

HANSARD

NOVA SCOTIA HOUSE OF ASSEMBLY

COMMITTEE

ON

PUBLIC ACCOUNTS

Wednesday, January 19, 2022

LEGISLATIVE CHAMBER/VIDEO CONFERENCE

**Operational and Department Oversight Failures
at Island Employment and Government Oversight
of Third-Party Use of Public Funds**

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Public Accounts Committee

Hon. Kelly Regan (Chair)
Nolan Young (Vice-Chair)
Dave Ritcey
John A. MacDonald
Melissa Sheehy-Richard
Trevor Boudreau
Hon. Brendan Maguire
Claudia Chender
Susan Leblanc

[Hon. Brendan Maguire was replaced by Hon. Patricia Arab.]
[Melissa Sheehy-Richard was replaced by Kent Smith.]

In Attendance:

Kim Langille
Legislative Committee Clerk

Gordon Hebb
Chief Legislative Counsel

Kim Adair,
Auditor General

WITNESSES

Department of Labour, Skills & Immigration
Ava Czapalay, Deputy Minister
Nancy Hoddinott, Senior Executive Director - Skills and Learning Branch

Nova Scotia Office of the Ombudsman
William Smith, Ombudsman

Nova Scotia Government & General Employees Union
Jason MacLean, President



House of Assembly
Nova Scotia

HALIFAX, WEDNESDAY, JANUARY 19, 2022

STANDING COMMITTEE ON PUBLIC ACCOUNTS

9:00 A.M.

CHAIR

Hon. Kelly Regan

VICE-CHAIR

Nolan Young

THE CHAIR: Good morning, everyone. I'm going to call the meeting to order at this time. This is the Standing Committee on Public Accounts. My name is Kelly Regan. I'm the MLA for Bedford Basin, and I am the Chair.

Just some reminders for those of us who are here in the Chamber. Please keep your masks on during the meeting unless you are speaking. Have your phones on silent or vibrate, and please wait for the Chair to recognize you before speaking.

I'm now going to ask the committee members to introduce themselves. I will start with the member nearest me on my left, the member for Dartmouth South.

[The committee members introduced themselves.]

THE CHAIR: On today's agenda, we have officials with us from the Department of Labour, Skills and Immigration, the Nova Scotia Office of the Ombudsman, and the Nova Scotia Government and General Employees Union. They are joining us via Zoom to discuss the operational and government oversight failures at Island Employment and government oversight of third-party use of funds.

Before I ask witnesses to make their opening remarks, there are decisions that the committee needs to make to ensure that it is able to move forward in an effective manner. Therefore, we are going to conduct the committee business portion of the meeting now.

The first item on our agenda is the issue of virtual meetings. I would like to know how the committee wishes to proceed with its upcoming meetings given current Public Health directives.

Mr. Young.

NOLAN YOUNG: As Dr. Strang said in his weekly briefings, working from home and keeping our close circle small is the best way to slow the spread of the virus, and this allows our students to attend school safely.

As other committees are aligned meeting virtually, I'd like to move that the Standing Committee on Public Accounts move to virtual format until Public Health recommends otherwise.

THE CHAIR: Ms. Chender.

CLAUDIA CHENDER: It feels a little bit like déjà vu all over again - I think with so much to do with this pandemic as we navigate how to deal with it.

This motion came to us via email regarding this meeting. At that time, our response was the same as it is now: the NDP caucus is quite happy to vote on a motion to meet virtually next time. I think the Public Service has been asked to work from home until the end of this month. Right now, we know that we are in a very dicey situation with the Omicron wave of the virus.

However, having been through a scenario where committees stopped meeting altogether for quite some time, we're cognizant of the fact that this actually is a workplace that Public Health does not have jurisdiction over. Of course we listen to the advice of Dr. Strang, but this is not a gathering. This is a workplace, and it is an essential workplace. I think that this committee, as with all things, needs to make its own decision on how and when it meets and needs to make that on a regular basis.

I will be voting against this motion, not because I don't think we should meet virtually next time - I think we should. But I think that since we've seen over the last two years how rapidly evolving the virus is - it peaks and then it drops again and it peaks and it drops again - even though it's unbelievably frustrating, we all have to learn to live within those peaks and valleys.

The wording of this motion is too vague. Who decides when the public health situation is okay again? Does the committee decide? Does the Premier's Office decide?

The fact that this same motion is coming to every committee, worded in the same way, suggests that it's coming from the Premier's Office, which I have to say, raises some concerns for us. Again, we have seen some challenging behaviour - not from this Premier's Office, but from others. Sorry. Just calling it like it is. (Laughter)

For all of those reasons, I just want to be really clear that our position is absolutely that we should take public health into account and that we will, without reservation, vote to meet virtually next time. But we would like to have this vote come to the committee each week. We know how quickly things change, and we want to make sure to be making decisions in a timely way.

THE CHAIR: Ms. Leblanc.

SUSAN LEBLANC: Yes, I agree, obviously, with my colleague's comments. I just wanted to add two things.

One is, as she alluded to, Public Health doesn't give direction to these committees. Even if we asked, it's not the practice of the Public Health department or office to say, okay - and by the way, all of these things are happening in the world and also, legislative committees can now meet in person. Because of how busy Public Health employees are, we're not on their radar.

I think the wording of the motion is problematic because it doesn't allow for flexibility and it doesn't allow us to be nimble and respond to the pandemic in the very unpredictable way that it has presented itself to us. Therefore, I won't be voting for this motion.

