

HANSARD

NOVA SCOTIA HOUSE OF ASSEMBLY

COMMITTEE

ON

PUBLIC ACCOUNTS

Wednesday, November 8, 2017

Legislative Chamber

November 1, 2017 Report of the Auditor General

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Public Accounts Committee

Mr. Allan MacMaster (Chairman)
Mr. Gordon Wilson (Vice-Chairman)
Mr. Ben Jessome
Ms. Suzanne Lohnes-Croft
Mr. Brendan Maguire
Mr. Hugh MacKay
Mr. Tim Houston
Hon. David Wilson
Ms. Lisa Roberts

[Mr. Tim Houston was replaced by Mr. John Lohr.]

In Attendance:

Ms. Kim Langille
Legislative Committee Clerk

Mr. Gordon Hebb
Chief Legislative Counsel

Ms. Nicole Arsenault,
Assistant Clerk, Office of the Speaker

WITNESSES

Office of the Auditor General

Ms. Michael Pickup,
Auditor General

Mr. Andrew Atherton,
Assistant Auditor General

Ms. Dianne Chiasson,
Audit Principal



House of Assembly
Nova Scotia

HALIFAX, WEDNESDAY, NOVEMBER 8, 2017

STANDING COMMITTEE ON PUBLIC ACCOUNTS

9:00 A.M.

CHAIRMAN

Mr. Allan MacMaster

VICE-CHAIRMAN

Mr. Gordon Wilson

MR. CHAIRMAN: Good morning. I call this meeting of the Public Accounts Committee to order. This morning we have the Auditor General's Office with us. Last week we met with them in camera to discuss their November 1st report.

I would like to remind everyone to place their phones on silent, and we'll begin with introductions.

[The committee members and witnesses introduced themselves.]

MR. CHAIRMAN: Mr. Pickup, we'll turn the table over to you.

MR. MICHAEL PICKUP: Thank you for having us here today. My opening remarks will be relatively short, given that we had an in camera session last week for two hours and this report has been public for a week, so I'll keep it relatively short.

I want to thank the folks with me here today who have done all this work to get us to this point and to produce these reports as a tool to help you in your role of holding the government accountable. I also want to thank the many people back in the office who worked on these four reports. I think it just about touched all 35 people back in the office in some form or other, so thanks to those folks who may be listening in today to hear your interest in the work that they have done as well.

Also, I want to thank the folks in the Public Service. Normally I just sort of give a blanket thank you but I think in this case I should give a special thank you to the people at Environment, given that this was our first environment report and most of the work happened at Environment - to a lesser extent at Finance and Treasury Board, but mainly at the Department of Environment. So I certainly would extend thanks to them for their co-operation. I never want to lose sight of the fact that while audit can be a challenging role, where we ended up on all four of these audits is a place where the Department of Environment agreed with everything we had to say.

We're not here today to debate the nature of the findings on whether they are true or false or whether the department agrees or disagrees. The department agrees with everything that is in those reports and have agreed to the recommendations as well. I think that's a credit to the leadership there for agreeing with and planning to act upon our recommendations.

Just a couple of key highlights to warm us up here as a reminder. On the environmental assessment audit, that audit shows that there is work to be done to make sure that the terms and conditions are set well and that monitoring is, in fact, happening and is working. Nova Scotians depend on the environmental assessment process as one of the key parts of the government's approach to oversight, in terms of managing environmental risks for the protection of the environment.

At the end of the day, it's a fairly simple story - 53 of 54 projects were approved, each with 20 to 30 terms and conditions. But, of those terms and conditions we tested, only approximately half were monitored. In simple terms, I don't think that's a great story on the environmental assessment front.

On the climate change audit, the government met the greenhouse gas reduction targets well ahead of schedule and now it's time for an updated risk assessment and a plan on climate change, so the government can share that with all Nova Scotians on what it plans to do going forward. Again, the department acknowledges that and has agreed to some concrete action to take to address that.

In early Spring of 2018 - the coming six months or so, after we get through winter - that report will feed into a Canada-wide report that nearly all Auditors General across the country are participating in, so all of the jurisdictions, all of the provinces and territories, the federal government, we will come together and produce one report looking at climate change across the country and looking at what each of the jurisdictions are doing with a minimum set of procedures that most of us have agreed to look at.

At this point the intention would be that it will be tabled federally. The Commissioner of the Environment will be tabling that in the Parliament of Canada and then most of us will be tabling that summary report in the provincial Legislatures as well. My intention would be to table that summary report on climate change for the country in

the House sometime in the Spring. The dates are still being worked on, but we're probably looking at late March or early April. That will enable Canadians to have a look to see what's happening one end of the country to the other.

Now, on the other two chapters that were included in this report - the information chapter on the accounting for the contaminated sites - there is no problem with the accounting; the government has recorded the correct amounts according with standards. We did this chapter again to draw attention to the fact that of the 212 million recorded, 130-plus is for Boat Harbour, which will change as the plan is finalized over the next three to four years. So, it's just to draw some attention to the fact that, as time goes by, fiscal planning can be somewhat of a challenge when you get something like a Boat Harbour cleanup that can have a significant hit to it. The change from 2016 to 2017 was over \$40 million, so, you know, somewhat of a challenge but, again, the accounting is fine.

Then, finally, in Chapter 2, we look back at the work of the Department of Environment over the past ten years - this, I think, ought to be of some concern to the Public Accounts Committee. We had a look at the three audits that we did over the past ten years and said, okay, the last time we followed these up, what was the status of these recommendations? Roughly half of the recommendations were completed the last time we had a look.

So, I think it probably makes some sense for the Public Accounts Committee - if they're looking at these new audits that we did - to consider also engaging departmental officials in a discussion as to what has happened since our last follow up to all of these recommendations that had not been completed before. In that way, the Department of Environment could tell their story. They could be held accountable and there could be some good discussion around what is and isn't happening, and why. So that was why we drew attention to the previous work.

Also, there are still a number of audits that I would suggest would be worthy of consideration for the Public Accounts Committee to look at calling in as well. Some of those relate to the environment, like the public drinking water audit that has yet to be called to Public Accounts Committee, and then there are two pieces of related work, one on the species at risk that doesn't directly happen at the Department of Environment but certainly does have an environmental aspect and a concern. So that's the species at risk chapter, and then the other one was critical infrastructure resiliency which clearly is an issue that impacts all of Nova Scotians from one end of the province to the other, as things may or may not happen and the risk continues. We put all that into a chapter for you.

So, just in summary before ending, I would say this was our first stand-alone environment report. I'm glad we did it. We brought it all together for you, including that 10-year look and I hope it will allow Nova Scotians, all of the members of the House, and this committee, to get a sense of what is happening or not happening at the Department of Environment. Clearly to me, the Department of Environment and its work needs the

attention of members of the House and of this committee to hold the government accountable for the results and when it will address the shortcomings on a go-forward basis. I believe, with all due respect - on behalf of all Nova Scotians who elect members to the House - that the results of these audits show that the Department of Environment needs the attention of Public Accounts Committee as it holds the government accountable.

Those are the concluding comments I had at the opening.

MR. CHAIRMAN: Thank you, Mr. Pickup. We'll start with Mr. Lohr of the Progressive Conservative caucus, for 20 minutes.

MR. JOHN LOHR: Thank you, Mr. Pickup, and I guess I would say on behalf of all Nova Scotians that your work to audit the Department of Environment is deeply appreciated. I think that you could say that Nova Scotians have a lot of trust in the Department of Environment and very high expectations of the Department of Environment, and you've highlighted some very, very serious concerns about the work of the Department of Environment.

So if I was in Grade 3 and getting a report card, I don't know if this would be a pass or a fail back in the days when that actually happened in our educational system. It certainly is a very concerning report to us. I think what I will do is go through the chapters, in order, and ask some questions. It doesn't probably reflect our concern levels for some of these - we're concerned about every chapter, of course.

I do want to ask about the liabilities incurred. We've seen a huge growth in the last four years in the total liability to the province, and a lot of that tied to Sysco and Boat Harbour. But Sysco has been dropping as a liability - and I apologize if I'm asking something that was mentioned in the in camera session, I wasn't here. I just wondered if you could comment on the declining liability for Sysco and what reasons you see that that has happened.

MR. PICKUP: Sure. As part of the Public Accounts audit that we do, separate from this environmental report, we look at those liabilities on an annual basis, to say, one, is it big enough; and two, is it too big? So the discussion we would have had during this summer, on the Public Accounts audit - we would have been told that that was the remaining amount left to do any outstanding work.

It's certainly not expected to be any bigger than that, and the expectation is that should be adequate to cover anything on an ongoing basis forward. So, if there's any work over the next five, 10, or 20 years, that \$68 million is intended to cover that.

MR. LOHR: I think there is sort of a belief in the general public that Sysco has been largely dealt with. I know it is also significantly federally cost-shared. I'm just wondering, are those two factors sort of in that decline?

