

# **HANSARD**

**NOVA SCOTIA HOUSE OF ASSEMBLY**

**COMMITTEE**

**ON**

**PUBLIC ACCOUNTS**

**Wednesday, December 11, 2019**

**Legislative Chamber**

**December 2019 Report of the Auditor General - Performance**

**Printed and Published by Nova Scotia Hansard Reporting Services**

## **Public Accounts Committee**

Keith Bain (Chair)

Suzanne Lohnes-Croft (Vice-Chair)

Ben Jessome

Hon. Margaret Miller

Brendan Maguire

Hugh MacKay

Tim Halman

Lisa Roberts

Susan Leblanc

[Hon. Margaret Miller was replaced by Bill Horne.]

In Attendance:

Kim Langille  
Legislative Committee Clerk

Gordon Hebb  
Chief Legislative Counsel

### WITNESSES

#### Office of the Auditor General

Michael Pickup - Auditor General

Andrew Atherton - Assistant Auditor General

Robert Jewer - Audit Principal

Michelle Edmonds - Audit Principal

Emily Dickey - Audit Principal



House of Assembly  
*Nova Scotia*

**HALIFAX, WEDNESDAY, DECEMBER 11, 2019**

**STANDING COMMITTEE ON PUBLIC ACCOUNTS**

**9:00 A.M.**

CHAIR  
Keith Bain

VICE-CHAIR  
Suzanne Lohnes-Croft

THE CHAIR: We'll call the Standing Committee on Public Accounts to order. I have just a couple of reminders. First of all, the fans are going in here so it can be more comfortable for everyone, so if you can just talk a little bit louder into the microphones, that would be appreciated. Also, just a reminder to everybody to put their phones on silent or vibrate.

With that, we'll begin the introduction of committee members.

[The committee members introduced themselves.]

THE CHAIR: On today's agenda, we have officials from the Office of the Auditor General with us to discuss the 2019 performance report of the Auditor General. Before we get into that, I also have to recognize that we have Legislative Counsel in attendance as well as the clerk's office and Legislative TV.

With that, I'll ask the witnesses to introduce themselves, please.

[The witnesses introduced themselves.]

THE CHAIR: We'll ask the Auditor General to make the opening remarks.

MICHAEL PICKUP: Good morning, and thank you all for your interest in understanding more about our latest audit report and our mid-mandate report, both of which I tabled with the Nova Scotia Legislature yesterday. For those who may be counting, this is my 28<sup>th</sup> report to the Legislature since becoming Auditor General in 2014.

Before outlining some of the key messages that I hope Nova Scotians will get out of these two audits, I want to express my thanks to the organizations that we audited, particularly the Department of Transportation and Infrastructure Renewal who are in the middle of the project, and this audit was ongoing at that time. I'm also pleased to note that both organizations audited have made commitments to act upon our six recommendations.

I also want to express the sincerest of thanks to the people with me today who I like to say are the present and future of the OAG Nova Scotia and to those people who are behind them who work on these audits back in the office. I want to thank them for their hard work. While I sit before you today as the Auditor General to answer your questions, of course it is the hard work of all of these folks, and the people across the street who are busy working on the next round of audits, who make all of this possible.

In addition to the two performance audit reports, I also tabled a special mid-mandate report with the Nova Scotia Legislature yesterday. This report is something new and provides reflections on the first half of my 10-year term and, more importantly, I think answers questions which I hope will help the public, government, and MLAs to better understand the work of our office. I will now make a few comments on each of the audits before I turn it over to questions.

The first audit: Reducing Regulatory Burden at the Office of Regulatory Affairs and Service Effectiveness. Reducing regulatory burden, or red tape, means in simple terms removing outdated and overly complex requirements or rules that provide little or no value to businesses, government, or the general public.

The province set a target to reduce unnecessary regulatory burden by \$25 million by December 2018 and the province's Office of Regulatory Affairs and Service Effectiveness reported that they had achieved an estimated \$34.4 million annual reduction. This figure represents the government's best estimate of the impacts of those changes and our audit essentially looked at whether they had a good process to arrive at that estimate.

Overall, we found that the Office of Regulatory Affairs and Service Effectiveness has a thorough process and is doing a good job of ensuring those estimated savings are reasonably reported.

We also looked at the Business Navigators program which helps start-ups and existing businesses work through provincial regulations and answer business questions about regulations. We found the Business Navigators program is functioning quite well as

the Office of Regulatory Affairs and Service Effectiveness created a plan, tracked progress against it, regularly monitored results, and took necessary action.

In summary, the results of this audit were, frankly, very positive and there were only a few minor improvements needed. We made one recommendation and that has been agreed to.

Now in terms of audit two: the QEII New Generation project, the Halifax Infirmity expansion, and the community outpatient centre. Our second audit is the first phase of our look at the QEII New Generation project focusing on the Halifax Infirmity expansion and the Bayers Lake community outpatient centre with a total estimated cost of \$2 billion and which the government announced would be delivered using a P3 model.

I felt this audit was important to do because in the past, my office had reported on weaknesses in large capital projects including those through P3 and traditional build approaches. Historically, we have seen issues with contract terms, contract management, and oversight of consultants. We also found these projects often start with poor or rushed planning.

This phase of the audit focused on whether an appropriate governance structure had been established to oversee the Halifax Infirmity expansion and Bayers Lake community outpatient centre portions of the project and whether a thorough process was followed to select qualified consultants to advise on the projects.

We've decided to report this phase now to ensure issues around governance can be addressed as soon as possible. In Spring 2020, we will release the second phase of the audit covering the decision to use a P3 model and how government is determining what services will be offered in each of the new facilities.

Our audit found that the Department of Transportation and Infrastructure Renewal has not implemented all of its own consultant's recommendations that were meant to address critical gaps in governance and key project capabilities. Although the recommendations were received in January 2018, we found that the Department of Transportation and Infrastructure Renewal had not yet completed 11 of the 18 recommendations, including seven which the consultant identified as critical to the success of the project.

Some examples of areas of concern include: the Department of Transportation and Infrastructure Renewal did not assign anybody responsibility for implementation of the consultant's recommendations. There were no detailed plans or schedules developed to guide or track progress. While work connected to the recommendations may, indeed, have been happening, nobody was assigned to monitor implementation of the recommendations until our office asked for a status update in June 2019. Keep in mind, this is nearly 18 months after government was given that consultant's report.

The Department of Transportation and Infrastructure Renewal has not completed all parts of a risk assessment for the project. While some risks have been identified for the Bayers Lake part of the project, the Department of Transportation and Infrastructure Renewal does not have mitigation plans developed to address the identified risks. Also, the Department of Transportation and Infrastructure Renewal did not have formal project risks documented for the Infirmity expansion, which has to be concerning.

I'm also troubled by the lack of attention to better management of fraud and wrongdoing risks. Fraud management ought to be a key component of such a large construction project, yet we found not enough attention has been paid to it. This is unfortunately consistent with our findings from our October 2019 financial report. I believe that simply the Department of Transportation and Infrastructure Renewal needs to manage fraud and wrongdoing risks better than they are currently.

Our audit also reviewed the selection of key consultants who were hired to guide planning and we were satisfied that the processes followed were appropriate. However, we did note one contract was unsigned for nine months while the consultant continued to work. Contract management is a key part of a successful P3 project. So I cannot stress enough the importance of proper management and oversight of all contracts as this project moves forward.

The timing of this report provides government an opportunity to address gaps and strengthen weaknesses before things go too far. That is why we did the audit when we did. Our audit made five recommendations and the department has accepted and agreed to act on all of these recommendations.

Finally, as I begin well into now the last five years as Auditor General, I look forward to continuing to serve with the amazing team in my office. I encourage all of you, if you have time, to have a look at our mid-mandate report for more information about our office, the questions that MLAs often ask and information on the fantastic team members who do all of this work on behalf of people in the Nova Scotia Legislature and all Nova Scotians.

Thank you once again, and me and the folks with me here today are more than pleased to take your questions and respond to anything you would like to know about these audits or other matters.

THE CHAIR: Thank you Mr. Pickup. We'll begin the questioning. It's going to be 20 minutes for the first round of questioning, beginning with the PC caucus - Mr. Halman.

TIM HALMAN: Good morning, thank you for joining us. This is a very important report for Nova Scotians. I want to thank the staff of the Auditor General's Office for the work you've done here in pointing out some of the major issues already emerging with the QEII redevelopment.