I would wonder if the government members would entertain an amendment to the motion to allow for nimbleness and allow for - if not meeting by meeting, then even month by month, for instance, so that we're not sitting in August and still not meeting because Public Health hasn't told us it's safe to do so.

THE CHAIR: Is there any further discussion on the original motion, or does anyone want to respond to the suggestion from MLA Leblanc about an amendment?

Mr. Young.

NOLAN YOUNG: I just want to clarify: It's not looking at it - the Public Service right now is working from home. We were asked to work from home where we can. I mean, just take a look around this room right now with the substitute members and the members who aren't here, and we have people travelling from other parts of the province, coming to meet here, when we're able to have an ability to meet virtually.

There's nothing more to this motion, where you may be looking and thinking that it's going to be until the Summertime. This is at the recommendation of Dr. Strang - until there is a recommendation for employees to go back to a workplace setting, we're looking to conduct virtual meetings.

THE CHAIR: Ms. Chender?

CLAUDIA CHENDER: That's not clear in the wording of the motion, so I would ask that this motion clarify the circumstances under which the committee would again meet either in hybrid or in-person form. Otherwise, it's not clear when that elapses.

THE CHAIR: Ms. Leblanc?

SUSAN LEBLANC: Sorry, never mind.

THE CHAIR: You don't want to speak? Okay.

Would anyone else like to weigh in on this particular issue?

Ms. Leblanc.

SUSAN LEBLANC: I will just propose an amendment, then, to clarify the wording. Would the member, or would you, Madam Chair, read the motion again so I can hear it? Or the clerk?

THE CHAIR: The motion reads: I move that the Standing Committee on Public Accounts move to a virtual format until Public Health recommends otherwise. Perhaps the last - I probably shouldn't direct the committee. That's what the motion was.

Ms. Leblanc.

SUSAN LEBLANC: My amendment would be, instead of saying until Public Health directs otherwise, we could say something like: Until the Public Service is back - I don't know how to say this. Pause. (Laughter)

THE CHAIR: Until Public Health recommendations are such that the public service returns to work in person, or something like that.

Ms. Arab.

HON. PATRICIA ARAB: I would have issue with that wording, and I do have a suggestion for different wording, simply because I think that we're existing in a world where even after Public Health determines that people can go back to work, that might not be what's going to be happening. We might be perpetually existing in a hybrid work

environment for our Public Service, just for numerous reasons that go beyond Public Health orders.

I am new to this committee - I am one of the subs today - but I think that to make the amendment honour what MLA Young is looking for and what MLA Leblanc is looking for is perhaps putting the line - until the committee deems that Public Health - so he's putting the onus back onto us. Public Health is never going to direct us. It's not their purview to direct us, so the onus is on us as a committee to be looking at what Public Health recommends and taking that into consideration before moving from a virtual setting.

If I have not captured the spirit of what you're both saying, I'm happy to ...

THE CHAIR: Ms. Chender.

CLAUDIA CHENDER: I wonder if Mr. Young would entertain the idea of just adding virtual meetings as an agenda item. If we agree to meet virtually next time, could we just have an agenda item at our meeting where we just vote on how to meet next time? If we're not in this, it will be virtual. We'll be voting virtually. It will still be a majority rule if we're voting in person, so you guys will ultimately have the upper hand there, but at least we can consider it on a week-by-week basis. We'll start that consideration in a virtual format.

Like I said, we are very happy to support a motion to meet virtually next week, but my request would be, can we rescind this motion and just agree to add it to the daily business starting next week, where we determine on a week-by-week basis how we're going to meet? Then the onus really is on the committee.

If you and your colleagues feel, when we take that vote, that the situation still deems that we ought to meet virtually or hybrid, then we can vote that way at the time and you'll be successful. At least we can actually continue to consider it on a regular basis.

THE CHAIR: Mr. Ritcey.

DAVE RITCEY: Just a point of clarification: When we vote, is it unanimous? When we were voting on email ...

THE CHAIR: That had to be because it was not during a meeting.

Mr. Young.

NOLAN YOUNG: I'm not looking to politicize this debate at all. The recommendations of Public Health kept Nova Scotia one of the best places to be on the planet, by listening to the recommendations of Public Health. I'm not looking to entertain

debating this weekly, politicizing it. The motion as it stands right now under the recommendation of Public Health is the motion that I would like to vote on.

THE CHAIR: Ms. Chender.

CLAUDIA CHENDER: It sounds like you're not going to entertain an amendment. We're going to vote on this and it will pass, because it will pass by a majority, but I want to make clear that this committee conducting its own affairs based on its own understanding is not politicizing anything.

In fact, as I mentioned at the outset, it's been just over a year since this committee was prevented from meeting at all for a year because a previous Premier did politicize this committee and decided that it wasn't necessary.

What we are trying to do is safeguard the ability of this committee to meet and conduct its business so that things like Island Employment - which we're about to discuss - get heard, and that the public gets answers to questions about the fiscal activities of government.

[9:15 a.m.]

We're going to vote on it. It's going to pass. I want to reiterate that it's not clear what the direction of Public Health is. I would love to hear from my colleagues what that means. Public Health does not have purview over the Legislature. They do not make any announcement about whether or not legislative committees will meet. Are we going to ask Doctor Strang? Like, what does that mean?

THE CHAIR: Ms. Arab.