MR. PICKUP: As you indicated, the significant amount of work has been done. Under accounting standards, what you have to do is if you anticipate anything else on an ongoing basis, even if it was \$1 million or \$2 million dollars a year, you would record that today for anything forward. Yes, of course, the majority of the work is more than done.

MR. LOHR: I guess from my role as an MLA in this, the incredibly escalating numbers for Boat Harbour are kind of alarming, to see that rise in the liability. Maybe you can talk about some of the factors that have led to that almost 900 per cent increase, or more than 900 per cent increase, over four years. Where do you see that number going - do you see that number increasing? Maybe I'm asking you to answer something you can't. Maybe you can tell me - where did you see in your audit the reasons why the number escalated so much?

MR. PICKUP: A couple of points, and why we draw attention to that is absolutely what you're indicating. The number has gone from \$88 to \$130 million, over a one-year period, from 2016 to 2017, and I would expect that as the government looks to finalize the plan over the next three to four years that number is likely going to change. They've indicated that in the financial statements, that it will change. Now, why did it change this year?

What I'm told, having checked with the Finance and Treasury Board folks, is that more information became available - like the contaminant removal, how it was going to be treated and disposed of, more work on the settling ponds, on the pipeline from the mill, and the impacts upon the shoreline and the wetlands. Project management and consulting costs to date include the design, the oversight, compliance, and monitoring costs.

But, absolutely, why we're raising this is? The number isn't known as to what this is going to be, or we would then be having this discussion around why that isn't recorded. What we're saying is as these things become known that number will likely change to something greater than \$130 million.

MR. LOHR: I guess I'd have to say that I'm really kind of highly concerned that the number isn't known, because I think that the announced date for the closure of Boat Harbour is 2020, for that facility, and that's not very far away. If that's going to be closed, then we should have a better handle on those costs right now; I mean, time moves very quickly. Would you agree with that, Mr. Pickup?

[9:15 a.m.]

MR. PICKUP: The province in their Public Accounts, in their published financial statements, have indicated that there's significant uncertainty, of course, but that a comprehensive remediation plan will likely take three to four years to complete.

Now in terms of why it will take three to four years to complete, I think that would probably be a discussion to engage the folks at Transportation and Infrastructure Renewal who are leading it, with the Finance and Treasury Board folks, I guess, to some extent because they are the ones who prepare the financial statements, but probably the Transportation and Infrastructure Renewal folks are the best ones to talk to about why it takes three to four years.

MR. LOHR: What I think I heard you say is that even with the incredible rise in the number to \$130 million, it is your expectation that that number could still be significantly larger.

MR. PICKUP: Right. In the fairness of the financial statements that the government has produced, in their note they have indicated that there is still significant measurement on certainty related to this estimate. As they get more into it and find the extent of the issues, then they'll know more on what has to be done and what it will cost.

History generally shows with environmental issues that the costs don't go down from an estimate - they generally go up, unfortunately. So the financial statements are drawing attention to that - just like what happened this year, from 2016 to 2017 the bump-up was \$42 million in one year and we're still three to four years away from a comprehensive plan.

MR. LOHR: I guess when I think about that bump-up, is it because the standards have changed? I think about the possible reasons why the bump-up has occurred, possibly there's a reason that there's a better understanding of the magnitude of the problem. Possibly it's because there's a better sort of changing targets on how clean it has to be. Possibly there are new guidelines.

Would it be the magnitude of the problem or the shifting guidelines on what the ultimate clean-up will achieve? Would you say it's one of those or the other, or both of those?

MR. PICKUP: At a high level, I will respond with the caveat that it's probably better to get the experts in from TIR if you want to know more. I did get out first for a site visit with the folks - probably in October, a month ago - and spent the day down there. My understanding is the bump-up and the uncertainty exists around figuring out how extensive that problem is, how deep the problem is, how big the problem is and then what is going to be done and what it will cost to address that.

Certainly it's not changing accounting standards or anything like that. It's figuring out how big is this problem and what is it going to take and what is that going to cost. That's probably as far as I would go, in terms of trying to explain what's happening there. I'm suggesting that you get the folks from TIR in.

MR. LOHR: So it's not just to say, it's not changing definitions of what clean-up means. That's not the issue, it's not the target. The target is whatever clean-up is defined as, so it would have to be some sort of objective criteria for what ultimately clean-up looks like; that hasn't moved then. It's more to figure out the depth of the problem.

MR. PICKUP: That is my understanding but that's based on my site visit and discussion with them to say, it's figuring out how big the problem is and then what are the solutions to deal with the problem that you have at hand, all under that same concept of trying to get to this point which hasn't changed.

MR. LOHR: I notice in the report there was reference to a number of other contaminated sites and many of them, I would say, are not being booked as liabilities right now. I'm wondering if you would comment on the wisdom of that or the reasons for that.

MR. PICKUP: If I understand correctly, we've talked about the two issues. We've talked about Sysco and Boat Harbour, then there's about another \$14 million that is booked for a number of other items which we don't cost in the report.

Since the in camera meeting last week, I did touch base with the folks in Finance and Treasury Board and got some numbers for those amounts that we have in that and I can share those with you, if you want. For example, on a highway basis there's almost \$7 million booked to deal with the highway basis. Sutherland Harris Memorial Hospital there's \$3.5 million booked; Deluxe Dry Cleaners, \$2.2 million; Chignecto School Board, \$200,000; and then Kurdistan on protected land, \$197,000. That makes up about \$13 million of that other \$14 million.

What we did on that summary page in Chapter 1 is sort of outline when you do actually record something in accounting. So here I'm telling you, on the one hand, what the key components are of what is recorded, and then on the summary page we showed you when the province would actually book a liability.

I hope I'm addressing that part of it. I didn't know if you wanted me to talk more about when you would book a liability.

MR. LOHR: I guess what I wanted you to talk about was the fact that we know there are a number - those ones, and there would be other contaminated sites around the province that are not booked at all. I just wonder if you would - I know from my days in insurance, we had a line called IBNR, "Incurred But Not Recorded." The insurance industry was creating a liability for the ones we didn't know about yet.

It sounds like the province has liabilities and they haven't even booked a number for the ones they know about. We know there are a number of other sites - more than those sites around the province. I was just wondering if you would comment on the wisdom of that?

MR. PICKUP: Sure. The first thing I would say is, we're comfortable with the accounting. The accounting meets the standards. But just in simple terms, you use that term, "liability," which has a significant accounting concept. If I draw your attention to the Chapter Highlights page for Chapter 1, we've summarized in that middle box called Recording and Accounting.

The province only has a liability - the province has all kinds of sites without liabilities. The province only records a liability for cleanup if they acknowledge or indicate or determine that the standards have been exceeded, that the province has taken on responsibility, that they actually plan to clean it up, and that they have an estimate of the cost. That's what would generate a liability. If you don't meet all four of those, then you can have an issue or a situation, but you don't have a liability to record for accounting purposes until you meet these things.

MR. LOHR: I'd like to ask about the next chapter, Previous Audits Related to the Environment. One of the things that jumps out is the fact that from the audit of 2014 of Public Drinking Water Safety, eight of the 19 recommendations were not completed. I wonder if you would comment on that, and if you're concerned about safe drinking water in the Province of Nova Scotia.

MR. PICKUP: I think any time a recommendation has not been completed - and we are going to follow up on this audit. We're in the process of following up on it right now, actually, and we'll be reporting back to the House in winter 2018 on the work we're following up.

You're right. In this chapter we summarize our last follow-up and a number of incomplete recommendations, and it was concerning. That's why we raised it and put it in the summary report. When you look at the underlying risk around the recommendations that are not complete, I think it is an issue.

Now you will get better information, more up-to-date information, from us in the winter when we come back with the most recent follow-up to this. This was a snapshot from the last time. But yes, any time a recommendation has not been completed, there's an underlying risk that remains because of that.

MR. LOHR: I know that the Canadian poster child for water disasters is Walkerton. Would you say that the Province of Nova Scotia has some vulnerability in the fact that we are not dealing with these previous audit requirements? Is there any indication that we're vulnerable to that kind of event, or is there vulnerability because of the lack of follow-up on these audit requirements?

MR. PICKUP: I think what I would stick to is the specifics of the recommendations. If we look at 5.17, we said, "The Department of Environment should conduct its planned review of the quality assurance process and implement changes as required." So that's

making sure that you have quality control in place over processes that you have. When we looked in February of this year, that was not yet complete. When you don't have something like that in place, you run a risk. It goes back to the objectives of the program, to say that if you're not completing some of these key areas, you run the risk of not meeting your objectives. If part of your objectives are protection of public drinking water, then the more of these things you have as incomplete, the more risk you are running.

MR. LOHR: I know that in Recommendation 5.9 in the report, two inconsistencies - in some cases, facilities did not provide any follow-up evidence that water-testing requirements were being met. The department had agreed to implement compliance monitoring by January 2015. Is that an issue that Nova Scotians should be worried about or that you're worried about?

MR. PICKUP: As soon as we make a recommendation and the department agrees, that says something right away. That says we've hit an important issue and the department acknowledges that something has to be done. If it's not done, those risks certainly continue.