I think for Nova Scotians, the report that was issued yesterday, this is alarming. As I was going through the report last night - just as a side note, my four kids certainly know the Auditor General's Report. They were curious about what I was doing. It was a little political science lesson for them. It's striking, the gaps that exist in this project. I want to thank you for highlighting them and also noting that this is an opportunity to take note and to change course. I certainly hope the government takes that opportunity.

[9:15 a.m.]

When I was going through the report last night, it's clear that there's no project-specific fraud risk management program. My understanding is that a fraud risk management program has things like a fraud policy, a code of ethics, a fraud risk assessment, and fraud awareness training. It has ongoing monitoring of fraud risks. In this particular case, none of that was identified. It begs the question, is this negligence on the part of government when there's this many gaping areas?

MICHAEL PICKUP: I think that's the whole point of raising the issue on fraud. As the auditor, we have an interest - as all of you do - in bad things not happening. The point of raising the issues on fraud and looking at fraud is that the size of this project, I think, would deem it appropriate that certain elements of a good approach to fraud risk management are in place. We outlined some of those elements. We went to look for that in the department, and you see, obviously, what has not been done.

If you look at the response to Recommendation 2.1 on Page 29, it talks about some of the things that they are doing to address this. It's not too late, and I think it's critical now that the things that we identified as weaknesses happen because nobody wants to be in a situation - I believe, and this is why I feel so strongly about doing this audit and the timing of it - in two years, three years, or four years where we look back and say, had we done something different, had the government done something different, something bad might not have happened.

The thing I also want to remind people is the importance of doing this as an overall statement because you don't have to look outside of Canada to see bad things that have happened on large construction projects. Nobody wants that to happen. We looked at this and said this is the time where you want to get it probably perfect in terms of fraud risk management on a \$2 billion project.

It's a long answer to your question, but I think there are many elements to it. I hope now that the department will act quickly to implement that recommendation and get the things done now while the timing is still good and it's early on.

TIM HALMAN: In the report, you have outlined very well that fraud management is such a key component of large construction projects. Keeping in mind, of course, that

there are enormous gaps here when it comes to fraud risk management, am I correct in saying that these gaps that we're seeing - is this negligence? Is that fair to say?

MICHAEL PICKUP: I think I will use an audit term rather than a legal term. I would say they are deficiencies. They are weaknesses. They are gaps. They are not meeting the criteria that we would expect to be in place. Less concerning to me is the adjective or noun that we put on it. It's the issues and things that aren't being done.

Many of these are high-level things that need to be enforced, things like making sure fraud training is happening, getting these things done. Doing these, the literature or the science around fraud would show you, helps set the tone. Just talking about these things and looking at putting these things in place, those steps alone will help deter and will help prevent fraud and wrongdoing from happening. These things are very important to be talking about and to be front and centre.

TIM HALMAN: In the course of your investigation and analysis, what was the overall vision that informed the QEII expansion and redevelopment project?

MICHAEL PICKUP: Do you mean why did we do the audit, or what is the government's . . .

TIM HALMAN: Just to clarify, within the course of your investigation, what was the overall vision that was guiding the redevelopment project?

MICHAEL PICKUP: I think probably in terms of the government's vision as to why they chose to do this project and where they are heading, it's probably best to let the government answer to that.

I think in terms of an audit perspective, it's a chance for me to remind you of phase two of this audit - which we'll be reporting in the Spring of 2020. That will look at things like, how did you do in terms of the master planning in terms of what your vision would be, if you will, as to what will be located where and how well did you do that. That's a very detailed look at analysis. That part of it, we are doing as phase two.

The policy or the decision, if you will, to go down this road, those are really government decisions and better answered by the government.

TIM HALMAN: In the course of your investigation, did you come across any evidence of a health services plan integrated into the planning for the QEII expansion and redevelopment?

MICHAEL PICKUP: I know I'm going to sound like an Auditor General, but that's what I am so I just want to remind you: we do audits, not investigations. I know you mean the same thing, but it's just that this wasn't an investigation. That has a different meaning.



On this audit, in terms of phase two that we're doing, a key element of phase two of that audit for Spring reporting, we'll be looking at the planning as to what's going into what facilities where and how well that was done. Those questions will be answered in terms of how effective the government was in conducting appropriate planning in the Spring.

TIM HALMAN: What is going to be done to ensure all the recommendations from the department's own consultant will be implemented?

MICHAEL PICKUP: I'm glad you asked that because it goes back to part of the heart of what this audit found was that they had these recommendations - and good on the government for hiring a consultant to do this front-end piece of work and come up with the recommendations. However, what we didn't see was the timeline and plan to say when are these things going to get done? When do they have to get them done by? When do they have to be complete? That's a pretty significant lacking in a management approach by not having that done. Good on them for having the plan to do this, but the downside was not having those milestones in place.

The other part of that is not assessing the status. Not setting the timelines and having a plan is one thing, but then not going back to assess whether something is complete or how far along it is until we go and ask as part of the audit - that troubled me somewhat. What would have happened if we didn't do the audit? They did a status update because we asked the questions and wanted it.

In terms of now, the timelines as to when these things are complete or will be complete, frankly I would say that really is up to the department to explain because that wasn't clear on the audit because there were no timelines and there wasn't a clear plan as to when these things had to be complete. In fairness to the people at Transportation and Infrastructure Renewal - like we said in the audit - that doesn't mean they didn't do anything and weren't working on these things. They were working on things but it's hard to figure out if you are where you need to be if you don't lay out where you need to be when.

Next month, we will be two years post that consultant's report with those recommendations. In simple terms, I've done my job and we've done our job in providing this report to the House. I hope members of the Legislature will now look to the government and say okay, when are you going to get these things done and who will answer to it.

TIM HALMAN: The consultant's report is often cited. For purposes of clarity for Nova Scotians, who conducted the consultant's report?

THE CHAIR: Mr. Jewer.

ROBERT JEWER: That would have been Deloitte.

TIM HALMAN: Is that a report that will be made public? Is this a report that could be open to scrutiny, even by this committee?

ROBERT JEWER: My understanding is that report is not public at this moment. In terms of whether or not it will be made public, I think that's a better question to ask the department.

TIM HALMAN: In your opinion, should the report be made public?

MICHAEL PICKUP: Two things on that. I want to remind folks, because I think it is important and I always try to be balanced and fair - we had no struggles to get anything we needed to do this audit, so no issues on getting the things we needed.

I don't opine on whether things should be made public or what shouldn't be public, what the laws are around what gets disclosed, what the process is for that. That really is up to others than the Auditor General. My concern would be if I didn't have access, if the team didn't have access to the things we need to be able to make our conclusions. That wasn't an issue - we had access.

TIM HALMAN: What were the reasons given by TIR as to why they hadn't completed all these recommendations, in terms of the conversations you had? What were the reasons given?

ROBERT JEWER: I really think that is a better question to ask the department. Our focus was really on whether the recommendations were implemented or not implemented and gathering enough support for that, as has been mentioned, looking to see if there were plans and schedules in place to complete those.

We do highlight that 18 months passed before there seemed to be an assessment of the status of those based on our requests. But the specific reasons as to why there was a delay and why some of these things haven't been implemented, I think it's better to get that detail from the department.

MICHAEL PICKUP: I agree with what Mr. Jewer just said. The thing I would add on that is that I often think, if you sort of triage it - if you look at the analysis of the reasons for your status and where you are, the impact of that status, the risks that go with the status you are at, is all based on the premise that you know the status.

Again, as Mr. Jewer just said, they didn't know the status of these recommendations until we asked in June 2019. I think to jump to step number three where you know the reason why you're at that status - if you don't know where you are, the status of where you are, to start with, you may not know why you are there. That's probably a little bit beyond where they were, but I agree with Mr. Jewer. I think asking them is more fair.

TIM HALMAN: Given the magnitude of this project - this is the largest capital project in the history of our province - in your opinion, what would be a reasonable time frame to implement these recommendations? Given all the audits you've done in the course of your career, given the nature of this being a huge capital project, what is a realistic time frame to implement these recommendations?

MICHAEL PICKUP: As a preamble to answering that question, I want to bring you to Page 41 of our report where we outline where the department's consultants indicated there were high-impact recommendations and we note that they are not yet complete. Things like developing terms of reference, appointing experienced individuals, developing resource plans, having the resource capacities, establishing performance management criteria, ensuring roles and responsibilities are clear. Those things all lend themselves to inherently being needed at the beginning of a project or in the early stages of a project.