PATRICIA ARAB: Just to add to that as well, we met here in person in the Fall when it was still Public Health advising our civil service to remain at home and work from home. That is in the best interest of Nova Scotians, that is the decision that our Legislature makes.

To concur with the MLA from Dartmouth South, it's important that we don't allow external forces to determine the autonomy of this committee, and that we have some say. That's not saying no to virtual meetings. That's making sure that - where the Progressive Conservative caucus has the majority - we still have some control over how we conduct business here, and it's not being punted out to an external body.

THE CHAIR: Is there any further discussion on the original motion? I'll call the question now on Mr. Young's motion.

All those in favour? Contrary minded, Nay. Thank you.

The motion is carried.

In terms of correspondence, there was correspondence from the Department of Finance and Treasury Board that information that was requested from the December 15, 2021, meeting. Is there any discussion on that particular piece of correspondence?

Hearing none, we'll move on to the emails from Karen Oldfield and Jeannine Lagassé regarding the request to appear with respect to the decision to dismantle the Health Authority Board with the Deputy Minister of Health and the CEO of the NSHA as witnesses was approved by the committee. The witnesses have responded to their request to appear to indicate they are not in a position to speak to the topic.

How does the committee wish to proceed? Ms. Leblanc.

SUSAN LEBLANC: Could we have a three-minute recess, please?

THE CHAIR: Certainly. Three-minute recess.

[9:18 a.m. The committee recessed.]

[9:22 a.m. The committee reconvened.]

THE CHAIR: I will now call the committee back to order.

Ms. Arab.

PATRICIA ARAB: In regard to the two emails that were received from Ms. Oldfield and Ms. Lagassé, our caucus would like to continue to have them on the witness list. I understand that they're saying that the decision to dismantle the Nova Scotia Health Authority board and all the other changes that we saw early on with the Nova Scotia Health Authority were not theirs. That's fair. I think that they would still provide some valuable insight into what is happening, what the mandate is, what they want, what they've done so far.

I would like to add two witnesses, though, because the issue of dismantling the Nova Scotia Health Authority board, the sweeping changes that came early on in this government's mandate - somebody had to make that decision. If it's not these two ladies who are currently in their positions, I suggest that we add Nicole LaFosse Parker, who is the Chief of Staff and Primary Counsel to the Premier, and Scott McCrea who was the Chair of Premier Houston's transition team, to come in as witnesses to discuss this.

THE CHAIR: Is that a motion?

PATRICIA ARAB: That is a motion.

THE CHAIR: Is there any discussion on this motion, or is there any discussion on the correspondence that we have received back from the two witnesses that the committee reached out to?

Mr. Young?

NOLAN YOUNG: I am going to request a three-minute recess.

THE CHAIR: And so we will have a three-minute recess. Thank you.

[9:24 a.m. The committee recessed.]

[9:27 a.m. The committee reconvened.]

THE CHAIR: I will now call the committee back to order.

The question is on Ms. Arab's motion. Are there any other witnesses, or any other discussion on the response back from the two persons we have reached out to, to come to committee?

The motion is that we keep the two witnesses that we had previously reached out to and to add two witnesses: the Premier's Chief of Staff, Nicole LaFosse Parker; and the chair of his transition team, Scott McCrea.

All those in favour? Contrary minded? Thank you.

The motion is defeated.

Ms. Arab.

PATRICIA ARAB: We have had two witnesses who were called and agreed upon who told the committee that they could not give insight into this. Two individuals whom one would assume possibly had some intel into this have now been defeated and not allowed to appear before committee because of Progressive Conservative caucus members voting against it.

This is a very important issue, the good and the bad. This is not a contentious issue. This is something that the Premier stands very proudly upon. What we're looking for is some insight into how that decision was made. We're looking for some understanding into how this government is going to proceed in terms of health care, which is the number one topic that they campaigned and won resoundingly on. This is an opportunity to find some of that insight.

I ask the members, and I guess this will be a motion as well, since the members whom we've asked to come in and act as witnesses have not been allowed, could we take a week and have the government caucus decide who would be the best person or persons to come and discuss this issue with us as a committee?

THE CHAIR: Ms. Chender.

CLAUDIA CHENDER: Just a point in clarification: We received letters from Ms. Lagassé and Ms. Oldfield saying they did not feel they needed to appear. That doesn't excuse them from appearing. Is that correct?

THE CHAIR: Yes, the committee can nonetheless ask the witness to appear, but I would just say that with the defeat of Ms. Arab's motion, that means that can't happen now. (Interruption) It was for them to appear plus two more. A motion would have to be worded differently to be able to come back to the floor.

[9:30 a.m.]

Ms. Leblanc.

SUSAN LEBLANC: If that's the case, Madam Chair, then I move that the committee continues to require and request Jeannine Lagassé and Karen Oldfield to appear before the Public Accounts Committee on that topic - the decision to dismantle the Health Authority board.

THE CHAIR: That is a motion. Is there any further discussion? Ms. Chender.

CLAUDIA CHENDER: I just want to say, if there's any analogue in the public or private sector, someone who's running an organization ought to be able to speak to the current and past actions and conduct of that organization. We're not asking them to own the decisions that were made before their time, but we need insight, and they're the best people positioned - presumably a deputy would've been briefed upon taking a job.

We need someone to answer those questions, and in the absence of someone more qualified to do that who currently holds office, I don't see why we wouldn't continue to request the presence of those two witnesses.

THE CHAIR: Is there any further discussion?