So when we come back in the winter with an updated report, including on this audit here, we'll have a good look to see, are these things still complete or not complete. Then I think it will give you an opportunity to look at engaging in a discussion with the Department of Environment to say, how then are you mitigating or managing the underlying risks that are associated with that recommendation?

MR. LOHR: I guess I would like to go on to Chapter 3, Climate Change Management. I certainly recognize that it's very positive that we met our greenhouse gas emissions targets, but I'm very concerned that the climate change risk assessments that were done in 2005 have not been updated since 2005. I wonder if you want to comment on that.

MR. PICKUP: Sure. We indicated that most of the actions that were in the climate change plan have moved along to the point where it's time to have an updated climate action plan, including a number of things that have changed in terms of government policy and what they're planning on doing.

The last risk assessment was in 2005. After 12 years we believe it is time to relook at those risks and to update them if updating is needed, but at least to assess to ask, does this risk continue to the same extent? What are we going to do about it and let's develop a plan that addresses those risks.

It's a hard one to argue with, that after 12 years you wouldn't update a risk assessment. To the department's credit, they have agreed and they've given fairly concrete responses to which they should be held accountable - whether it's by us or by the Public Accounts Committee, and people in the House, as well. I think there are certainly strong commitments there for which they should be held accountable.

MR. LOHR: I mean yes, clearly no one would disagree that the science of and what we know and understand about climate change has radically changed in the intervening 12 years. I know that when we look at what's happening in North America and in the Caribbean, the flooding is such a huge concern and the rise of the oceans. I'm just wondering if you want to comment on what you think about those risks. Maybe I'm asking the same question again in a different way, but would you comment on the fact that we have a much better understanding of the risks and we need to start addressing them?

MR. PICKUP: Two comments I would make on that. One is, we've addressed this issue to some extent in the Critical Infrastructure Resiliency chapter. That sounds like a very long title for an audit, but we did address in there that climate change risks have not necessarily been assessed in looking at the potential impacts upon critical pieces of infrastructure. Some of the examples that we gave were the connector between New Brunswick and Nova Scotia, and the Canso Causeway.

I note that the critical infrastructure chapter has not been called before the Public Accounts Committee, although we reported it in November 2016. So I would hope that at some point the government is held accountable for the recommendations that we made in that chapter.

The other comment that I was going to make on your interest in the public drinking water supply program - that audit was tabled in May 2014 and the department has never been called before the Public Accounts Committee to explain the results of that audit and the risks to Nova Scotia that continue as those recommendations are not complete.

I thank you for your interest in that and I hope that at some point there would be consideration to having the department come in and talk about that at Public Accounts Committee.

MR. CHAIRMAN: We'll move to the NDP caucus and Ms. Roberts.

MS. LISA ROBERTS: I'm just going to pick up briefly on the discussion around the public drinking water audit. I went back and looked at the department's response at the time of the audit. Many of the recommendations that are currently not complete were accepted by them at the time, and they set targets for completing the actions recommended by the Auditor General. For example, the Department of the Environment should evaluate whether the current requirement for water testing by inspectors is appropriate, and implement changes where required - that was targeted for completion by March 21st, 2016, but it remains incomplete.

Another one - the Department of Environment should record all deficiencies in the activity tracking system as required. That was agreed to and targeted for September 30, 2014, and yet remains incomplete. I would love to hear from you given that obviously the

Office of the Auditor General has spent a fair amount of time in dialogue with the Department of Environment as this report and other reports have been worked on.

[9:30 a.m.]

What is happening within the department that it goes from agreement and target date set and yet the action doesn't happen?

MR. PICKUP: One thing I have learned in this is not to speak for others. And I can only speak based on my perception and the audit work we have done. And, really, an explanation in terms of managing risk, making management decisions, deciding whether to do something or not to do something is really up to people who manage the program.

We can come forward and say, here is what we are going to audit, here is the criteria. We will make conclusions, we will make recommendations, and you respond that you agree. If then they decide to do them or not do them for whatever reason that they decide, really those are management decisions, so I am not going to try to speak for the department and say why didn't you get this done before. But it does trouble me that when we come back and you say, yes, we continue to agree; yes, that is important; yes, we have got to do this; hopefully it will be done for next year or the next time you come back - and we are left with, well why isn't this done yet? Well, it tends to be that there are competing priorities or other issues.

I think that is one of the important things, I think, of the Public Accounts Committee. We bring this information to you as a tool to help you to hold the government accountable. It should be the folks at the Department of the Environment sitting in this seat explaining why they have decided - ultimately they are the ones who decided not to do these things, they are the ones, they didn't get it done. It really should be the deputy minister and her folks explaining why these things are not yet done.

MS. ROBERTS: I note that there have been four different Ministers of Environment since the Liberals took office - maybe that has something to do with it. But I agree it would be great to have the deputy minister to expand on that.

Moving on, I'm going to focus for a while on the environmental assessments. As people can see in the summary of the audit, there were 53 of 54 projects approved following an environmental assessment project process from 2013-16. I know there are Nova Scotians who will see this as evidence that the environmental assessment process is basically a rubber stamp by the Department of Environment. What can you comment on that?

MR. PICKUP: On the environmental assessment process, this is one of the government's key ways it is overseeing managing environment risk. To me it is fine that the approval process works well and all the information comes in, but what is critical is

that all the approved project have terms and conditions that need to be met in order to protect the environment. It is the government folks themselves who are setting this terms and conditions they see in their wisdom as being a way to protect the environment.

If you do go and check, monitor to make sure these things are being done, how do you know that the environment is being protected? If this was a discussion around you know one project getting approved, two terms and conditions not being checked, I think that would be a different discussion than 53 or 54 getting approved with terms and conditions, half of the ones we looked at are not being monitored. That is a pretty serious concern in my view.

MS. ROBERTS: The terms and conditions that you looked at - I know that the projects you looked at had a total of 675 terms and conditions. Were they accompanied by any sort of plan or process for how they would be implemented and monitored?

MR. PICKUP: Each of these projects had a number of terms and conditions. Some of it would be ongoing things, some of it would be upfront pieces. I've dug out a few examples over the last week since we had the in camera meeting. An example of the terms and conditions - it's hard to give one answer that covers it all because they are so varied. It's things like, the project-holder must submit a groundwater well survey that identifies all wells and their water supplies within one kilometre of the proposed development. So if you don't do that and you don't submit that, then that's a not done, right?

This goes back to some of the details we found in the audit to say, if you are not entering those terms and conditions and the projects into the system and if things aren't getting kicked out, in terms of reminders and indicators of things you need to follow-up, well then you can see with this many terms and conditions that nobody is keeping track of that on the side of their desk on a piece of paper. This all has to be systems-generated and driven.

To go back to sort of the heart of what you are asking about, the terms and conditions really do vary but I did go and dig out a number of them, of examples of things that we didn't find that were being monitored. The groundwater well survey one was just one example that I wanted to share with you.

MS. ROBERTS: I assume that the department does not advertise to project proponents that they are not actually tracking the terms and conditions and that, in fact there are not department resources allocated to monitoring, tracking, making sure that they are in a system and so forth. What is the message to project operators, in terms of what will happen if they do not meet a term and condition? For example, can an operator be fined or can a project be shut down? Is that the promise or is that the intent?

MR. PICKUP: We didn't address the tail end of this, if you will, in terms of what will happen. It may vary, so I won't speculate in terms of what is the triage, if you will, of

terms and conditions and what non-compliance with the terms and conditions would result in, an action that could range from A to Z, if you will.

I do want to indicate, though, something you may find interesting that we indicated in the audit. In some cases the department is not sitting down with the project owners to make sure they know what the terms and conditions are and that they understand the terms and conditions they have to meet. We did find examples of that not happening, very much at the front end. I don't think anybody wants a system where the terms and conditions are not met. You have to take action or you don't know they're not met and something bad happens to the environment.

The whole point of this system that we have and the way the government has designed it, is the terms and conditions are meant so that if you do it, you can do your project - go ahead and do your business, do what you have to do - and you protect the environment while you do it by meeting the terms and conditions. It shouldn't get to a point of what happens with non-compliance, what happens with not knowing. We shouldn't be in this situation to start with.

I think the audit addresses a number of things that will prevent, one, what you are indicating, in terms of the non-compliance, but also I think the fact that maybe nobody will know there's no non-compliance and that somewhere down the road we end up with an environmental issue and we say oh well, that wouldn't have happened if the terms and conditions were being met and were being monitored.

MS. ROBERTS: Where the terms and conditions were tracked and met, so approximately the other 50 per cent, how satisfied were you with the robustness of how the compliance was assessed?

MR. PICKUP: We were able to conclude that where they did assess the terms and conditions, we were satisfied that they reasonably met what we thought they would have done. However on that, we still had a point to say, where you have set terms and conditions and you know they are being monitored, you know they have been met, you haven't assessed to see if they are actually working to address the underlying risk.