I can't stress enough why we did this audit and what we didn't want to happen, like we have seen in other audits where we go back afterwards and we say, the issues were back at the beginning because you didn't do A, B, C, D and E. We're saying here that they themselves had said, A, B, C, D and E are not yet done, it's early - can I line up an exact date for each one of these as to when they should have been done? I think part of the finding of the audit is that the department itself should have those dates. That's up to them to figure out these dates.

I'm not trying to avoid your question. As an overall comment, I would say, when you go through the details of all these things, these are things that are inherently important at the beginning of a project. So hopefully, sooner rather than later, these things get complete now that we're looking at two years in from when they received this report.

[9:30 a.m.]

TIM HALMAN: Certainly I want you and the staff to know that I understand the limits that you can speak on and so forth and the audit. I get that, but there are a lot of pressing questions that I think Nova Scotians have.

Could the decision to not have these recommendations implemented on time or tracked be placed - where is the accountability? Can this be placed at a single individual or a group of people in the department? In the course of your audit, did you find a person or a group of people who just didn't do their due diligence?

MICHAEL PICKUP: You talked about political science a minute ago. Certainly I'm not going to spend my time talking about the accountability process we have, but ultimately, I think that under our system you have a minister and a deputy minister. This is a \$2 billion project. These are high-level things. Some of these things are about setting the proper tone from the beginning, on things like fraud, for example, and making sure things

get done, whether it's mandatory training or different approaches. Those things are about the tone from the top and about setting that at the senior level.

Ultimately the minister is accountable, the deputy minister leads the department, so I would leave it for them to explain. I certainly wouldn't feel like there was any one individual at a working level that we would look to and say, you didn't do this. Keep in mind that, as we said in the report, nobody was assigned responsibility to monitor this stuff. Who was responsible to assign responsibility? It's the people sitting in the corner office running the department. They have to be the ones who are accountable to answer to this stuff.

TIM HALMAN: With those remarks in mind and that analysis you've provided, is there a cultural issue within that department? We've talked a lot about culture on this committee with you.

MICHAEL PICKUP: I would ask, what is culture? Is culture setting the tone, for example, that fraud is important? You need to do the training, you need to do the risk assessments, you need to do the things that are required to be done. Certainly, I would be more pleased if the tone from the top had been to have these important things in place and to have these things done.

Fraud is one element, but let's go to risk. There was a risk assessment done for the Bayers Lake project, but no risk mitigation plan in place as to how you're going to deal with those risks - no risk assessment done for the Halifax Infirmity. We're moving along on these things and those things have to get done. Fraud is important, but just as important or more important is those risk areas as well. All of that, I think, comes from the need for those running the department to make these things important.

THE CHAIR: The time for the first round of questioning for the PC caucus has expired. Now we'll provide 20 minutes to the NDP caucus - Ms. Leblanc.

SUSAN LEBLANC: Thank you for your work on this. I have to say, thank goodness you did choose this as a topic because it is deeply concerning. I've just been sitting and listening to your answers so far and thinking about the magnitude of the project. The money is one thing, but also the other costs to Nova Scotians are, if a project goes badly, unthinkable. This is one of the biggest infrastructure projects - possibly the biggest - that we've seen in Nova Scotia, and the impacts on people waiting for a new hospital and better health care are kind of undefinable. It's really important.

I know that some of my colleagues here know that often when I speak in the Legislature, I speak about lessons I am trying to teach my children. One of the ones that I'm working through right now with my seven-year-old is if something is worth doing, it's worth doing right and taking the time to get it right. However, when you go for 18 months

without implementing someone to be in charge of something to get it right, it's really concerning.

The government's inability to ensure even their own consultant's critical recommendations are implemented raises really significant concerns around the risk of fraud and how this \$2 billion project is being managed. Time and again, we've seen a lack of transparency around decisions made about siting of public buildings and decisions about whether or not to use P3 builds or traditional builds. This report shows us that the government is not only ignoring the public and outside experts, it's also refusing to listen to its own experts. We don't know if it's refusing, but it's not listening.

Of the 11 recommendations made by the consultant that were not complete, which are the most concerning, or most urgent, to you? That can be to you, Mr. Pickup, or to anyone on the team.

MICHAEL PICKUP: I'll take it, and then if Mr. Jewer wants to correct/add to what I said, he can feel free to do so.

Two comments: before I talk about any of the unique recommendations I would say, in aggregate, I would talk about the totality of the situation. We had 18 recommendations, 11 of which were identified as high impact. We're not talking about 500 recommendations. We're talking about 18; 11 of them identified as high impact and seven that were not yet completed. We have to remember that point before we get into sort of the detail level.

Having said that overall comment, I would say let's look at Page 41, Appendix III of the report where it outlines which of the recommendations are considered high risk - again, not by us but by the department's own folks - and which of those high ones are incomplete. In simple terms, it is things like enabling the department to be accountable.

Formalizing project controls sounds pretty important; ensuring roles and responsibilities are clear; having a work stream-based project team; making sure experienced individuals are in key roles; developing a resource plan; and increasing resource capacity. Those are the seven that are marked as high impact and are marked as not complete. It doesn't mean nothing has been done; it means they are not yet complete.

I think the important parts of this now, in my view, are two things: What does this mean in terms of the department and in terms of how they fix these things, and how critical it is when to get them done; when are they going to get these things completed by, and when is it important to get it completed by? That, I think, is the question that is left from this.

SUSAN LEBLANC: Continuing on that, the fact that the department hired a consultant to assess the existing governance structures and capabilities and key functions

essential to the successful delivery of the projects, including procurement, financial, legal, project management, and technical capabilities. But, as of June 2019, no one in the department had been assigned responsibility for monitoring implementation of the recommendations. That seems rather concerning; I think we've established that "rather concerning" may not be strong enough words.

You've already told us that the department has accepted the recommendations, but do you know if the department has since developed a plan for implementing the uncompleted recommendations and do you know if there's a timeline attached?

MICHAEL PICKUP: Two things I know on that, and one is what the responses are that they have indicated to the recommendations. Again, those responses are not audited; they get to put in there what they put in there. A lot of their responses don't have a lot of specific timelines, so I think it's really incumbent upon the department to provide those answers.

SUSAN LEBLANC: We're now well into the project which started in 2017. Can you give us a sense of the risks we may have already been exposed to, as a result of the department's failure to act appropriately in the management of the project?

MICHAEL PICKUP: I will remind folks why we did this so early. What we're trying to avoid here is coming along in three, four, five, or six years and heaven forbid something bad happens and we come back and audit and say, you know back in 2018-19, you ought to have done this, this, or this differently. This is providing the earliest possible opportunity to get in and look at that front end.

Why is that important? It's because the history of our audits - and probably other Auditors General audits have shown - whether it's a P3 or a traditional build, that often when things go wrong on these projects, it's at the front end. It's on your roles and responsibilities. It's on controls being in place at the beginning. It's on project setup. It's on having the right people. If those things sound familiar, it's because I'm naming off things that are indicated as not being complete that were recommendations from their own consultant as well.

I think it has to be time for a pause to have that discussion hopefully with Transportation and Infrastructure Renewal to say, how important is it to get these things done quickly? How quickly are you going to get them done? What, if anything, has been the downside risk of getting to this point, and what are you doing about it?

SUSAN LEBLANC: Your report concluded that the lack of attention to fraud risks is concerning. The October 2019 report noted that the Department of Transportation and Infrastructure Renewal had one of the lowest rates for completing government's mandatory fraud training, 11 per cent. What specific fraud risks could you anticipate in a project of this scale without appropriate controls and risk management?

MICHAEL PICKUP: I think the most important answer to that question is that the fraud risks that might exist on a project - be they high, medium, low, or none - are specific to an individual project, and you only know that by following an approach that has rigour, that has science behind it, that is a generally accepted approach.

If you review large capital construction fraud and wrongdoing cases, you will generally find trends. Those trends would identify potential issues. That doesn't mean they necessarily exist or others don't exist on your project. That job of figuring those things out is one that is incumbent upon management to go through a process to say, what are our unique fraud risks on this project?

Having said that, any one of us could look up on the Internet and in three minutes see the fraud risks that are associated with large capital construction projects. Unfortunately, we have seen it in hospitals in Canada, where things have happened. You have those, but I don't want to start listing those off. Because they have happened in other places doesn't automatically mean they are risks here, but they are something that you would think would be considered to say, are they a fraud risk or not a fraud risk, what are we doing about it, and what might be unique to our situation?