Mr. Young.

NOLAN YOUNG: With respect to time and our witnesses we have here, I'd ask that we defer this until our next meeting.

THE CHAIR: Is there consensus on this?

Mr. MacDonald.

JOHN A. MACDONALD: As there is a motion on the floor, that would have to be a motion to defer it, correct? I just want to make sure from - it would actually have to be that - February 16th is the next time that's open, I think, on our calendar.

THE CHAIR: The two witnesses in question were scheduled tentatively to be with us on February 9th. Is that correct?

I'm going to call on the committee clerk. Ms. Langille?

KIM LANGILLE: The initial invitation went out to them regarding February 9th, but when their response was received, I continued to schedule. They have not currently been scheduled regarding that topic.

THE CHAIR: Ms. Leblanc.

SUSAN LEBLANC: Madam Chair, I will rescind my motion. As memory serves me, we have to have a unanimous vote to rescind that motion. Is that correct? We have to unanimously agree?

THE CHAIR: Unanimous to withdraw it, but it's a majority to defer it.

SUSAN LEBLANC: But we have to get my motion off the table, don't we?

PATRICIA ARAB: I actually had a motion on the table before anybody else started.

THE CHAIR: That's right. But I am trying to deal with this particular one, so if you would like to withdraw it, it has to be with the permission of the entire committee, or if it's just to defer it, it's just a majority vote. It's up to you which you would prefer to do. (Interruption)

We have two motions on the floor right now. One is Ms. Arab's motion to take the week and . . . (Interruption)

Ms. Arab.

PATRICIA ARAB: My apologies. It is an important issue. It was an important and major decision. While we defer to conversation, perhaps the Progressive Conservative caucus could come back with names that would be appropriate.

THE CHAIR: That motion is on the floor. Any further discussion?

Mr. MacDonald.

JOHN A. MACDONALD: I'm trying to remember - I thought this was a Liberal, not a Progressive Conservative item. If I'm incorrect, let me know.

THE CHAIR: No, you are not incorrect. It was put forward by the Liberal caucus.

JOHN A. MACDONALD: Just to be clear, the Liberal caucus is asking the Progressive Conservatives whom they should call to come for their item? That's just the confusing part for me.

THE CHAIR: I think what we have here is that I'm going to let Ms. Arab speak on that.

PATRICIA ARAB: Madam Chair, to clarify for MLA MacDonald, we have a topic that is of a great importance, and the individuals whom we have pegged to discuss this topic with our committee have not been accepted by our Progressive Conservative caucus members. In order to keep that topic relevant and alive in this Chamber, and allow us to have information on it, they can let us know. We'll pick them, it'll still be our pick. They're not going to take away a pick from us, but the conversation needs to be had.

In theory, it's nice to say that we can present witnesses, but if the government caucus doesn't want to accept those witnesses, then the choice is moot.

THE CHAIR: Mr. Young?

NOLAN YOUNG: Just to clarify, all we're asking is for witnesses for their topic. If we could defer this topic to the next meeting and you could send off the list of witnesses that you would like to have for this topic, then we could discuss it in our next meeting here.

THE CHAIR: So we have Ms. Arab's motion that the Progressive Conservative caucus put forward some names. We have Ms. Leblanc's motion, which may be withdrawn or deferred. (Interruption) Again, that will have to - I'm just trying to make sure that we have all the votes in order - and that's to withdraw. Then, Mr. Young's motion that we defer this for a week and come back and discuss it again.

First, Ms. Arab's motion that the Conservative caucus come back with names that they (Interruption) - oh, thank you, Mr. Smith - that the government caucus come back with names that they deem to be appropriate for the discussion of this particular topic.

All those in favour? Contrary minded? Thank you.

The motion is defeated.

Ms. Leblanc's motion to withdraw her previous motion, which will need unanimous consent to withdraw it:

All those in favour? Contrary minded? Thank you.

The motion is carried.

Now, Mr. Young's motion that this item be deferred for one week. All those in favour? Contrary minded? Thank you.

The motion is carried.

We also have correspondence from Mr. Young that was sent to members late yesterday. Is there anything that anyone wants to add to that correspondence at all, having received it and read it?

Ms. Leblanc.

SUSAN LEBLANC: Given that we are at 9:40 a.m. and we have not yet begun the business of today's witnesses, I make a motion that we extend this meeting for 40 minutes extra, so 11:40 a.m., or 11:30 a.m. if that's more palatable. I think we have witnesses here that we want to hear from, and to give them the respect that they are due, I think we need to extend the meeting.

THE CHAIR: Any further discussion? All those in favour? Contrary minded? Thank you.

The motion is carried.

We are now going to move into the section of our meeting that deals with witnesses. First of all, I would like to ask Ms. Ava Czapalay to introduce herself, and then we'll move through the list.

[The witnesses introduced themselves.]

THE CHAIR: Thank you, witnesses, for your patience this morning. We'll begin now with opening statements. Ms. Czapalay.

AVA CZAPALAY: Nova Scotians receive important support from a network of employment offices located throughout Nova Scotia. This network helps people in their communities acquire skills and connect with employers. I think we would all agree that there has never been a time when these employment services have been more important.

The Department of Labour, Skills and Immigration - known as LSI - contracts these employment services under the umbrella of Nova Scotia Works. There are 16 independent organizations delivering these services in more than 50 communities. Each one of the 16 organizations is governed by a board of directors who have the sole legal and ethical responsibility to manage operations, finances, employees, and the contractual obligations of the organization.