The example I would give - let's say, for example, no construction during the month of February, animal breeding in that area. The company shows we did no construction in the month of February - fine, they met the term and condition. We would still expect an evaluation to say, okay, did that actually work. Did the animals reproduce - no they didn't, or yes they did. So it's also assessing to see if terms and conditions work because this is not as simple as accounting. It's environmental things, and the department with their science base would set terms and conditions that they think are going to work. But the only way you know if they're actually working to achieve what you want them to achieve, is by assessing to see if they met the objective, and that wasn't happening as well.

MS. ROBERTS: Given the department's track record in terms of implementing recommendations and given - I note in the audit that the department did an internal review in 2015 and found that only 75 of 276 environmental assessment approvals issued between 1989 and 2015 have been recorded in the tracking system. They have been aware of these issues and the issues have not been addressed.

Would you agree that the time has come to consider a greater degree of independent oversight when it comes to decisions made by the department? For example, in Ontario, they have an independent environmental commissioner because clearly, we can't rely constantly on the Office of the Auditor General to be doing this kind of comprehensive look-back.

MR. PICKUP: In terms of the design of the programs and approaches that are very much policy decisions, those I really would leave to government. Those are really government decisions as to what they want to do.

I would note though, that you talked about accountability and oversight. There are a number of things that exist now in terms of accountability and oversight that I'm not sure are working as well as they should. With all due respect, one of the indicators I would indicate is to say that in February of this year we did a follow-up report, right. We came to the committee and told the Public Accounts Committee that only half of these recommendations for public drinking water were implemented. There was no action to bring the Department of Environment in to talk about this stuff. I would say there are accountability tools in place that I'm not sure are happening as well as they should right now. I say that with all due respect.

MS. ROBERTS: Thank you. I think that's a fair point.

Given that 53 of 54 projects were approved between 2013 and 2016, I think it's reasonable for people to ask what project was not approved and why.

MR. PICKUP: And I have looked that up - I shouldn't say I - the folks next to me have looked that up over the last week and that is publicly available. The one that wasn't approved was in Bedford for the expansion of an existing soil treatment facility, the decision date was September 2015, and more information is available on the department's website.

MS. ROBERTS: Okay, thank you. Moving to climate change management briefly, a key element in the Department of Environment's 2014 adaptation plan involved collaborating with five other departments and the Office of Planning and Priorities. However, you found at the time of the audit that only two departments still had representatives. Were you given a reason why only two departments still had representatives, and what did that mean in terms of the actual work of that group?

MR. CHAIRMAN: Ms. Chiasson.

MS. DIANNE CHIASSON: When we looked at this, it was staff in those departments, who may have left that department or had moved to a new position. So it was, sort of movement that happened in those departments. It wasn't anything to do with the process or anything like that. It was just things that happened within their staff.

MS. ROBERTS: Okay, thank you.

MR. PICKUP: Sorry, I would just add that I don't find that acceptable. Right, fine, people move. I mean, things still need to get done. People move all the time, so these types of things still have to occur.

[9:45 a.m.]

MS. ROBERTS: It's no secret that the New Democratic Party caucus has been critical of this government for coasting on the work of previous governments on climate change. There's a note on Page 31 of the audit that the province has an opportunity to build on work already done and possibly establish higher or wider-ranging targets.

We have only succeeded in getting very general talking points about what the next steps will be. Did you have any success in establishing why the government has not offered any vision for creating new targets beyond those established by past governments?

MR. PICKUP: I wouldn't have anything to add beyond what is in the report. I do note that in their response, they indicate that 2018 is the timing to address that recommendation on updating plans and publicly sharing them. So 2018 is only two months away - presumably even if it's April 1st, without speaking for them I would hope that they will soon be in a position to be able to talk about that, given 2018 is near.

MS. ROBERTS: I'm not sure if this is in the audit or if there is a recommendation related to this, but would you think it appropriate that there be some annual reporting on the province's progress when it comes to addressing climate change? I would like to also see an annual accounting for a cost that can be associated to climate change - for example, some significant budget items that were unanticipated in the last financial fiscal year were related to the Sydney floods, for example.

MR. PICKUP: We did make a recommendation that we believe there should be public reporting, including not only on mitigation, but on the adaptation as well. We made that recommendation and the department has agreed, and they have indicated that they're scheduled to do that next for 2019. So whether you believe 2019 is acceptable or not, I guess would be a discussion between the committee and the department as to why 2019.

MS. ROBERTS: It's noted in the audit that two departments responsible for ongoing actions related to climate change did not know if they were on track or not to achieve 2020 targets. The Department of Transportation and Infrastructure Renewal does not know whether they're on track to reduce energy consumption by 30 per cent for all government buildings built before 2001. Also, the Department of Energy does not know whether they're on track to improve energy efficiency in the province by 20 per cent.

Was there ever any effort made to develop a method within those departments for measuring progress towards these goals, did you find?

MR. PICKUP: Part of why we point those out as examples is to demonstrate the need for public reporting, so that that discussion is happening and people can then hold their government accountable to say, yes, okay, I get that; I don't get that; I want more information on that; I don't understand that; I would like you to focus more on that. I think that was the point.

So we put some context around what the department told us in terms of why these things are slipping, but these were meant to be examples so that people could ask the types of questions that you want to ask to their government. I wouldn't have anything else to add to those two examples.

MS. ROBERTS: Did the departments give any indication that they would now make the efforts, given that we've got a couple years to go to 2020, or at least to account for where they are?

MR. PICKUP: No, I don't have any information on that, other than indicating that the department in responding to the recommendations have agreed, or have indicated they will do publicly reporting on the updated plans. It may come across through there.

MS. ROBERTS: Thank you very much.

MR. CHAIRMAN: We will now move to the Liberal caucus, and Mr. Gordon Wilson.

MR. GORDON WILSON: Thank you, Mr. Pickup and your staff. It has been a good week to go through what you had here. One thing I've learned, if anything, the Department of Environment is a very busy and complicated department with a lot of regulatory responsibilities.

I do just want to throw out one comment. I know that two years ago, I believe, there was a major restructuring within that department and they brought on somewhere in the vicinity of 130 new staff to look after compliance and enforcement work with a lot of other branches that were there. I'm sure that that certainly has been a task that not only was

responsible for Nova Scotians and for better effective delivery, but one that was a distraction too.

Of the four chapters, I would like to just sort of start with Chapter 4, with environmental assessments - no, I'll just back up just for a second. I have a quick question although I don't know if you can answer it quickly. I have been intrigued, as part of all of your reports that you bring forward - can you briefly go through the steps from the date that you would have started a review with the department on something like this to the finish date, how long it took you and when you actually started this and when you've actually finished it and what back and forth you would have had, in a summary? I don't mean to distract my questions by asking that, but I'm always intrigued about how you actually operate. I've never asked that question.

MR. PICKUP: I'm going to ask Mr. Atherton to explain the front-end part of your question, and I'm going to answer the tail-end part of your question to my extent of involvement at the end, at reporting, for example. At the end, when we have reports drafted and we engage in discussion with the senior folks - I would have been over twice in this case, I guess. It depends on the audits and it depends on what the findings are.

We'll talk about Environment here, to be specific. I would have been over twice at the reporting end to meet with the deputy and some of her staff to talk about the findings and the recommendations and what was going forward. I would have met with the minister as well - in this case once, at the reporting end - to talk about the findings in the report and my concern and to take any questions.

Now before that, I'll roll over to Mr. Atherton to give you - maybe if we talk about Chapters 3 and 4.

MR. CHAIRMAN: Mr. Atherton.

MR. ANDREW ATHERTON: I'll try not to take too long to cover what is a fairly long process. Once we've decided where we want to do an audit, we go through a fairly extensive survey process where we're collecting a lot of information on the department. We get in touch with them, we have initial meetings to figure out some of the more detailed information - we use websites, et cetera. That's a back and forth process between my staff and the folks in the department.

We then develop an audit plan which gets cleared within our office, the objectives and criteria - the measuring sticks, I guess you could say - that we're going to use in the audit to come to our conclusions.

Once we have that audit plan settled within our office, it gets cleared with the auditee, so with management at the department. Auditing standards require that we get sign-off on the criteria that we're going to use, that management is okay with those. We

get that sign-off and we move forward with the field work. That's when the team from my office, who are from our office, will be spending a lot of time with various folks in the department, going back and forth, looking for information. Environmental assessments is a good example - there was a lot of back and forth trying to find information. It wasn't all kept centrally, it was in various offices across the province. The department wasn't always even aware of what someone else in the department had, so there's a lot of back and forth there.

We're clearing the findings as we go. We're checking with them, making sure that for instance, if we say well we couldn't find this specific form, we'll check with the various people we are dealing with and confirm alright, yes, this one wasn't filled out, it doesn't exist.

Once we have that done, we'll do some summarized findings that we'll share with the higher level of management and make sure that, perhaps if there's some information that the folks we were dealing with aren't aware of, we pass that up to management to make sure that they both are aware of what we've found and can shed light on something that they may be familiar with that someone else wasn't.