SUSAN LEBLANC: The fact that your office had to recommend that the department "ensure the timely signing of contracts with private sector partners that are consistent with procurement documents and contain terms to ensure the public interest is protected" seems, frankly, ridiculous. You wrote in the report:

"As the Province moves forward with the Halifax Infirmary Expansion and the Community Outpatient Centre, a strong governance structure is imperative not only to effectively manage the size and complexity of the projects, but also to prevent a repeat of historical contract mismanagement."

Can you talk about some examples of historical contract mismanagement and what the impacts of these have been on the Public Accounts of the province?

ROBERT JEWER: The one that comes to mind would have been related to our contract management audit of the P3 schools. We found a lot of issues of contracts not having clear terms and conditions and issues of the department at the time not really monitoring those contracts to ensure obligations were being met.

SUSAN LEBLANC: Thank you for that example. Can you just talk about the impact on the Public Accounts or on the money of the province and not just the money but what could have happened, what did happen - that kind of thing.

[9:45 a.m.]

ROBERT JEWER: I guess this audit was from 2010, I believe. It's one of the ones that really jumps out with the P3 schools audit. There was a situation of overpaying some of the contractors for services that were to be provided. I can't remember the exact dollar value specifically, but it was in the millions. So it's a case of the province paying more money than they should have been paying.

SUSAN LEBLANC: In this report, you point out that many of these issues are not new - that they're longstanding. Can you offer any insight into why issues identified in the previous audits relating to weaknesses and contract terms and contract management have not been addressed?

MICHAEL PICKUP: Two comments on that. One, you'll probably want to address that to the department. Secondly, I was just going to add on to the answer that Mr. Jewer gave you and bring you to Paragraphs 2.38 and 2.39 on Page 35 of the report where we talked about delays and contract signing, for example, which is part of good contract management. You were asking about the importance of that.

Some of the examples we cite include things like contracts are meant to outline the specifics of the work: making sure you know what you're getting, you're getting what you're going to pay for, confidentiality, conflict of interest, things meant to protect the province. Those are some of the key elements that you want to have in place in contracts and have signed contracts in place so that you can hold somebody responsible to fulfill the terms of that contract. Those are some of the elements that we give as examples of why these things are important.

SUSAN LEBLANC: Since we began the session this morning, a number of times, Mr. Pickup, you have referred us to the department to ask that question - "That's a better question for the department." Given the seriousness of this and given that we're dealing with so much money and such an important infrastructure build, in your opinion, do you think we should question the department on these issues as soon as possible?

MICHAEL PICKUP: Three comments I would make on that. One would be that I always hope when we do these audits that, yes, it's important for us to come here and explain what these audits mean so that you understand. I also think it's important that the people we audit have their opportunity to come before you because, as you see, many of the questions you ask us are really management-type questions that they should be answering - both to please you, I think, and so that you get the answers that you're looking for.

Also, I think in fairness to the organizations we audit, it's not for me to tell their stories, it's for me to talk about the audit. It's for them to talk about what they're doing with it, what that means. They are running the departments. I always think it's important



and I've always been on the record of saying that I believe that scrutiny by the Public Accounts Committee and organizations that we audit appearing before a Public Accounts Committee to answer questions is very important.

Keep in mind - and I run the risk of being overly repetitive, but the whole point of why we did this early and that we're reporting now is nobody wants to be in a situation down the road where these things aren't dealt with and that something goes bad. Nobody wants to be in that situation. We don't want to be, you don't want to be, the government doesn't want to be. So everything I think that could possibly happen, so that everybody has assurance that, okay, they've accepted what we said, they looked at the audit as being valuable, but more importantly, how are these things getting fixed?

We'll be back in the Spring, but I mean, the Spring - May is a long way away. We'll be back in the Spring with round two and we'll be looking at these things again, but that is a fair way down the road. Always a long answer to your question and I'm sorry for that.

SUSAN LEBLANC: I appreciate your long answers. I appreciate your last comment in particular that May is a long time away. I think that probably we should address this before May.

I'm going to pass the rest of my time on to Ms. Roberts.

THE CHAIR: Ms. Roberts.

LISA ROBERTS: Just quickly, Recommendation 2.4 of the audit was accepted, as all the recommendations were by the department. This was a recommendation around contract management.

I was looking at the detailed department response and it talks about the long-standing contract management approach that's used by the department and is being used for this project. It talks about how each major capital project contract ". . . is assigned an internal point of contact for consistency with the external contractor. This internal contact is the designated lead and will be responsible for ensuring that documentation is maintained to demonstrate ongoing contract management efforts."

Can you give me your assessment, please, of how adequate a response this is? To me when I read the response by the department, it actually sort of sounds defensive: this is what we do, this is a long-standing practice, we've got this covered. I'm sure you won't use that kind of language, but can I get your assessment of the adequacy of this response.

ROBERT JEWER: One thing to remember, I think has been mentioned as well, is we don't audit their responses. That's their opportunity to respond. I can't speak to the overall contract management process followed within the department, I can only really speak to what we saw and the particular contract we did look at.

We saw that there was really a lack of documentation around to show what was being done to actively monitor that. As we mentioned in the report, we didn't see meeting minutes or records of discussions. In a couple of instances, we found there was no documentation of feedback provided to the consultant on initial drafts, that type of thing.

I can't really speak to the overall process that they're referring to in their response or their department follows, just specifically what we saw, and what we saw there was kind of not what we would have expected. I think it's important to remember, as well, that there was nothing that we saw that gave us concern as to it impacting the quality of the work.

I think the main driving force behind this recommendation highlighting this issue is that going forward, these contracts are going to get larger. They're going to get more complex, so it's an area that needs to be better documented and tightened up more, to make sure that some of the past mistakes aren't repeated.

THE CHAIR: Ms. Roberts, you have about half a minute.

LISA ROBERTS: Maybe I could get a general comment about how the risk of fraud crosses with contract management? How is contract management related to fraud risk - if the Auditor General might comment.

MICHAEL PICKUP: I'm talking academically - sort of theoretically, if you will - on what the science would generally show not about this specific project because we didn't try to do a fraud risk assessment, obviously.

Generally, what the science would show you there is an elevated risk around fraud when environments have the certain following characteristics: if there are poor internal controls or project controls, if things like risk assessments are not being done, if internal audit is not doing a lot of work, if things aren't clear in terms of the responsibilities. Those types of things generally tend to elevate your risks. The worse the controls are - the worse other things are - then up goes the risk as a general comment.

THE CHAIR: Thank you. The time for the NDP caucus has expired. We'll go now to the Liberal caucus. You have 20 minutes.

Mr. MacKay.

HUGH MACKAY: Thank you all for being here and thank you for your excellent responses to the questions that have been posed by my colleagues. I'm going to focus primarily here on Chapter 1 of your report about the Office of Regulatory Affairs and Service Effectiveness in reducing regulatory burden.

I think of all of us, particularly those perhaps like myself who have owned and operated businesses, are well aware of the impact of regulatory burden that businesses face

- not just in Nova Scotia, but across Canada. The overwhelming majority of these government regulations of course serve to protect business, to protect government, to protect citizens, to protect the public as a whole. However, as noted in your report, there's a significant unnecessary regulatory burden on Nova Scotia businesses.

In recognition of that undue regulatory burden, in 2015, the government established this Office of Regulatory Affairs and Service Effectiveness. It began with a focus on reducing regulatory burden to business as part of the province's broader economic strategy. Could you please start by expanding on Chapter 1 of your report, particularly the section titled "Assessment and Measurement of Regulatory Burden"?

MICHELLE EDMONDS: The Assessment and Measurement of Regulatory Burden section focused on one initiative that the office implemented, to have a target to reduce regulatory burden by \$25 million annually by December 2018. In looking at that, we looked at the process around estimating the impacts of regulatory changes on Nova Scotia business, and we found that the office has a process to assess those changes, that the change is assessed against a governing charter to promote better regulation, and that the office is questioning assumptions used in those estimates.

HUGH MACKAY: Evaluating the effectiveness of the process, to my understanding, the office - and I won't go through the full name of the Office of Regulatory Affairs and Service Effectiveness, I'll just refer to the office - assesses all regulatory proposals that come to them with an eye to business impact for alignment with best practices, for example, on regulatory principles.