[9:45 a.m.]

Government's role is to hold the service providers accountable for providing the contracted services to a standard specified in our contribution agreement. I must stress there is no expressed or implied agency relationship between the Province and these independent service providers. This is made clear in each service provider's contribution agreement.

The serious allegations detailed in the interim report of the Office of the Ombudsman led the Department of Labour, Skills and Immigration to immediately consult with the Department of Justice and our Internal Audit Centre. The red flags raised by the interim report, the ultimate finding of wrongdoing - including the misuse or gross mismanagement of public funds or assets - by the Ombudsman's Office, our discussions with legal and internal audit, and the disappointing lack of reaction from Island Employment's board of directors and senior management resulted in LSI ending its contribution agreement with Island Employment.

Our decision to end the contract with 60 days' notice was conveyed to Island Employment's executive director on September 22nd. Staff were advised by Island Employment management on October 1st that the organization would be closing. Knowing that the decision to close would impact the employees, we moved quickly to find an interim provider, advertise for a new provider, and provide additional supports to the employees above what was required in their collective agreement. Our commitment was to ensure that the funding and the services would remain in Cape Breton.

In late November, Island Employment employees brought new information to our department - information that did not appear in the Ombudsman's Report. At that point, we contacted the Department of Justice, and upon their advice, referred the matter to the police. A police investigation is ongoing.

Meanwhile, we have attempted to clarify our relationship with Island Employment, with the Ombudsman, and with the union. We have accepted and completed the recommendations outlined in the Ombudsman's Report, and as is our practice, we will continue to monitor and improve our processes to ensure that taxpayer money is used appropriately to deliver the quality services that Nova Scotians expect and deserve.

THE CHAIR: Thank you, Ms. Czapalay. Mr. William Smith.

WILLIAM SMITH: Good morning, Madam Chair. I don't have an opening statement.

THE CHAIR: Okay, thank you very much.

Mr. MacLean.

JASON MACLEAN: Thank you for the opportunity to speak for the 30 Nova Scotians who, through no fault of their own, lost their jobs with Island Employment. Please take note. At no time has their work ethic ever been questioned. At no time has their job performance ever been questioned. Also, at no time has their competence been questioned. Yet, they found themselves laid off, without a job, right before Christmas.

Staff at Island Employment did what any good employee should do. They had concerns about the operations and management of Island Employment, and they came forward with their concerns. For that bravery and transparency, they lost their jobs and their livelihood. This certainly is unjust.

I'm pleased to see representatives from the Office of the Ombudsman here today as they can speak to the recommendations made to address the issues head-on in employment. I will note that no recommendation was made to stop funding to Island Employment and to force hardworking people to lose their jobs. That decision was made by the minister and her government. Thirty people are paying the price for doing the right thing, doing what was expected of them, and doing what they are entitled to do under the law. Yet, those in management who are responsible are allowed to escape accountability without full disclosure of the truth.

Those 30 people deserve answers. Nova Scotians deserve answers. Without a full forensic audit, those who are responsible will go unaccounted for, and perhaps could do it again in another organization.

Why is this government opposed to a full forensic audit so those responsible can be held to account? I know the government has said those employed by Island Employment can apply for their jobs back with this new service provider. However, newly announced service providers - one of which was already one in place - have offered less pay, less benefits, and added new qualifications that make it harder for those previously employed to gain their job back. Why is this government okay with offering less pay, less benefits, and less opportunity to those that they abandoned, and they stopped the funding for?

Finally, our members have reported serious concerns about their RRSP contributions. Some members have reported missing contributions, inaccurate remittance amounts, and unauthorized transfers. In one instance, I'm being told that the interest which would have been earned on the missing contributions were paid from a personal bank account. People's retirement savings is a serious issue, and we believe that it's only one

that could be honestly and openly resolved by having a full forensic audit. In the interest of fairness, openness, and transparency, people deserve to know the truth. Only a full forensic audit can accomplish this.

While government appeared content to just simply have this go away, there has to be accountability to government dollars being spent by a third party. There needs to be accountability for the third party, put out of work with a negative mark on their records. Finally, there has to be accountability on why the decision was made to cease funding to Island Employment when any reasonable person would have known that it would lead to the demise of the organization.

One more point is when the deputy minister speaks in regard to following through on all of the reports that came from the Ombudsman's Office, the public can't see those reports. Therefore, there is no public accountability to this. This is just something that government says, okay, we have it, and we're going to move on for it. But nobody knows what changes are put in place and what safeguards are going to be put in place so that this does not happen again. Thank you very much,

THE CHAIR: Thank you, Mr. MacLean. We'll now start the first round of questioning. Each caucus will receive 20 minutes for questioning, beginning with the Liberal caucus, then the NDP, and then the PC caucus. Please note that when we reach the 20-minute mark, I will have to cut off whoever is speaking. I don't mean to be rude. It's just the way the committee works.

We will begin questioning with the Liberal caucus. Ms. Arab.

PATRICIA ARAB: Madam Chair, my question is for the Deputy Minister of Labour, Skills and Immigration.

Island Employment was tasked with helping Cape Bretoners find jobs and provide skills that would allow them to excel within the workforce and be relevant within a competitive workforce, and to connect their clients with potential employers.

Now that that's gone, what, if anything, has the department done to fill this void without Island Employment? How are they giving supports to the unemployed in the Cape Breton area specifically? What plans do they have for the future? How are existing clients being connected?