Once we have sign-off on those findings that we have the facts correct, we'll do a draft report. It goes through an extensive process in our office to make sure we've got everything supported there. Again, we'll go back to the department and we'll clear that with both management and with the staff that we've been working with. Everybody sits down, we have a meeting to make sure - at that point the facts have already been cleared so they should be accurate, but we will also work on tone. Sometimes the way we say something sounds perfectly innocuous, but they say wait a minute - they read it differently than us.

So we are back and forth on that, and then get sign-off on that, then we get a response to our recommendations from the department, and then it ends up at the process that Michael described, where he will have some meetings - or he and I will have some meetings - potentially with the deputy to discuss at a higher level.

MR. GORDON WILSON: So the only thing - when did you actually start this audit, what date do you remember? When would you have started to develop the audit plans, for example?

MR. ATHERTON: I am struggling to remember when we started this one. It was a while ago this one; the work was done ready to report just prior to the election. So it has been delayed. I would suggest that we probably started this Fall of 2016, I think.

MR. GORDON WILSON: Fall of 2016, okay. I know when you brought the report forward to us, but do you know when roughly you concluded it?

MR. ATHERTON: The field work would have wrapped up in the winter of 2017. I couldn't put a fine point on it, but somewhere in January or February we would have been wrapping up field work and then going through that whole clearing process, through into the early Spring.

MR. GORDON WILSON: Sorry about the distraction on that, but I have been curious about the scope, and I am assuming that those steps you go through are similar with all of your audits there. Okay, thank you.

So Chapter 4, Environmental Assessments - I know that there has been a lot of attention brought to that and from the outset I can understand some of the questions. Let us just start with the approval of the environmental assessments. There were 53 of 54 - I was going to ask the same question that my colleague did, which one was not approved.

Of the 53 that were approved, these are the very important parts of when you are starting down that road with - you are going to say yes, it is okay to start this activity. I would assume the application process and the vetting of the information to ensure this project is worthy of going forward, was a fairly substantial part of looking at these assessments upfront. Were there any concerns that you found with the 53 that were approved as far as their application process?

MR. PICKUP: What we concluded was that the required information essentially was sent in in terms of that upfront piece, before it went to the minister. The only suggestion there was a little more review by the folks within the department before it got to the minister, in terms of quality control.

MR. GORDON WILSON: Okay, thank you. Nothing specific, though, in the quality control that you found that you could share, was there?

MR. PICKUP: I am comfortable in saying that overall, that approval process upfront is working as it was intended to work.

MR. GORDON WILSON: I am just methodically working my way, sort of the way that sometimes, unfortunately, I think. So the next step after you have an environmental assessment approved, is you would enter into an industrial - so there is an environmental assessment, then there is an industrial approval for that project. What I am trying to look at right now is the monitoring side, your concerns about monitoring. When that environmental assessment is approved, it would then go to an industrial assessment. Is that correct? for industrial approval.

MR. PICKUP: The environmental assessment process of the approval would come with the terms and conditions being set at that approval point. So that would be one process - you got the environmental assessment, you got the approval, here are your terms and conditions. The 53 of 54 we looked at all had a significant number of terms and conditions.

We were looking at only this part of the process, in terms of the environmental assessments. We didn't look at that industrial assessment process or any other oversight pieces. We just picked out this environmental assessment process.

[10:00 a.m.]

MR. GORDON WILSON: So none of the industrial approvals were really looked at, as far as the content of interaction between the component and the government - is that what you're saying?

MR. PICKUP: What I'm saying is we only looked at the environmental assessment process. Now in the setting and monitoring of the terms and conditions, had somebody brought something forward to say okay, during this process we looked at this and here's how we monitored these terms and conditions or here's how we did this, we would have considered that as evidence as okay for the environmental assessment process. That didn't happen.

During the audit people weren't bringing us things to say okay, don't be so picky. We monitor those terms and conditions as part of this process over here, like an IA process, therefore consider that. That didn't happen.

MR. GORDON WILSON: Okay. So as far as your determination of the monitoring, I believe you would have been following the SNAP program or the AMANDA program. What computer program were you following when you were looking at the monitoring of it? You mentioned that it wasn't being entered into.

MR. PICKUP: I know that in the responses to the recommendations, the department has indicated that their new system, SNAP, should address some of this stuff as part of the new system. If that wasn't in place during the audit of course we wouldn't have been looking at it and we wouldn't have gone back to see what has happened as a result.

We won't actually look at that response to see whether it was completed until two years' time, when we go back.

MR. GORDON WILSON: So the follow-up that you're going to be doing here shortly isn't necessarily on this chapter then?

MR. PICKUP: No, the follow-up that we'll be reporting this winter will be on chapters - the dates always get confusing. So we do an audit, we wait two years, then we follow up for two years. When we report in the winter on follow-up, we will be looking at audits from 2015 and 2014. Okay, I actually got that, 2014 and 2015 audits we will be reporting to you in 2018. This one won't be followed up.

We'll give the department 2017 and 2018 and then we'll report back to you and the House in 2019 to say what happened to these recommendations.

MR. GORDON WILSON: So just to clarify again, when you were looking at monitoring these environmental assessments being put in and tracked within a computer program, what program was that that you were looking at?

MR. PICKUP: We haven't indicated the name of the program in here. I'm only going by what they're indicating they're going to do differently, going forward. I assume from that that it must have been AMANDA versus SNAP. That is working under that assumption.

MR. GORDON WILSON: That was the program I believe that was implemented in 2015, I think.

In looking at the overall monitoring of these 23 out of the 54 - I think there were - that you felt were not being tracked properly and had some concerns certainly on your part, do you know of those 23 that weren't, how many of those might have been at high risk? I'm not saying that's an important determination - everything should probably be monitored, you're right in that respect. I'm just curious to the amount of risk that we were exposed to.

MR. PICKUP: The department sets the terms and conditions of course. They set them keeping in mind that that's what they think should be in place. We were just auditing what the government said was important, in terms of managing risk.

I did dig out posts last week some example of the types of things we were looking at, to say what wasn't being monitored. It was things like groundwater well surveys and looking at wells and water supplies within one kilometre of a project. It was things like looking at wildlife surveys, complaint resolution plan, turbine locations, locations of associated infrastructure, sound modelling, and flicker assessments.

I guess in meeting with the men and responding to this, the department did not try to triage, if you will, the terms and conditions that weren't being monitored - to say, oh no, no, that's okay, those weren't very important.

MR. GORDON WILSON: I understand that the environmental assessments staff gave you the status of the terms and conditions, including those that were completed and there were some that weren't due yet - you were monitoring those also. Obviously they wouldn't be completed if they weren't due, possibly, and those that turned out to be unnecessary - I believe that some of them maybe weren't unnecessary also. If the EA branch could provide all of this information, doesn't that demonstrate that they're monitoring the terms and conditions?

MR. PICKUP: What we looked at is, we selected a number of projects and on those projects, we selected a number of terms and conditions that we ourselves did. Then we asked the department, are you monitoring these terms and conditions, and they aren't. Then we looked at some underlying reasons why, and some examples why.

There's no disagreement between us and the department that clearly the terms and conditions were not being monitored. If that was a concern of the deputy in terms of the conclusions, we would have had that discussion when I was over there with the deputy. While I'm looking to explain the findings to you, there's no disagreement with the department that these terms and conditions were not monitored.

MR. GORDON WILSON: Thank you. Boat Harbour - I just find it ironic that one of the biggest things I think that we as government are proud of is the cleanup of Boat Harbour, stepping forward to do that. I can understand also - and I've asked the questions myself - \$12 million, \$130 million. This is probably going to be - next to Sysco - one of the largest initiatives that we've taken forward, and it's the right thing to do, we all know that.

Saying that, did you take into consideration, cleanups of this magnitude? I know we want to protect ourselves against risk, and we want to be able to vision out what our expenses are going to be. I'm sure it's not uncommon for a project of this scope to start off smaller, and grow. Is there any way that you've seen in your examination of that, that we could better protect ourselves and do a better job of having that crystal ball to tell us what those costs are going to be? Did you see anything in your review of that file?

Mr. PICKUP: I do want to remind you that on this chapter, the intent was to remind people of the size of these things. There are no negative observations in this chapter in terms of, you ought to have done this, you should have done this. If anything, we're saying, look, the accounting is correct.

It's reminding people that inherent in these types of liabilities are significant estimates and assumptions. That's normal. That's what's going to happen in this business; that's the way things work. So the intent of this and the purpose of it was just to draw attention to it, to say people can fiscally plan and people can make the best plans possible, but until some of this stuff becomes better known, you can't control - this stuff doesn't come with a crystal ball to be able to determine.

Now, having said that, do I think it's worthy of some ongoing discussions with us as the auditors, and with government accounting as the preparers of the financial statements to say, what's happening on Public Accounts? So we'll get to March 31, 2018, coming up. The plan's not going to be done for three or four years, but more information may be available at March 2018 to say, okay, should that estimate change?

So, this chapter is not sort of calling out negative things. It's just to draw attention, again, for people to understand that this is the way accounting works, and this one here does have a risk, and that goes with the territory of that number changing.