In estimating cost savings of each of these regulatory proposals, as I understand it, the office uses an economic model used by other jurisdictions that focuses on regulatory modernization. Did your audit include an examination of this economic model that was used to estimate the costs or savings of these regulatory proposals?

MICHELLE EDMONDS: We didn't audit the model itself. Just to explain a little bit, it is an Excel tool with some data built in to help departments estimate the impact to business. We didn't audit the actual model itself although it is based on an internationally accepted approach. We looked at the process around the office, how they reviewed the assumptions used in the estimates.

HUGH MACKAY: You just mentioned that the government set a target to reduce annual regulatory burden by \$25 million. It's my understanding that this was significantly surpassed, achieving a reduction of \$34 million in 2018. I think in your opening remarks, you or the Auditor General commented that a significant part of reducing the regulatory burden is the removal of outdated regulations that serve neither businesses nor the general public nor government.

[10:00 a.m.]

Having been closely associated with the update of our Tourism Nova Scotia Act, I know we had regulations in there about the number of ashtrays that had to be in hotel rooms and the number of coat hangers that had to be in each hotel unit. Did you look at any particular examples of how the processes were working?

MICHELLE EDMONDS: We did test some regulatory changes to ensure that the office followed a process to assess those regulatory changes against the governing charter, for example. I would point out that the office did release a report that lists all of those regulatory changes; a piece of that can be found in our report, as well, in Appendix II on Page 18 which lists the initiatives that are in the \$34.4 million listed by department.

The office's report also goes in and gives some more examples of what was involved in those regulatory changes.

HUGH MACKAY: Mr. Pickup, in his opening remarks, also spoke about the Business Navigators service. This was launched by the office in 2017 to provide personalized, customized support for start-ups and existing businesses to understand and comply with regulations.

The program has been an unqualified success. It has helped more than 4,000 businesses to date with an estimated cost saving of over \$3 million. Yet this gets very brief mention in your report. Could you expand on your examination of the Business Navigators program?

I had the good fortune to have their director in my office this week - purely coincidentally; we set this meeting some time ago for a briefing - and I was so impressed with the good work that small team has achieved. As I said, they've worked with 4,000 businesses. I think it deserves a little bit more than the three lines in the report and I'm wondering if you could expand on that for us, please.

MICHELLE EDMONDS: Our objective around looking at the Business Navigators program was to assess whether the office assesses the Business Navigators program to know if it's meeting its objectives. To do that, we looked to see that the office set objectives for the program, if they were monitoring those objectives, and how they were assessing if it was being effective or not.

We found that the office uses weekly reports to regularly monitor the operations of the Business Navigators program. We also found that the Business Navigators receive initial and ongoing training and that the office sets strategic priorities for the program, monitors progress, evaluates its success, and takes action if needed.

MICHAEL PICKUP: I would just supplement Ms. Edmonds' comments with an additional comment that you're right, on that cover page there are three bulleted lines. In the body of the report on Pages 14 and 15, it elaborates in more detail of the things that we looked at and the results, including the favourable results that we had. Pages 14 and 15 provide much more detail.

HUGH MACKAY: I appreciate that and recognize that. It's always good to see successes also get a little more content provided in the main body of the report, but that would be from my seat saying that, I'm sure.

The office has also participated with other levels of government in looking at red tape reduction. For example, it's partnered with Halifax Regional Municipality - HRM - to align regulatory approaches between the two levels of government. That program has been recognized nationally. I believe the Canadian Federation of Independent Business awarded its prestigious Golden Scissors Award to Nova Scotia for its innovative regulatory partnership with HRM.

The office is also working with the five municipalities in Cape Breton - CBRM and the other four - to align areas of business regulatory practices. Did you look into those sorts of things that the offices are doing as well with these fairly unique partnerships between government? On a national level, this is fairly unique. Did you look into that?

MICHELLE EDMONDS: We didn't look into those initiatives specifically. We focused on the process that the office follows to assess the estimates.

HUGH MACKAY: In fact, having just mentioned that the office received national recognition in conjunction with HRM for the Canadian Federation of Independent Business Golden Scissors Award, the Canadian Federation of Independent Business also rates jurisdictions across the country on their work in reducing red tape. In 2015, when we launched the office, we had a rating of D-minus - an abysmal rating - on red tape reduction. In 2019, the Canadian Federation of Independent Business has raised that to a sterling A, which is probably a national leading figure.

Did you examine at all, while looking at these processes, how we are implementing best practices as seen in other jurisdictions, such as how the CFIB rates us against other provinces to have achieved that A? Can you expand on how our processes have improved in these four years since the introduction of the office?

MICHELLE EDMONDS: I can't comment on the specific ratings that the office has achieved. I can comment that the office has effective processes in place to assess and measure the regulatory burden reduction for businesses in Nova Scotia. Some of the things that we saw were that they use a tool that is based on international best practices, which helps departments assess and estimate the impact to businesses. One example that you

mentioned previously is the Business Navigators program. My understanding is that it's also a unique service provided by the office.

HUGH MACKAY: I've got one more quick question, and if time allows, I'll pass it to my colleague. Another example of our national leadership is the announcement by the office that we're partnering with Service Nova Scotia and Internal Services to reduce the number of hours that citizens or businesses are spending on compliance, and we've set a target of 50,000 hours annually.

This is the first such target ever established in Canada for this sort of thing. I'm wondering if the Auditor General could speak to how our work in the reduction of regulatory burden is impacting the province's broader economic strategy.

MICHAEL PICKUP: I would really only be able to comment on what the audit objectives were and the conclusions against those audit objectives. What we set out to do was whether those processes were in place to assess and measure regulatory burden - and as we said, yes, they are in place - and whether they are using the Business Navigators program essentially well?

I will just use this as an opportunity to make the comment - as I said in the beginning comments - that this was a very good audit. This is pretty much as good as it gets. I think the importance of fairness is to remind folks that when we set out to do audits, we pick audits that we believe are important to do. If we find there are going to be positive conclusions, obviously we don't throw the audit out the window because we don't want to report something that's positive. We're like an umpire calling a game, I guess, and you call what you see. In this case, we saw positive things.

My hat goes off to the people who are running this program. They met the audit objectives, and they are doing a good job. They also show me that it can be done well with things like monitoring, things like tracking progress, things like taking action. The things that we often might find in an audit that don't work well - in this case, we found they are working well. It was positive in that sense to say, okay, we often talk about what others can learn when things don't go well in an audit, but what about what others can learn when things go well? Here is an example people could look to and say, okay, here are some things that are going well.

THE CHAIR: Mr. Maguire.

BRENDAN MAGUIRE: Thank you for your time today. Just a quick question. You noted that 11 of the 18 consultant recommendations weren't completed. Has there been any progress on those? I'm just curious if you've spoken to the Department of Transportation and Infrastructure Renewal. Has there been any reason given why?

MICHAEL PICKUP: Two comments and Mr. Jewer can supplement my answer or adjust it if he chooses to do so, please do so. One, we have to cut off at some point. We cut off at a reasonable point in time and say we will look up things. I think because of the fluid nature of this all ongoing, we were probably on the more open end of accepting things up to the latest possible date that we possibly could. At some point, you have to put the pen down and say, we have to write the thing and get this over with.

Because of the fluid nature of this and the ongoing nature of this project - and it's not looking backwards to something that happened - I would certainly say that my expectation would be that subsequent to us writing this report and finishing up the audit, things have been happening and going on. Have we gone back to see what has happened over the last month or two months? No. We're working to get these things done. We're working on phase two. We will be going back, which is unusual for us, as part of Audit 2 that we will be putting out in the Spring to say what happened subsequent to this as well.

BRENDAN MAGUIRE: Did you say you were going to pass to someone else for comment?

MICHAEL PICKUP: I said if Mr. Jewer felt the need to supplement/correct/adjust anything that I said, he could please do so.

ROBERT JEWER: The only thing I have to add is that we noted in our report that we looked up to the status of the recommendations up to October 24<sup>th</sup>.

THE CHAIR: Time for the first round of questions from the Liberal caucus has expired. We're going to go now into the second round of questioning, allowing 10 minutes for each caucus. We'll begin with Mr. Halman.

TIM HALMAN: I would like to return to the topic of the QEII New Generation project. As we know, this is a \$2 billion investment. I would also like, Mr. Pickup, to return to the theme you mentioned of tone from the top and your opening remarks.

