleagues that we work with. There are high standards out there in many municipalities and the actions that we're looking at in terms of the MGA modifications is to bring some standardization and ensure that we don't have these anomalies that cause great concern for citizens. Is that a fair statement?

MS. DEAN: That's absolutely fair and one of the points that I'd like to make is in line with that. Absolutely, there are municipalities that are already being proactive and very transparent in reporting their expenses. The efforts that we make and the interventions that we have - we can't paint everybody with the same brush and assume that everybody is exhibiting behaviour like Richmond County did, for example. There are definitely municipalities that are on solid ground, that the changes that we're going to be bringing in are things that they're either already doing or will enhance what they're already doing. So I think that will be a very important point going forward.

MR. IRVING: Really, times have changed from 20 or 30 years ago where alcohol had a different relationship in our world. What we're doing here is bringing municipalities up to the same standard that we as MLAs serve in this House as we've moved to be more transparent, putting things online. I think the public is now demanding that consistency at the municipal level. This unfortunate event up in Richmond has shed some light on that and put some urgency to bringing us up to that level.

MR. CHAIRMAN: Order. The time has expired. Ms. Dean, we'll give you an opportunity to provide closing comments.

MS. DEAN: I would like to say thank you for the opportunity to share the work of the department with municipalities. As always we strive to continue to make improvements wherever we can. We look forward to working with our partners. I'd like to thank our staff who work very hard to stay connected to municipalities and to provide support to them on an ongoing basis, and would like to assure the committee that we'll continue to do our best work with municipalities going forward. Thank you.

MR. CHAIRMAN: Thank you Ms. Dean, and thank you to your colleagues for being with us here this morning.

We do have some committee business. We have correspondence from three departments. The first is from Nova Scotia Health Authority and the Department of Health and Wellness. This had to do with visits to emergency departments and this was provided as promised by the department on the same day that it was asked for. Are there any questions or comments on that correspondence?

Hearing none, the next piece of correspondence is from the Department of Transportation and Infrastructure Renewal. This was information requested from the January 25th meeting about the Cobequid Pass toll revenue. Specifically, the question was asked for a detailed breakdown of that revenue and how it was spent. The response from the department recommended a review of annual reports on the Cobequid Pass on the Highway No. 104 website. There was some back and forth between our committee clerk and the department about the information raised here not being the answer the committee was looking for.

I would like to put it before the committee now. Perhaps members could specify exactly what information they would like to see. I did visit the website myself out of curiosity, and you would have to go to each annual report individually and, I guess, extrapolate from that a summary of the revenue collected and how it was spent. Those documents are public, but I'm not sure if the answer requested by the committee was a full summary of that as opposed to reviewing individual annual reports over a 20-year period.

Would any members like to comment or offer suggestions on that matter? Mr. Houston.

MR. HOUSTON: Instead of trying to debate what we should be asking for here today - I think it was probably me who asked for it to begin with - I'll just get my thoughts together and maybe share an email with the committee. We can discuss next time we meet whether a second letter is necessary.

MR. CHAIRMAN: Are there any other comments from the other members? Okay. Mr. Houston, we will await your email.

The next piece of correspondence is from the Department of Justice. This was a piece of information on the *Bluenose II* vessel. This was received on March 20th from the

Department of Justice, stating that following a meeting with the Auditor General's office on March 17th, a document was located that, by sheer inadvertence, had not been produced before now. It has since been provided on that day, March 20th, to the Public Accounts Committee. Are there any questions or comments on that correspondence? Hearing none, that does it for correspondence.

The next item we have is, the Department of Finance and Treasury Board has been called for a meeting. It's actually the Department of Finance and Treasury Board and the Department of Health and Wellness. The meeting has not been scheduled. Both departments have been called to discuss health care funding with a focus on federal transfers and a follow-up of the Auditor General recommendations.

The issue here is that the Deputy of Finance and Treasury Board, due to the budget consultations and meetings that are taking place, is not available on Wednesday mornings because our meeting is at the same time as the Treasury and Policy Board meetings. There has been an offer that the assistant deputy could be made available for the meeting.

I would like to open the floor to members for comments on this matter. Mr. Houston.

MR. HOUSTON: I'm good with the assistant deputy if they're up to it.

MR. CHAIRMAN: Okay. Any other comments? We will allow our clerk to proceed with notifying the department that the assistant deputy will be welcome here at the committee whenever the date is scheduled for that meeting.

The next item is one - I don't think was raised during a meeting, but it was raised to me as an aside during a recent session here of the Public Accounts Committee. That was use of unparliamentary language, specifically, the use of the term "McNeil Government" in reference to the current government.

As we know, when the Legislature is sitting, the Speaker has ruled in the recent past that it is not appropriate to use the term "McNeil Government." Before making a ruling, I did consult with our legal counsel, and I can make the opinion available to members of the committee. Essentially, the committee here operates a little bit differently from the Legislature in that we do use members' names. As chairman, I recognize members by their name.

In the opinion of our legal counsel, to permit members in standing committees to refer to the current government by the name of the Premier would not be unacceptable, out of order, unparliamentary, or otherwise inappropriate. Taking that into account, I will not be restraining people from using the term "McNeil Government". Are there any questions or comments on that? Hearing none, we'll move to the next matter.

We have a request from the Canadian Council of Public Accounts Committees. The vice-chair and I have attended these meetings in the past. I am trying to recall last year - I believe we had a couple of other members in the committee, Ms. Lohnes-Croft attended. At these meetings, Public Accounts Committees from across the country get together and talk about issues that come before the committee. This is an opportunity to put topics for discussion at the next conference, which is going to be held - it's actually in September this year, September 10th to 12th. There is some correspondence that has been shared with you.

I don't know if members wish to put something on the record here today, it's not necessary but I want to call your attention to this request that we received and if you'd like to reply to the clerk, please do. If anybody has an interest in sharing something now, I'll open the floor.

Hearing no suggestions at this point, please respond to the clerk if you have an interest in putting a topic forth.

Our next meeting will be March 29th. That will be with the Department of Fisheries and Aquaculture and the Department of Agriculture, to discuss export development. Are there any other questions or comments or any other business coming before the committee?

Hearing none, this meeting is adjourned. Thank you.

[The committee adjourned at 10:56 a.m.]