MR. CHAIRMAN: Order, time has expired. We'll now move back to the PC caucus, and Mr. Lohr for 12 minutes.

MR. LOHR: I guess I would like to get to the fourth chapter of this too, and I think that the public would be fairly shocked to realize that there is this little oversight in monitoring of terms and conditions. I think back to the fact that in south Kentville about a year and a half ago we had a fire on a construction and demolition site, and it was clear in that fire - which had pretty significant local environmental effects - that the operator had not been meeting the terms and conditions. There was flammable material and plastic where there shouldn't have been and it contributed to the extent of the fire.

So it's easy to talk about these terms and conditions at a high level, but the fact is that the lack of oversight of these terms and conditions poses a significant risk to the people of Nova Scotia. I wonder if you would comment on that statement.

MR. PICKUP: Something I take faith in obviously, as all of us do, is that the people at the Department of Environment - the 350 or so people who work there - are the ones who are setting these terms and conditions, as the people who know. Presumably they set these terms and conditions for a reason - it is to protect environmental risks.

If they are setting these terms and conditions, we are working under the understanding that those are meant for a reason, that they are valuable and that they are meant to protect the environment. In fact, it's a key part of the system that the government has in place in terms of the environmental assessment process.

So if you're not monitoring to see if those terms and conditions are actually being met and are working, and then assessing to see if they're achieving the objectives, I think that has to be a concern for everybody, given that this is how the whole program is designed. This is the process that is in place. So it has to be a concern if they don't know if the terms and conditions are, in fact, being met.

MR. LOHR: So you would say that maybe, at a theoretical level anyway, that the failure of the Department of Environment to monitor the terms and conditions would put Nova Scotians at some considerable risk.

MR. PICKUP: I think if you go to the terms and conditions themselves - and there are 675 terms and conditions on these projects that we looked at - and if you look at the nature of them, some of the examples that I gave, the reason why you have the terms and conditions is to protect an underlying risk.

Risks are things that, just because you don't check doesn't mean it happened, but you have a control in place - a term and condition - so that you have positive assurance by checking the terms and conditions, that something bad isn't happening. So you don't know something bad isn't happening until you go and fulfill that term and condition.

MR. LOHR: The failure to be monitoring the terms and conditions within the Nova Scotia Department of Environment sort of begs the question of, what systems were in place to monitor those terms and conditions. I wonder if you would comment on that. Did you look at that?

MR. PICKUP: If the department had brought forward to say, we've monitored that term and condition through this program or that program, by this means, by that means - here is the information, it's not in a nice envelope on one desk or in one file on a computer, but we have it here - we would have considered that. That wasn't brought forward because, frankly, I don't believe it's being done.

We're not in any disagreement with the department. The department has accepted the conclusions in this audit. They've accepted that they're not monitoring the terms and conditions, and they have said they will do better. So there is no disagreement with the department that they aren't doing these things.

MR. LOHR: It could be seen - just looking from the outside - there was the failure by the department to put an organized system in place to monitor terms and conditions.

MR. PICKUP: I think concrete examples would demonstrate some of the things that weren't happening in relation to the terms and conditions. For example, if you forget or you don't put the projects in the system and record them in the system, and if you don't record the terms and conditions in the system, well right there is a breakdown - in terms of how you were planning to monitor was through the use of that system. So when you don't do those things then you end up in a situation that we have here.

[10:15 a.m.]

MR. LOHR: I know you mentioned and we've talked about it - 53 out of 54 environmental assessments were passed, and you mentioned the one that wasn't. The failure by the department to have an organized system in place to monitor - I was wanting to sort of drill down into that a bit more. I guess my point is that that puts the people of Nova Scotia at risk.

Let's go on to my next question I would have asked. All of what you were looking at was stuff that related to things that have happened - sort of their core mandate. You may be aware - and I know my colleague mentioned it - that a lot of things changed in the Department of Environment in 2015-16 when the number of employees nearly doubled and the budget for inspection, compliance, and enforcement virtually doubled, right?

You're aware of that, Mr. Pickup. Would you comment on the changes in 2015-2016? Were you looking at that and the expanded mandate of the Department of Environment?

MR. PICKUP: On these two audits, we were just looking at the environmental assessment process and we looked at the climate change management as well. We weren't looking to see what was happening with other programs outside of that. It was these two programs.

MR. LOHR: So you weren't looking at the sort of expanded mandate of the Department of Environment at all, to monitor many other different regulatory issues within the province.

MR. PICKUP: No, it was these two issues that we were looking at. I would suggest, again, this is partially why we did that information chapter on Chapter 2. To say, by the way, over the last ten years, here are three audits we did at Environment and here's where they stood the last time we looked.

MR. LOHR: I know the average Nova Scotian is probably not aware of it but the Department of Environment now has compliance, inspection, and enforcement authority and mandate; staffing for agriculture and fisheries; for all sorts of water issues, for food protection; for all of the things that the Department of Natural Resources was working on, conservation. Public health inspectors are part of the Department of Environment now, environmental health. They've added a huge number of things to their mandate.

I guess my question is, you're looking back at what their core mandate was and you found serious deficiencies there. It begs the question, what do we expect of their ability to manage these added current important mandates.

MR. PICKUP: I can only talk to what we've done, but part of why we've issued our first environmental report for you is to have these two pieces of information on the two new audits, one that I think has some significant findings in terms of environmental assessments, but, even on the climate change piece, let's not underestimate that's a significant amount of work that has to be done to do an updated risk assessment and a new plan to put reporting on that.

So we have those two pieces with a significant amount of work to be done. On top of that, when you add in the piece on previous work done and when you look at the last time we followed up, roughly half of the recommendations were implemented the last time we followed up. I can speak to what we've done and to say, just alone looking at the work that we've done, I think there's enough here that the department needs to be held accountable on this work. Hopefully the Public Accounts Committee - maybe the deputy will have a chance if you call her in to have that discussion.

MR. LOHR: I hope we do get that chance, Mr. Pickup. I guess just to keep going on this same issue, the issues that you have raised here in your report - and especially in Chapter 4 about failure to monitor terms and conditions - point to a systems failure within the Department of Environment. Would you agree with that?

MR. PICKUP: Sorry, can you just . . . ?

MR. LOHR: I would say that the issues that you have raised here - especially the failure to follow up on terms and conditions, the failure to monitor the terms and conditions of existing environmental approvals - points to a systems failure. There was no organized system within the Department of Environment to address the ongoing need to follow up on terms and conditions. Would you agree with that?

MR. PICKUP: To me, systems are processes and there was a failure of certain processes to work effectively. One of those, for example, would be the monitoring of the terms and conditions; one could be setting the information into the system. So systems are processes and what we've identified here is that key processes did not work.

MR. LOHR: I think we're using the same term, "processes". I guess that given the expanded mandate of the Department of Environment that I mentioned - a huge increased mandate of areas very critical to the Province of Nova Scotia - did you see any indication that the processes in place for those areas were adequate?

MR. PICKUP: I really can only talk to the two new audits that we did and the last time we followed up on the other pieces of work. I really can't discuss or comment on other areas of the mandate.

MR. LOHR: But you might say, or I might say that indications of a lack of organization or process in one area might be indicative of that in other areas?

MR. PICKUP: I think we bring this work to you as a tool and maybe this is a tool for you to engage with the department to say, we want some assurance here, talk to us about these other areas and maybe this is the way to do that.

MR. LOHR: We would say that we've seen under-reporting on liability - maybe fairly, that's a changing target; no oversight on terms and conditions; a lack of updated climate change risk assessment; and drinking water not adequately protected. Would you give the Department of Environment a pass or fail on this report?

MR. PICKUP: I think each of those are sort of unique, individual questions. If I went to the Environmental Assessments chapter I would say we have some significant concerns related to that monitoring and the setting of terms and conditions. When you get nearly half of the terms and conditions not being monitored, I don't think that under

anybody's accounting system that could be looked at as a ringing endorsement of success, if you will, in that area.

If you look at climate change, the greenhouse gas reduction targets were met, so that would be an endorsement of meeting an objective. However, it's still time for an updated plan and risk assessment.

I find it better to talk in sort of specifics in terms of the audit work we have done. But again, am I concerned about the follow-up of the previous work and where that stuff stands . . .

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

HON. DAVID WILSON: Thank you for being here again today. I want to continue on with environmental assessment in that Chapter 4 and the concerns around the department not monitoring terms and conditions of environment assessments.

I know you indicated in a few of your responses some of the examples. I know from previous questions to you and your department, if you could rate your recommendations in a priority list or category, your comment usually is they are all important.

One thing that did stand out to me and it was around the groundwater surveying and the potential risk around groundwater and the risks, I guess, to Nova Scotians. I know my colleague mentioned Walkerton and I think the whole country was very concerned when we heard about that tragedy in Ontario - are Nova Scotians at risk? I think many of us, especially those who live on municipal water sources, I think we take it for granted that when you turn the tap on the water is going to be safe, and you drink it and use it.