You indicated very well that TIR did not assign anybody responsibility for implementation of the consultant's recommendations. There were no detailed plans or schedules developed to guide or track progress - let that sink in within the context of a \$2 billion investment.

In the course of your audit, who did you speak with to find out this information?

ROBERT JEWER: We would have spoken to a variety of individuals. Our predominant contact for the work in this section would have been the individual who was assigned the responsibility for overseeing them, and that individual would have come into that position around June 2019.

[10:15 a.m.]

TIM HALMAN: Am I correct in saying you can't divulge who that individual is? Is that correct?

MICHAEL PICKUP: I think the important part for me on this is that at the end of the day, this thing has gone through quite a clearance process including with the deputy minister and the folks that he feels need to be involved in this.

Ultimately, to me, he and the minister, under the accountability system we have, are the ones who are responsible if we get into things like assigning responsibility and these types of things. I really direct that towards them rather than an individual we might deal with at a project level or at a more detailed level. I think the responsibility needs to lie where it rests.

TIM HALMAN: Essentially, I need to ask the department. Am I correct in saying that?

MICHAEL PICKUP: I think in terms of speaking to the what now and what you're doing with this - the whys - you need to ask those people who made the decision, for example, not to have someone assigned responsibility, not to do status reports, not to have these things complete. Ask them the whys and how they made those management decisions.

I remind you those are management decisions; those aren't auditor decisions. My job is to come and audit against criteria; that's our job. It's up to management to explain why they make the decisions they make.

TIM HALMAN: Let's frame it so you can provide some substance, then. Could you explain in more detail what you meant when you said that you were more concerned by the pattern of not fully addressing key aspects of fraud risk management within the department? What do you think ought to have been done in terms of addressing it?

MICHAEL PICKUP: I think the things we talk about in the report that need to be in place ought to be in place. For example, if I roll back to October, this is about setting a tone within a department that fraud management is important.

When we go back to the October report, we found that the Department of Transportation and Infrastructure Renewal was the poorest performer in government in terms of people taking the fraud training. Only 11 per cent of their employees had taken it. We go from that being an overall comment, if we look at this project where we looked at some 40 people at the time of the audit and only 11 of those people had taken the fraud training, so fraud training is one aspect of that.



Another aspect of it is, this is a very large project. The uniqueness of a large project would generally lend itself to doing fraud risk assessments on that project, to looking at wrongdoing risk assessments to say, what are the risks unique to this project and how are we going to control those risks?

There is that, but I don't want to leave it just on the fraud. If I could, I would remind members that a risk assessment was done for Bayers Lake. The approach to how you deal with that risk - I guess "risk mitigation" is a bit of a fancy term but essentially it means, what are you going to do with your risk assessment? That wasn't put in place and on the Halifax Infirmity, the risk assessment wasn't done. Fraud is concerning, but equally or more concerning are the comments around the risk assessments as well.

TIM HALMAN: As we know from your audit, a dedicated project team was not fully staffed yet. In the course of the audit, what was the reasoning as to why they haven't achieved a full team yet? What did you hear?

ROBERT JEWER: I think, to start, any time you are trying to fill a team of almost 50 individuals, that's something that's not going to happen overnight. That's something that is going to take time.

In terms of the specific reasons for why, it's not something we focused on. We focused on the vacancies that still existed. The department did indicate that, in some cases, there are challenges in recruiting some of the positions and that they are still working on that. They did anticipate those to be filled in the near future.

I think one of the big take-aways from that section, as we noted in the report, is that one of the things that was missing was that gap analysis to really figure out - these are the current human resources you have, how many do you need? That's something we found wasn't completed. While we're happy to see that there is a sizeable, dedicated project team, what's missing is really, how do you know that's going to be enough?

MICHAEL PICKUP: I just want to quickly add, that's important today, but that's important in 5 years, 10 years, 15 years, 20 years. If this P3 is going to be a 25- to 30-year program, the chances probably of having the people in place in 20 years or 25 years or 30 years in a senior role that you have today are probably pretty slim, so you probably want to get things like succession planning down well and you want to know the people that you need. As Mr. Jewer said, get that gap analysis done and get things lined up, not just for today, but for down the road.

TIM HALMAN: It was mentioned in the audit that the roles and responsibilities for key tasks are not clearly defined. Again, in the context of a \$2 billion investment, that certainly captures your attention. In the course of the audit, who did you discover was in charge of sorting out these details as to who is responsible for what? At this stage, what is the chain of command as it relates to this project?

ROBERT JEWER: There is an organizational structure established for the project team. The infrastructure side of that reports up to Transportation and Infrastructure Renewal. The more clinical side would report up to the Health Authority. The overall project responsibility is with TIR.

In terms of the roles and responsibilities, we found it was something that the consultant had highlighted that had not been clearly defined. One of the key components of that recommendation was the establishment of a detailed plan to outline responsibilities and tasks, which was something that we found was lacking, in addition to a couple of other areas where we found things like we mentioned - terms of reference for some of the committees was another area that wasn't highlighted in terms of overall responsibility for that.

I think that ties back to our second recommendation in that there wasn't really a well-established plan to figure out who was going to be responsible for implementing these recommendations - who would be assigning the timelines for establishing those.

TIM HALMAN: Five committees were mentioned to have a role in overseeing the projects. In the course of the audit, who did you discover to be in charge of monitoring the committees?

ROBERT JEWER: In the decision-making structure, overall the committee at the top of the hierarchy would have been the deputy ministers and CEO committee overseeing the project.

THE CHAIR: The time for the PC caucus has expired. We'll now go to the NDP caucus for 10 minutes - Ms. Roberts.

LISA ROBERTS: In the audit, there's a table that talks about the different recommendations of the consultant on governance and capabilities that breaks down the 18 recommendations and notes that 4 of the 18 recommendations were categorized as hard to implement and also high impact for the project, and that none of the four recommendations that were both high impact and hard to implement were complete.

I was just wondering, Mr. Jewer, if you could go specifically to one of those recommendations and share what it looked like when you were making the assessment that a specific recommendation was not complete. One that I note from the audit is: "Enable Department of Health and Wellness' accountability." That was judged by the consultant to be high impact and, in your judgment, it was incomplete. What made it incomplete when you were actually looking in the department?

ROBERT JEWER: You're referring to the third one in that table, I think? That was a recommendation when we actually asked for their assessment of whether or not things

had been complete. That was one where the department actually indicated it wasn't complete when we requested that update.

Once we got that information, we didn't spend a lot of time digging into the details of why it wouldn't have been complete. We focused more on areas where we wanted to make sure areas where something may have been indicated that it was complete, and we wanted to spend a bit more time on that. That isn't one we particularly spent a lot of time on based on the department's assessment of it.

LISA ROBERTS: Okay, thank you for that. So then how about "Formalize as a project and establish project controls." Again, that's one that the consultant judged to be high impact and that is listed as incomplete. Could you say what that one looked like?

ROBERT JEWER: I think the big missing piece that jumped out in that was the lack of risk assessments done for the project.

As we mention in the report, there were a number of controls put in place, but we look at that risk assessment as a really key document as we've discussed this morning. That's something that wasn't complete which would have led to our conclusion of incomplete.

LISA ROBERTS: I'm going to jump for a moment to the Mid-mandate Report with a question for the Auditor General. Given that there is fairly even gender representation amongst your office's staff, 46 per cent male and 54 per cent female - and that's also true of the principals in the office, which are pretty much 50/50 - how do you explain the fact that the executive leadership team all identify as male and how are you working to change that?

MICHAEL PICKUP: Part of that is timing. If you had rolled back a little bit previous, it would have been more likely half. With two of the women that were on the executive team - one, I'm happy to report, became Auditor General of Halifax and got promoted. As sad as I was to leave her, from the city's perspective, I was glad to see her move along. The other female that was there retired, and died seven weeks after retiring.

Really, part of it is timing with the small number of people. I think what's most important to me now is the feeder group into the executive group. The principal group is really that group of people who will eventually take over from people like me and Mr. Atherton as we move along.

That group is 50/50 male and female, so it will take time for those folks to move along and naturally move into the leadership role. When you only have four people running the place, it really does reflect a point in time. I would have loved to have kept Ms. Colman-Sadd, the Halifax Auditor General, and Ms. Squires, who passed away, but circumstances are what they are.

LISA ROBERTS: Moving to the red tape reduction, Chapter 1, for a moment, what proportion can we say of the \$34 million saved for businesses would be for small businesses or small and medium enterprises?