AVA CZAPALAY: When we made the decision to terminate the contract with Island Employment, and then Island Employment made the decision to close, we then moved quickly to identify an interim provider. That interim provider was put in place once Island Employment closed in late November. There was a transition of the client files and the services to that interim provider.

The interim provider has been in place ever since, and early this week we were able to complete the search for two new providers, and the transfer of files and work and so on will take place. One of the new providers is, in fact, the interim provider, YMCA Cape Breton, and the other provider is CDÉNE.

PATRICIA ARAB: So existing client files and any cases were transferred over to the YMCA?

AVA CZAPALAY: I'm going to ask Ms. Hoddinott to add additional detail.

THE CHAIR: Ms. Hoddinott.

NANCY HODDINOTT: We did ensure that there was no gap in client service. With the interim provider, the organization transferred clients to the YMCA for the interim, and now, with the two new providers in place, we will ensure that clients are appropriately triaged and managed and referred to the appropriate services closest to their community and closest to the areas where they're seeking employment.

PATRICIA ARAB: Was the YMCA given any additional funding or supports in order to take on this extra responsibility?

AVA CZAPALAY: Our priority was always to keep the funding and the jobs in Cape Breton and to deliver these important services to Cape Bretoners, who have come to expect and value these services. It was always the intent that the full amount of funding would remain in Cape Breton.

With the Chair's permission, I'd like to invite Nancy Hoddinott to add some details to that.

THE CHAIR: Ms. Hoddinott.

NANCY HODDINOTT: In the negotiation of the contract with the new providers, we ensured that there were appropriate funding levels. We were supporting 23 service delivery positions with Island Employment, and we ensured that an equal 23 service delivery positions were funded with the two new providers. The funding envelope that we have provided to the new providers is fairly equivalent and close to what was previously provided to Island Employment.

PATRICIA ARAB: Is it possible to get a more precise number of what was given to Island and where this money has now gone?

NANCY HODDINOTT: We have provided a total funding envelope for the two providers at \$1,839,000, and that is split between CDÉNE and the YMCA. We provided \$281,000 to CDÉNE and \$1,557,000 to YMCA Cape Breton. That's an annual budget.

PATRICIA ARAB: As Mr. MacLean said in his opening statements and following this issue, the NSGEU had asked for a forensic office of Island Employment. This wasn't done on October 29th. Minister Balser told CBC Radio Cape Breton that a forensic audit was not necessary and the department had all the information it needed to end its contract with Island Employment.

Deputy Minister, could you provide any details on what information exactly went into this decision, and why the department believed a forensic audit was not necessary?

AVA CZAPALAY: The Ombudsman's Report that was published online as part of their annual report indicated that there was a scrutiny of four years' worth of financials. In fact, it took the Ombudsman's Office two years to complete their study. We had confidence in the findings of the Ombudsman's Office, and there were many red flags raised by that report, as people would see if they looked at the annual report online.

When we received the interim report with the red flags, we immediately consulted with our Department of Justice solicitor and also with the Office of Internal Audit regarding what our next steps should be. We had two meetings with the Office of Internal Audit in January 2021 within four weeks of receiving the Ombudsman's interim report.

After reviewing the information and then receiving the Ombudsman's final report in April, and not hearing anything of substance from the board of Island Employment or from the executive director or the senior management, we believed that there was no potential to continue the relationship with Island Employment.

We felt that a forensic auditor would have less authority to compel documentation than the Office of the Ombudsman. We felt it would be unlikely that a forensic audit would add any clarity to the information that we had in order to sever the contract with Island Employment.

What I'm saying, I guess, is we didn't see the value in continuing with the contract because - and taking a forensic audit would not shed any further light for us, other than what the Ombudsman's Report had already shared. We had enough information from that report and from the advice of Internal Audit and legal and from the lack of response from Island Employment's board of directors and executive director to realize that we could not continue with the contract.

PATRICIA ARAB: Just one last question for you, Deputy Minister Czapalay. You consulted with Internal Audit. Did the Internal Audit Office perform an audit on this file?

AVA CZAPALAY: Internal Audit was consulted for advice regarding the findings of the Ombudsman and also the recommendation of the Ombudsman's Report. There was no request for Internal Audit to actually perform an audit.

PATRICIA ARAB: In a statement, a department spokesperson told CBC News the government has a responsibility to hold taxpayer-funded service providers to certain standards and report information to appropriate authorities.

[10:00 a.m.]

I'm wondering if you could provide more information to us on what that standard is and what the oversight is in place for third-party use of funds?

AVA CZAPALAY: We take the oversight of the contracts with the service providers very, very seriously. As I mentioned in my remarks, there has never been a more important time to provide these services to Nova Scotians. The quality of the services are needed at this time more than ever.

I'd like to say that we did react very quickly when we saw the interim report from the Ombudsman and saw the nature of the concerns the Ombudsman identified. Our oversight processes that were already in place have been further strengthened by the report, but I'll perhaps ask Ms. Hoddinott to talk about the oversight procedures that we had in place at the time of the Ombudsman report and now how we've enhanced them since the report.

NANCY HODDINOTT: We have a number of oversight processes and throughout the course of the investigation, and we continue to do this: we want to provide ongoing improvements to our monitoring and auditing processes.