Could you elevate the findings in those terms and conditions - especially around groundwater - as alarming, and are Nova Scotians at risk? Can you point to that specifically as one of the areas that the department has to - I mean they have to move on that yesterday, instead of waiting to implementing changes down the road, to make sure that those terms and conditions are met when they are doing assessments, especially dealing with groundwater?

MR. PICKUP: Sure. I think one of the things that I took away from this audit and the work we did here - there are so many terms and conditions being set because the department believes that's what it takes to protect the environment from A to Z. Well, you or I may have four or five areas of interest on the environment, somebody else might have five or 10 different other areas. I think that's why it's important that the terms and conditions are monitored, because they are so extensively set by the people who know - the people at the Department of Environment.

If I take to another example - you talked about water, but I looked at one where it was talking about prior to clearing and/or construction, that the project holder must provide the department with an environmental protection plan. That is related to erosion. That is related to monitoring of surface water, sulfides, and a contingency plan to deal with accidents.

This is why I think it's dangerous to try to break down - okay, only this term and condition is important. Because right there in that EPP - I gave four examples of things that would likely be pretty critical.

Again, these things may only become a problem when they become a problem. If you're not monitoring and you don't know whether or not they are being met, maybe the problem doesn't come home to roost at some point in the future. But who wants that? The whole point of setting the terms and conditions and monitoring them, is to make sure we don't end up in a problem down the road.

Unless the department would come here and tell you otherwise, I would suggest that all the terms and conditions are important because they all relate to various critical aspects of the environment.

MR. DAVID WILSON: I know part of the role of this committee is to bring forward the departments after the audits, and we try our best to get as many as we can in. Often I think election cycles kind of play a role in maybe not having as many as we would like.

Is there a need for some alternative monitoring program? I mean, the departments monitor the public and businesses out there. Who is monitoring the government? I appreciate the role this committee has, which deals a lot with the financial kind of impact of the budgets and stuff, but ultimately should there be another level of monitoring? Who is monitoring the province? It can't all fall on your shoulders and your department and this committee. I'm concerned that so many of these terms and conditions have not been monitored or tracked. Any comment on that?

MR. PICKUP: You have given me the opportunity so I'm going to take the opportunity since you've put it out there. I do want to just say, we do this work, we pick the priority areas. We're doing about probably 10 to 12 performance audits a year on key aspects of government, in addition to the financial audit work that we do.

I would suggest that there is already a possibility for accountability that I don't think is happening to the extent that it should. Again, I would say with all due respect to your comment, Public Accounts Committee is probably meeting 20-some times a year; we do 10 audits a year. I would expect, therefore, that a big part of the committee work is to hold government accountable for the results of our audits. On the environment, we've demonstrated some examples where I don't think the committee is doing that - like on the public drinking water.

You've given me the opportunity, so I do want to say that publicly - that I do believe with the committee meeting 20-some times a year, all of our work should be called in by the entities that we audit, for them to explain the results and to be held accountable.

Having said that, in terms of additional oversight that may happen at the department through government, I would say really those are discussions for people in the House. Those are discussions for people in government to look at that. I would work sort of in the sandbox that we have and within the environment that we have and say, I would hope that I would see more of the work we do get called to the committee, and for the folks in government to be held accountable. As you said, I'm bringing you the results only as a tool for you then to hold the people who have to explain the 'whys' and the 'what happens now', and where we go forward.

MR. DAVID WILSON: In response to the report, the Department of Environment said it implemented a system of notification and approval processing back in February of this year. Were you given any reason why this type of system wasn't in place prior to this or is it just a response to the audit?

[10:30 a.m.]

MR. PICKUP: It really was just a response, and we haven't audited the response. We'll go back, like I said earlier, and look at the response two years down the road.

MR. DAVID WILSON: But I noted on Page 47 of the report, you indicated, "Nova Scotia Environment has worked to address these issues, but our work found that there are still problems. Four of the 22 approved projects we examined were not recorded in the tracking system. For 15 of the remaining 18 approvals, the terms and conditions were not added to the tracking system in a way which allowed the inspectors to use the system features for monitoring."

These shortcomings are actually part of the new system that is supposed to address the concerns raised in the report. Did the department offer any explanation about the shortcomings of the tracking system, or was it just, no we didn't do it, and we'll try to do better?

MR. PICKUP: I think some of these shortcomings relate to some of the details of what we have provided in terms of things that weren't happening - if you're forgetting to input information into the system, for example. But it's sort of that dialogue: Were there competing priorities? What else was happening? What might you have been doing? And that's really better addressed to the deputy minister.

MR. DAVID WILSON: So with your recommendations, I'm trying to understand why - we have seen the department agree that they will implement them but not follow through. Would there be a significant cost - have you done that analysis? Do you provide

that to the departments with your audit, what it would cost the department to implement all the recommendations? Could that potentially be a barrier, why the department has not been moving forward with a significant amount of the recommendations?

MR. PICKUP: The decision to implement something and when to implement it is really a management decision - if there are competing priorities, if there are changes within the organization, or if there is a host of other things, I think that's a discussion to engage the deputy on. When we make these recommendations, we try to be sensible. If a recommendation is going to cost \$35 million to fix something that is the lowest risk possible and that is never going to happen, we're not going to do that.

We try to have a discussion. I think this is part of the reason why 99 per cent of our recommendations are agreed to, because we sit down with the deputy to say, look, if you never plan on doing this, if this doesn't make any sense, why would we be making this recommendation? Unless it's really fundamental and it's something that we feel so strongly about, that doesn't happen. In 99 per cent of the cases, they say, yeah, this makes sense, this is a good way for us to manage, and we are going to do it.

I think that then raises your question as to, given that, why isn't it being done? I think that's why we do this audit work, to bring this to you to say we have only given you a piece of this. I know you're probably frustrated with me for not having those answers, but it really is to bring this to you as that tool to then turn around and hold those folks responsible and say, okay, I want to hear why you have or haven't done something.

MR. DAVID WILSON: Is there a need for better legislation? Just looking at the overall conclusion and what you found in the audit, especially with the environment and environmental assessments, is there need for better education or legislation?

MR. PICKUP: What we were looking at here is the system that is in place. What we said is we're auditing the system, but what is needed is for this system to operate effectively, for these processes to happen. A lot of things in government are complicated, but I don't think this is one of them. You do environmental assessments, fine; you set terms and conditions, fine; and then you monitor to check to see whether they are happening. Frankly, I don't think you need legislation to go tell people to monitor the terms and conditions that they themselves have set as being important.

MR. CHAIRMAN: Thank you. We will move to the Liberal caucus. Who is going from the Liberal caucus?

Mr. MacKay.

MR. HUGH MACKAY: Thank you, Auditor General and staff, for being here today. I think I would like to continue on some of the points that were just recently brought up here.

I think within government, right down the entire rank here of the pack, we certainly look at your work as being an opportunity for improvement. We might call it “process improvement.” That was a term that we used to use in the industry that I came out of as well as many others. It’s an opportunity to increase the efficiency and effectiveness in government. I guess I’m taken by your comments here that this committee has the possibility of improvement in holding government accountable, and that by working with your office we have an opportunity to do that.

I think one of the challenges there - we’ve heard a bit of that today - is that some members of the pack, unfortunately, tend to politicize the work of the pack, to use it as a means to advance their own agendas, perhaps, rather than the work that we’re hearing reported on. I think we all recognize and would all agree that ultimately it’s the electorate that holds government accountable, and Nova Scotians recently exercised that right this past Spring.

However, I think you do make a good point here, of the audits that you bring forward to us. Yes, we do meet 20-plus times per year, and there should be opportunities to consider the points that you’ve brought forward from your audits, and perhaps we’d then address those with departmental staff. I know that with this government the ministers take great heed of the comments that are made here, and will be addressing many of those things with the relative departments.

The chairman’s probably wondering if I’m going to get around to a question here. I’m wondering, on your point that follow-up audits are done, to what extent and how would you see the process of them holding government or the departments accountable through your follow-up audits? If you could speak to that, please.

MR. PICKUP: Sure. What we do - and if I don’t get to it as well as I should, just re-question me. We do audits, we wait two years, and then we come back and follow up for two years. So for this audit, we will wait 2017 and 2018, and be back to follow up, to report to you, in 2019.

We started this two years ago, to do a stand-alone follow-up report - so we do a special report to the House that’s only on follow-up. We started that after I came in as Auditor General in 2014, because of the interest of the Public Accounts Committee in follow-up, which I’ve very much appreciated. We engaged with the PAC at that time to determine that we would do a stand-alone follow-up report to meet the needs of the House and the Public Accounts Committee.

In February of this year, we reported on approximately 20 previous performance audits with over 300 recommendations; we looked at the status of those. I think the good news - and I’ve written to the Public Accounts Committee and to the government - was that that was the highest implementation rate in the government to date. Within two years, 72 per cent of our recommendations were implemented. I do want to say that I think that

is good progress. When I first came here, I think it was 50 per cent or something like that. Credit to the government - not to our office, but to the government Public Accounts Committee and others.