MICHELLE EDMONDS: We didn't audit the actual savings that businesses had themselves. We focused on the process that the office used to ensure that those estimates were reasonable.

LISA ROBERTS: I ask that being very aware of small businesses that were impacted, for example, by the crane collapse during Hurricane Dorian which have collectively lost many thousands of dollars. They say one of their great frustrations after the storm was the lack of communication and direction from government. From what you saw in the course of this audit, is the office doing anything to help businesses through the hurdles experienced after a natural disaster and the sort of extreme weather events that we know can become more frequent?

[10:30 a.m.]

MICHAEL PICKUP: Not taking away from your question, of course, but that is not something we would have looked at as part of this audit. Elements of that may have been included in things like emergency preparedness, emergency responsiveness - past audits and things that we have found on those types of audits - but it wasn't a part of this audit.

LISA ROBERTS: In general, I appreciate this government's focus on reducing unnecessary regulatory burden which include outdated, overly complex, or duplicated rules and processes or paperwork that provide little or no value. But at our constituency office, we're well aware of the continued regulatory burden on individual Nova Scotian citizens. I think of someone I interacted with recently who called my office in tears having been handed the same paperwork that she has completed three times already to apply for a home improvement that is restricted to low-income Nova Scotians.

Do you have any sense of why the government has focused exclusively on the impact of regulatory burden on businesses rather than on people?

MICHAEL PICKUP: I think in terms of the policy direction and where they have chosen to put their policies, that would really be a question put to the government itself. On Pages 18, 19, and 20, we outline or detail where the government has indicated the \$34 million is made up from.

I don't have the answer, but it may be a question like - if you look at Page 18, the penultimate example there, Form 45 online, bringing the form online and saving \$114,000. Does that help individuals? The Residential Tenancies Act amendments, affirmation to be

accepted for Residential Tenancies hearings - they may be worthwhile questions to ask if those things help individuals as well?

I don't know the answer to that. This is just a summary of where that is coming from.

LISA ROBERTS: Maybe just a really quick question back for a second to the QEII project. Before the scope of this audit, the land purchase for the outpatient clinic was conducted in 2017 at a price that was far greater than the assessed value. The explanation that was given was that there were improvements to be made that were included in the purchase price but which were not tendered for, and that strikes me as very similar to the recent purchase of Newbridge Academy in Burnside, where the price included improvements to the property that were not tendered for. In your opinion, is that good, transparent practice?

MICHAEL PICKUP: I think I have to say good transparent practice is as you define it. If the question is, are you getting what you want in terms of that transparency, all I can say is that in terms of the audit and the audit objectives that we set, we are getting what we want.

In terms of individual significant financial transactions, for example, often the avenue for that is our Public Accounts audit. I know we have had some discussions on some of the examples that you're giving now. We're going to consider that when we do, for example, the Public Accounts or the financial statement audit as part of the annual audit to say, in terms of individual transactions, are these things that we should be looking at? They were not a part of this audit, so it's difficult for me to opine on that.

Also, keep in mind when we set out to look at these things, in terms of what we're looking at - the accuracy of the payments, the approval of the payments, we may get into value for money - often these things don't get into audits, the transparency aspect or the disclosure aspect because, let's face it, as auditors we generally always get what we're looking for in terms of the documentation. That doesn't mean that I don't sense your frustration, or you may not be frustrated in terms of getting what you need. I can only speak, I guess, from an audit perspective.

THE CHAIR: Okay, thank you. The time for the NDP caucus has expired. We'll go now for 10 minutes to the Liberal caucus. Mr. Jessome.

BEN JESSOME: Accepting that we do have to draw a line in the sand and there are things that can only be considered up to a certain point in time, I did want to add to the conversation for today's sake. My disclaimer is the department will have to come in and respond and deal with the questions at hand that were unable to be answered today.

I did take it upon myself to reach out to staff related to the recommendations around the QEII side of this report. As I understand it - and again, they'll have to come in and respond to these - they've expressed to me that because of the magnitude of this project, that extra steps have been taken to address the complexity and ensure that the organizational structure that exists ongoing is as best as we can get it.

I've also been informed that we have fully implemented or are near completion on all 18 recommendations and that the staffing concerns related to vacancies - we only have three vacancies that exist. I just wanted to add that to the record for today, accepting that there was a line to be drawn and further, that the department will have to come in and respond to the more intimate details of our questioning. I thought that I would add that for the consideration of the committee today.

With the permission of our Chair, I would like to look at some questioning around the Mid-mandate Report, if that's agreeable. Firstly, I appreciate your office taking this on and, I guess, being a pioneer in this respect. It's good to see that there's an appetite - and I say this sincerely and respectfully - for self-reflection and to report on the work that your office does considering the amount of reporting and consideration given to other departments and arms of government. I just want to commend you on that.

I had questions related specifically to what would have been a snapshot page that is on Page 16 that's titled "The last 5 years at a glance". It kind of gives the overarching how much time was spent on performance audits. My question's related to public engagement. We know that there are a couple of different ways that performance audits or audits can be inspired - namely through our offices or through the public or through the office itself. I'm just wondering if there's any detailed information around how many audits were inspired by the public and by MLA offices versus self-identified.

MICHAEL PICKUP: Thank you for the question on Chapter 3. Emily and I are very pleased to see some questions on that, so thank you.

In relation to your question, there are a couple of ways. We can pick the audits on our own as we generally do as the independent auditor. We can be directed by Executive Council to say, thou shall do this audit. We can be encouraged by the Public Accounts Committee to do an audit, as suggested, and MLAs may suggest.

In the five years that I have been the Auditor General, Executive Council hasn't directed us officially to do any audits. They haven't told us, you will go do this audit. There are certain audits that are legislated by the Auditor General Act. We must audit the Public Accounts. We must give an opinion on the revenue estimates. Those things are legislated in the Auditor General Act - we must do those. The Executive Council has not directed to do anything.

We have been requested to do audits where we have done those audits. The examples I would give you during my time - it started just before I got here, but I reported it - *Bluenose II* was a request. The privacy audit that we did in January 2019 was a request. The performance audit at the IWK was a request directly. Those were requests that came either from a minister, from a board of an organization, or from the senior folks in government to say, would you consider this.

In all of those cases, we said yes, these are important issues and we will audit these. All of those cases come with additional money if we need additional money. That's outlined in the Auditor General Act - where it's not an Executive Council directive to do the audit, we will consider it and if we need extra money, we will ask for the extra money.

Similar to when you asked us to do additional follow-up and you passed a unanimous motion that we should get additional funding to do additional follow-up - and we thank you for that. We will deal with that in the new year as we move forward and present our budget submission as well.

That is sort of the requests from the official aspect. I get MLAs who come and see me on issues. We will consider those issues. Some examples I will give you where we advance things because of MLAs coming to talk to us - mental health was one that we had on our plan to do. We did it earlier because MLAs came to see us. Some of the hospital capacity, primary care work that we did, we did earlier than planned because MLAs came to us and asked us to do that. Not once when we advanced things have we ever gone back for additional money to date. We will be looking at that in the new year.

So that's that part of it. In terms of the public, the public writes me, calls me, talks to me in the MicMac Mall or at Walmart or in Superstore or pretty much everywhere I go with their ideas on things that we should audit. I say that in all sincerity because as I tell people, when I listen to them - just like you as MLAs - I get when they stop me and start telling me their issue, it means a lot to them.

I have to be frank with them and say, very often these individual cases we can't necessarily do anything with. We look to see whether there are systemic issues, whether there is something bigger there to audit. I always try to give them other opportunities, other avenues where they might reach out to try to get them help, including their MLA offices.

The biggest example I will give you on that is workers' compensation. We had so many requests to do things in the area of workers' compensation, we did two audits as a result of all of those requests.

You asked the question and so I took the opportunity to give you the most wholesome, fulsome answer that I could because I think it is critical.

In this Mid-mandate Report that's laid out, as Emily has done such a great job of laying out on Page 39, it's formed as questions. The number one question I get from people on the street or even to some extent MLAs is: how do you pick the audits that you do? Does someone tell you what to do? Do you decide what to do? How can I influence what you do? That's the number one question that I get. You just asked it and that's why I took more time than I typically would to give you a long answer.

BEN JESSOME: I was going to point out that there is no set of recommendations in this particular report and there generally is. Has there been anything self-identified that you would like to improve within your office?