What I can tell you is, we meet with providers on a quarterly basis for financial and activity reporting. We have an annual review where we meet with providers - again in person - to review the past year around finance, activity, client outcomes and numbers, and to review items that may be coming forward around improving programming or areas for innovation. We also conduct a compliance audit through a third-party auditing firm throughout the course of every three-year agreement period.

We have regular monitoring processes. We continue to strengthen our monitoring processes. We have an accountability framework for the Nova Scotia Works employment services agreements, and our team is committed to ensuring that where we have opportunities for improvement, where we learn of new things, that there are maybe some things we need to tighten up, we do that on a regular basis. We have responded to the Ombudsman's Report and recommendations and use that information to tighten up some of our processes as well.

PATRICIA ARAB: In the interests of time, I'd like to jump to Mr. MacLean before my time is up.

My question to you, Mr. MacLean, goes along with the forensic audit. We've just heard why the department made the decision to not perform a forensic audit where Island Employment was concerned. I'm wondering if you could give the committee some insight as to why you feel that that is still necessary.

JASON MACLEAN: People don't buy the importance. Yes, government is saying that they did their internal work and everything else and they've looked at the Ombudsman's report. The problem with it is the forward-facing Ombudsman's Report leaves out the details. It doesn't really speak to the issues that were at hand and things that have happened and were being pointed out. It's a quick-blush overview of it.

Also, since they said they wouldn't do a forensic audit, we've realized what was going on with the RRSPs and government isn't speaking to that - they just simply gave it to the police. Last time something like this happened in government, we were able to have things go to a forensic audit and then recommendations came to go to the police for an issue. That issue was with the South West Shore Development Authority and there was wrongdoing found there.

Once things come out publicly like that and are put forward, then government can say, we did this, we did this, and we did this. We can't simply say or feel satisfied as the public for government to just say that we've accepted everything that the Ombudsman put forward when nobody can see the entire report.

PATRICIA ARAB: This is really going to the heart of the protection of the employees, who, from anything that I've seen or read publicly, are not at fault. In fact, it was the employees who used whistleblower legislation to shine a light on the bad practices that were happening at Island Employment, but the employees have been almost a sacrificial lamb in this whole situation. What would having a forensic audit do for them?

JASON MACLEAN: Thank you very much for talking about our former members: the employees of Island Employment who did nothing wrong. A forensic audit would not only point to those who had done things wrong, but also exonerate our members who worked for Island Employment, who actually brought this forward, and now have no job. Or, who now have to apply for jobs - government simply could have stepped in and had some other group provide the service on the interim, but not just a simple part of the service. They could have taken the whole thing on at one time and kept everything running.

The issue here is that the employees who were there were left out in the lurch and had to fend for themselves - and still are. Also, we are supposed to be accountable to Nova Scotians. I don't believe government is doing so by simply saying we've adopted things that you can't see.

PATRICIA ARAB: I appreciate that. I think focusing on the decision that was made to just sever ties with Island Employment - it feels that those employees who were not at fault are now being punished as if they were, that they're guilty by association.

How easy is a forensic audit? If this is something that could help these 30-some employees, plus or minus - given their involvement or lack of involvement - how difficult of a process would this be to allow them some peace of mind or to have some support through this transition process of losing their jobs?

THE CHAIR: Ms. Arab, who is your question for? Is it for Mr. MacLean?

PATRICIA ARAB: Mr. MacLean.

JASON MACLEAN: Thank you for the question. We have 30 people who are walking around in their communities with a cloud over their head. They don't feel as confident applying for other jobs. They have not been exonerated. They've just been painted with a broad brush that they were part of Island Employment - part of the problem as to why something needed to be shut down. Eventually, the minister came and said, we really value the employees that are there, but the damage was already done, and they were already on their way to not having jobs. I guess you would see more upcoming - to see if people get jobs if they do, indeed, apply for jobs.

What we have here is just an accountability issue. They're accountable to the 30 people who they simply just tossed aside. Ironically, the majority of them are employment counsellors themselves who ended up unemployed. Also, it's about accountability to the public - accountability to Nova Scotians. I want to know what happened there, and I want to know how it's not going to happen again. I haven't learned any of that.

My plea from the beginning to the department was not to simply toss these workers aside, but to give them work moving forward because they are doing meaningful work - were doing meaningful work - in their communities. Any new people who get hired for that have to re-establish themselves in the communities and have to re-establish the connections that simply may have been lost if these people don't get their jobs back.

PATRICIA ARAB: I'll pose a question to Deputy Minister Czapalay. Given the nature of what we've just heard from Mr. MacLean, what do you think your department can do - either a forensic audit or if not a forensic audit - to fix this problem that has occurred for these employees who are now deemed guilty by association?

AVA CZAPALAY: Our concern with the forensic audit has always been that the Ombudsman's Report, that he posted in his annual report, spoke to gaps in the paperwork - even with his scrutiny and his deep dive. We did not feel that a forensic audit would reveal additional information above and beyond what he has identified.

Our issue was trying to preserve the jobs and the funding in Cape Breton, and we moved very quickly to do that. We certainly recognize that the services provided by Island Employment employees themselves - they were not at fault. I agree with Mr. MacLean. The employees themselves were not at fault. The fault is with the board and the senior management of Island Employment. The board could have saved these jobs. The board could have responded differently to us as a major contract provider with Island Employment.

When the Ombudsman's interim report was published, he shared that with the executive director. We did not hear anything from the executive director or from the board. You would think that when a board saw those kinds of concerns as identified by the Ombudsman, you would think that the board would immediately turn to their key funding partner and say, look, we see these concerns, we'd like to talk.