Now, having said that, and why I push on this follow-up stuff and for the work of the Public Accounts Committee, it's because we want to keep in the right direction of aiming for 80-plus per cent of the recommendations being implemented within two years. That is why I'm really trying to keep attention on this.

This is part of the reason why Environment sticks out to me so evidently. If you look at a government with 72 per cent implementation and then you pick up Environment and say, okay, the last time you followed up, this department was around 50 per cent - that's significantly lower than the rest of government, and how well government is doing and the direction government has taken over the last three or four years in implementing those recommendations.

I think we have something different here, worthy of discussion, to say, why is Environment appearing to lag on these things?

I know it's a long answer to your question on follow-up, but it goes to the heart of what we do. What is the point of any of this - of making all these recommendations, them being agreed to, us coming here and having a discussion - if the most important thing doesn't happen? That's implementation of the recommendations.

MR. MACKAY: Thank you for that. Certainly I am glad that you shared some of good news there as well. Again, this is all part of the process improvement, is to look at where we can increase the percentages perhaps. I think the percentages you just quoted there indicate we can still do some tweaking, but there is some good news that accompanies that.

We have heard a lot about terms and conditions today. I am almost thinking today if we cut back and call them t's and c's, we would save a lot of time here; I've heard the term used so often. Of course your report, as has been discussed heavily this morning, really addressed the environmental assessment process, and I think we all recognize that the department has used other means for monitoring and documenting some of their work. Perhaps there are needs for improvement in the sharing of documentation and how that is tracked.

I think we have heard that the implementation of the new software called SNAP - did I get that - and perhaps if some of the relevant information that is captured in the industrial approval process is included and shared, perhaps that percentage of compliance with t's and c's to the environmental process might improve. Well actually, I would like your comment on that. If that information was being shared better, do you think that would improve the compliance within the terms and conditions of the environmental assessments?

MR. PICKUP: What we look for when we get a response to a recommendation - first we say, do you agree with that underlying conclusion, the underlying risk and purpose of what is driving that recommendation? Then, when the response comes, we look for something that is reasonably tangible - to say, okay what are we going to do differently, and whether there are timelines around that.

In this case, I am optimistic that the responses from Environment were on the more tangible side, and had dates. What will actually happen and whether those things will be done, we will see. We will give them two years and we will be back in, I guess 2019, to report once we follow it up.

MR. MACKAY: Certainly as my colleague commented earlier, we as a government take great pride that we have initiated the long overdue activity on Boat Harbour. Certainly, if we look at Boat Harbour nobody is - what is the term I heard earlier - coasting on the coattails of previous governments. As the first government to address Boat Harbour, I don't think there is any coasting on other coattails. But that aside, all Parties here in the House are devoted and committed to ensuring proper environmental assessment, environmental mediation, environmental planning here on behalf of Nova Scotians.

I am just going to switch over a bit with the time remaining to climate change. I think your report stated that most actions by Nova Scotians have been completed for meeting climate change - do I understand that correctly? That Nova Scotia is already there?

MR. PICKUP: What we said, of the 68 actions, most were either completed or in that ongoing phase, well enough to say, okay, time for a new plan.

MR. MACKAY: You will be taking that to work with your colleagues across the country, your peer organizations across the country. At this time, would it appear that Nova Scotia is certainly a leader in the nation in addressing climate change?

MR. PICKUP: I think that would go to the definition of what a leader is and how you try to compare. What we have said in this chapter is, Nova Scotia more than met its greenhouse gas emission targets ahead of schedule. We have also put some other information in there to say, if you want to have a discussion and people want to look at emissions in tons per person, for example, Nova Scotia is somewhere in the middle, at about 17 tons per person. The Canadian average is 21, a low of just under 10 in Quebec, a high of 60-something out West. It really depends on what you're looking at, but clearly those reduction targets were more than met and ahead of schedule.

MR. MACKAY: Again, some of the colleagues on both sides of the House here have mentioned the integration of some of the inspection and enforcement teams from other departments now with the Department of Environment. I had the opportunity to meet with the Department of Environment staff recently, and not just from the upper management ranks but down through the organization for those involved with inspection and

enforcement - they certainly gave me a sense that they themselves have a better sense of mission and purpose in what they're doing in that they see there's less duplication of effort, and they are maximizing the efficiency of resources and so forth.

Would you agree that Nova Scotians are benefiting from the integrated team for inspection and enforcement?

[10:45 a.m.]

MR. PICKUP: We did not audit that, but last night in preparing for today I was just sort of flipping through some information that was available. I think it might be useful information to the committee and that's the only reason why I bring it up - and we didn't do an audit of it.

In August of this year the employee survey got released in the government, and I think it's fair to say that the Department of Environment has some areas that you may want to engage with them on. If I look at the senior leadership, and this is an employee survey of the department where 87 per cent of people participated: do I believe that my senior leadership provides clear direction - 25 per cent of the people said yes, that's down from 45 per cent two years ago; do I believe senior leadership makes timely decisions - 19 per cent of people said yes, down from 36 per cent two years ago; do I believe that information flows effectively from senior leadership - 22 per cent of people said yes, down from 44 per cent two years ago.

I think if you look at the foundation of the department in terms of the senior leadership and what the employee survey shows, there are probably some things you want to ask the deputy about, if the deputy comes, in terms of everything that is going on there. I only pulled that out last night. This is publicly available; it's on the government website and it's listed by departments, so I was flipping through that last night in getting ready for today.

MR. CHAIRMAN: Order. The time for questions has expired.

Mr. Pickup, I'll give you a chance to provide some closing comments.

MR. PICKUP: At the risk of sounding like a broken record I guess, in terms of the environment, clearly, I think I recently read that improving government knows no politics. I hope that will be the case in terms of the environment and that the departmental officials can get called in to explain the results of this work that we've done in these chapters; also of the previous work. Not only to explain why something did or didn't happen, which I think is a relevant part of accountability, but what does it mean in terms of what's not being done - what are the risks inherent in that, which were a lot of the questions today, what is going to change going forward, and what standards should you reasonably hold them to, like when is it going to be good enough to get these things done?

I know I've raised a number of times, and I think that is my job, I think as the Auditor General reporting to the House, very much looking at you as people we report to as well but looking at reporting to the entire House, looking at reporting to Nova Scotians. I think it's part of my job to be able to come to the committee here today, have an open and frank discussion, including encouraging you, in a polite way I think, to hold this department accountable for all of these audits and for what is happening. I think that would be my final close.

MR. CHAIRMAN: Thank you, Mr. Pickup, and thank you to your colleagues as well for being with us here today.

We do have a couple of items of committee business. We had correspondence from the Department of Education and Early Childhood Development, that was information requested from the September 27th meeting. Any questions or comments on that correspondence?

Hearing none, we have a topic that has been approved, but the witness has not been approved. The topic is physician recruitment and retention. Our committee now has to decide who we would like to have as a witness. It was put forward that we would have the Deputy Minister of the Department of Health and Wellness, as well as - I think it would be the CEO of the Nova Scotia Health Authority, Ms. Janet Knox. It was also requested that the College of Physicians & Surgeons of Nova Scotia appear as well as a witness.

Mr. Gordon Wilson.

MR. GORDON WILSON: Yes, I know that wasn't our topic that we brought forward but we do support those witnesses as being pertinent for this topic.

MR. CHAIRMAN: Any other comments from other members?

Hearing none, our clerk will make note of that and we'll ensure that those three witnesses are able to come in when we discuss that topic.

The final item we have on the agenda is our next meeting and we do have an opportunity to bring in the Department of Transportation and Infrastructure Renewal as well as the Highway 104 Western Alignment Corporation to discuss the Cobequid Pass. The opening for that meeting is next week on November 15th, but it must be known that the Deputy Minister of Transportation and Infrastructure Renewal may only be able to attend part of that meeting due to his schedule. He certainly would intend to be here but he is also having to appear before the Treasury Board committee.

So what are members' thoughts? Is there an intent to move ahead with that meeting next week or would members wish to wait until the deputy is able to attend the entire meeting?

Mr. Gordon Wilson.

MR. GORDON WILSON: I think we would wish to have the deputy here for that whole meeting, certainly.

MR. CHAIRMAN: Any other comments from other members?

MR. DAVID WILSON: Could you tell us why he's going to Treasury Board?
(Laughter)

MR. CHAIRMAN: No.

MR. DAVID WILSON: No, I would agree that we would want the deputy here as much as I would like to see the meeting go ahead, but we would need the deputy here. I don't know how much clout we have with the Treasury Board or not but we could talk to the minister in charge of the Treasury Board and they could cancel the Treasury Board and have us here.

MR. CHAIRMAN: I think given the shortness of time available, I think we should try to reschedule that for a future date.

That being said, our next meeting would be with the Office of the Auditor General again, and that would be on November 22. It would be an in camera meeting to discuss health audits from his report.

So with that, unless there's further business coming before the committee, this meeting is adjourned.

[The committee adjourned at 10:53 a.m.]