MICHAEL PICKUP: Thank you for that, yes. I will tell you, every single audit we do, we self-assess. If we're doing a fraud audit or if we're doing cybersecurity, you name it - one of the first things we do is how well are we doing on this and we assess ourselves, as well, to make sure we're top notch.

In response to your question, we have an employment equity plan. We didn't have that a number of years ago. I am very proud of the advances we've made in employment equity. If you go through our office, it is a different office than it used to be. We speak six languages in our office - none of us speak all six of them, but it speaks to the diversity we have.

You look at we have more women than men. You look at we have Indigenous people. We have LGBTQI people. We have the population of Nova Scotia represented in a small group of 34 people and I think what you're seeing as a result of that is the tremendous output and the quality of that output; of the work that we produce by having such a workforce. That comes through active management to an employment equity plan and active approaches to it.

THE CHAIR: Thank you. The time for questions has expired. I gave you extra time for that response since you're mid-term.

That is all the questioning for today. I'm going to ask the Auditor General if he or anyone on his group would like to make some closing comments. Mr. Pickup.

MICHAEL PICKUP: Just a few comments. One, I want to thank you again for your interest in this, the respect that you show us, the interest that you show us, the respect that you show the folks here with me. These folks take this seriously, as you can tell, and we want people to be interested and we're glad people are interested.

If I think of today, I really do need to give a special thank you to the Department of Transportation and Infrastructure Renewal. It's tough to be on the receiving end of an audit when you're trying to run all these projects at the same time and keep things going. It's very important at the working level that Robert and his team and the people they're working



with get excellent co-operation with the people who are trying to do the right thing and run government. We had that level of co-operation, so I do have to give a special point out to the people in that department because it is unusual to do a live audit when they're trying to run this at the same time. I do want to thank them.

While we're the front folks here today, I want to thank everybody that stands behind these folks and I certainly want to thank current members of the office, current members of the Legislature and Public Accounts Committee as well as previous members for what I think has been a very worthwhile five years. As I head into the back half of the mandate, I look forward to continuing to serve and the co-operation that we have received.

I wish everybody happy holidays and I say happy holidays because I think it is important. The diversity of my office shows that it is holidays, it's more than Christmas. A lot of people celebrate a lot of different things and we're happy to see that in our office. It is very much happy holidays to all of you, as well.

THE CHAIR: Thank you very much and thank you to you and all your staff for being here today and happy holidays to you, as well. Hopefully, some of us might join you for breakfast in the morning. I know I'll be there.

We do have a couple of orders of business we have to look after before we adjourn for the day. The first one is correspondence and we have two pieces of correspondence that I think the members have received: one from the Department of Finance and Treasury Board that was requested from the November 13<sup>th</sup> meeting and also one from the Department of Seniors. If everybody has received that, we'll just note it in our minutes.

The committee has adopted the practice over time of formally endorsing the recommendations that have been issued by the Auditor General, so I'm going to ask if there's someone who'd make the motion. Mr. Halman.

TIM HALMAN: With respect to endorsement of the Auditor General recommendations, I put forward this motion: I move that the Public Accounts Committee formally accept and endorse recommendations contained in the December 2019 Report of the Auditor General that have been accepted by the audited departments or agencies and ask that those departments and agencies commit to and take responsibility for full and timely implementation of the recommendations accepted by those departments and agencies.

THE CHAIR: Would all those in favour of the motion please say Aye. Contrary minded, Nay.

The motion is carried.

Also in your package, I believe there is the Subcommittee on Agenda and Procedures that we talked about at our December 4<sup>th</sup> meeting and the topics that have come up. Could we have a motion to accept that record of decision from the Subcommittee on Agenda and Procedures? Ms. Lohnes-Croft.

SUZANNE LOHNES-CROFT: I move that we accept the recommendations that came from the subcommittee for our agenda topics.

THE CHAIR: Would all those in favour of the motion please say Aye. Contrary minded, Nay.

The motion is carried.

We do have another motion that has been brought forward today. I believe all members have been provided with a copy of it. I will call on Ms. Leblanc to bring the motion forward.

SUSAN LEBLANC: I believe all members are now receiving a copy of the motion. In this Report of the Auditor General, we have heard that within the Department of Transportation and Infrastructure Renewal there has been a lack of attention to fraud risks, that decision making committees are not consistently keeping minutes, that contracts have not been signed in a timely manner and do not necessarily contain terms to ensure the public interest is protected.

This is clearly an issue of some timeliness, given the ongoing work of the Halifax Infirmary expansion and the build at the new community outpatient centre. I do not think this matter can wait for our next agenda-setting meeting. Given that we wish to discuss these significant concerns and their potential impact on the Public Accounts of this province, I think it is an appropriate matter for this committee.

So I move that the Public Accounts Committee approve and direct the clerk to schedule an additional meeting in January 2020 to call the Department of Transportation and Infrastructure Renewal to respond to Chapter 2 of the Report of the Auditor General on the QEII New Generation Project.

THE CHAIR: Is there any discussion? Mr. Halman.

TIM HALMAN: This is a most appropriate motion put forward to this committee, given what we've learned through the December 2019 Performance Report of the Auditor General. I counted on 10 occasions in committee today where it was indicated that that question would be appropriate to ask the department, so I support this motion. I believe it is certainly within the scope of the Public Accounts Committee to bring topics that are in the public's interest.

I want to thank my colleague the member for Dartmouth North for bringing this motion forward. This is a conversation that needs to continue. Again, the questions I posed on 10 occasions, it was indicated that that's a conversation we should have with the department. So let's continue that conversation.

SUZANNE LOHNES-CROFT: While I don't object to them coming to our committee, I think it should be done through an agenda-setting meeting. Also, there is going to be more follow-up on this, as we heard from the Auditor General today, at the meeting in May there will be another follow-up report. We could possibly fit a meeting in - maybe substitute one of the meetings we've already picked, but I would like to stay to our regular schedule.

SUSAN LEBLANC: We did hear the Auditor General also say today that May is a long time away and given the scope of this project, the amount of money that we're talking about and the significant deficiencies, as he pointed out in the project thus far, I think that this is a matter of deep concern to Nova Scotians and a matter that needs to be addressed in January.

I would point out that when I went to the Public Accounts conference in the Summer, there was a really amazing discussion about the purpose of the Public Accounts Committee - that it be a non-partisan, all-Party approach to the Public Accounts. We could do better in that respect. All Parties could do better in that respect at this committee, but one place where we need to be united is in making sure that Public Accounts, regardless of who is in government, are responsibly treated.

The Chair of the Public Accounts Committee from the national government of the U.K. made it clear to us when she addressed our group that when someone walks into her Public Accounts Committee, they can close their eyes and not know who's asking the questions because the questions are about what's going on and not about Party biases.

I really do think that given the severity of this situation and the fact that May is a long time away, that we should put Party allegiances aside and vote to support the motion to have another meeting with TIR in January.

THE CHAIR: Ms. Roberts.

LISA ROBERTS: I second everything that my colleague said.

THE CHAIR: Okay. Mr. Halman.

TIM HALMAN: Just to echo those sentiments; we are all in agreement. I can sense that the department needs to come in. (Interruption) Your colleague indicated that, Mr. Maguire. We know the department needs to come in. We know one of the themes of the

audit was that this is an opportunity for government, so I think we can - to echo your sentiments - work in a non-partisan way.

I believe January is a good time. It gives the department sufficient time to prepare for Public Accounts. Certainly, many of the questions that were posed here today, they almost know, to some extent in advance, what those questions will be. Nova Scotians want accountability and transparency on this project. It is the largest project in the history of our province, so it's a good motion and I support the motion.

THE CHAIR: If there's no further discussion, we'll vote on the motion.

Would all those in favour of the motion, please say Aye. Contrary minded, Nay.

We'll have to do a show of hands, I guess.

We'll do it again, all those in favour of the motion. Those opposed.

The motion is defeated.

First of all, I'd like to thank the NDP for providing the committee with a copy of the motion that came forward and I want to remind all Parties that if you are presenting a motion to committee, please bring a copy for everyone on the committee. It saves a lot of confusion.

Having said all that; our next meeting date is January 8<sup>th</sup> here in the Legislature. There's going to be an in camera briefing from 8:30 a.m. to 9:00 a.m. and the meeting will take place from 9:00 a.m. to 11:00 a.m.

The witness will be announced.

We stand adjourned and wish everybody happy holidays. Thank you.

[The committee adjourned at 10:58 a.m.]