In fact, when the deputy minister of the day ...

THE CHAIR: Order. Order. The time for the Liberal caucus has in fact elapsed. We now move on to the NDP caucus. Ms. Leblanc.

SUSAN LEBLANC: This is quite a conversation. It's deeply concerning how we got to this situation or how we got to this present moment.

I have so many questions that I'm going to put them out into the ether. How did we get here? How is it possible that the Ombudsman had to go through years and years of financial reports to be able to figure out what was at issue at Island Employment? How is it possible that there wasn't government oversight of an arm's-length organization before the Ombudsman had to step in at the request of employees, who were watching what was going wrong?

How it is possible that the government didn't see that it was crucial to save the jobs of 30 unionized workers when obviously things were spiralling downhill? Even when the board didn't reply or the executive director didn't reply, how is it possible that the government didn't see that those 30 people retaining their jobs and keeping their positions was an essential part of figuring out this big befuddling problem?

I hope to get more specific questions about that kind of thing later, but I will begin with the Ombudsman, because we haven't had a chance to really hear from Mr. Smith yet.

My first question to Mr. Smith is: Could he provide his impressions of the decision that the government made to pull funding from Island Employment and terminate the 30 employees? The B part to that is: What was Mr. Smith hoping to see unfold at the department after issuing the 2020-2021 report?

WILLIAM SMITH: In terms of the shuttering of Island Employment and the cancellation of the contract, we were never contracted or consulted on that. Our office had no discussion with any people before the committee today or anybody else. Our recommendations were remedial in nature. We saw that the ship was off course, if you will, and heading for the rocks, and we decided that if you took these particular actions, perhaps you could right the vessel and continue on with the program. I had no input, no informed comment, on the ending of the contract.

SUSAN LEBLANC: I guess, then, I'll turn to the department. If the Office of the Ombudsman never recommended the pulling of funding but rather remedial recommendations to right the ship, as he says, why then did the department decide to pull the funding when it was never recommended?

[10:15 a.m.]

AVA CZAPALAY: In terms of righting the ship, we did look at all elements of what would be possible. We took the Ombudsman's interim report that was published in December and we met with Internal Audit twice in January to discuss the report, its findings and recommendations. I believe Internal Audit did reach out to Mr. Smith to request a meeting. Within the parameters of the whistleblower legislation, Mr. Smith was not able to have that meeting.

We then received the final report in April 2021 and again consulted with legal. We responded to Mr. Smith in early May regarding how seriously we took the recommendations and what our own mitigations would be. We did not see what Island Employment's response was to Mr. Smith's report. We did receive a note from Island Employment's senior management team indicating that they would like to use some residual funds to increase their salaries at the senior management level.

We also reached out to the board chair - the former deputy minister reached out to the board chair in late June, requesting a meeting. The board chair put some conditions around that meeting, including that the executive director should be in the meeting. The department did not proceed with that meeting.

It was a collective response, I'll say. It was the findings of the Ombudsman, it was the advice from Internal Audit and from our Department of Justice solicitor, and it was the reaction, quite frankly, from the board - I'll say lack of reaction. Also, the executive director and the senior management not seeming to take the recommendations as seriously as we were taking them.

The collective response led us to the decision that we needed to sever this contract, keeping in mind that we have - we say 23 Island Employment individuals - there were 23 individuals who were out of work when Island Employment decided to shut its doors. We moved quickly to put an interim provider in place and to ensure that the interim provider

advertised the jobs with the same skill sets, the same training, that the previous jobs had. We also offered Island Employment employees eight weeks of severance above and beyond what was in their contract, their collective agreement with NSGEU.

Then we moved very, very quickly to put a permanent provider in place. It was always our intention to move as quickly as we could to mitigate the impacts against the employees, and to have a new provider in place in early January.

SUSAN LEBLANC: Is there no mechanism in these types of relationships between the government and these arms-length organizations to replace the board of directors or replace the executive director as opposed to just pulling the funding?

AVA CZAPALAY: The board of directors is an independent board. It's an independent organization. They're self-governed. The Province doesn't have any authority over the operations of the independent organization. The board itself has the authority to hire and fire its executive director, the same as any board would have.

The board also has the legal and the ethical and the financial oversight of the organization, and we would have expected the board to have more of a presence in the last eight months. In fact, we've hardly seen or heard from board members, other than to put conditions around the meeting that we requested.

SUSAN LEBLANC: As we've heard from Mr. MacLean today, and from others - without a full airing and a full forensic audit of what was going on at Island Employment, the public won't know exactly what was happening. It's all well and good for the department to read the report and make a bunch of decisions internally, and, in fact, even invoke their internal audit. But unless there is a public forensic audit that takes place, the public won't know what happened, the employees won't know, and we have no way of ensuring that this kind of behaviour by boards of directors, or in similar organizations, might not happen again.

The people of Nova Scotia have much to learn from this example of this all going sideways. There are a number of organizations like the YMCA, Job Junction, TEAM Work Cooperative, and Opportunity Place that have similar relationships with the Department of Labour, Skills and Immigration to provide services to Nova Scotians.

My question to the deputy is: Will the deputy and the department commission a forensic audit, and if not, why not?

AVA CZAPALAY: Thank you for the question. We go back to the Ombudsman's Report, and it does indicate that he took two years to scrutinize four years' worth of financials. He indicated that there were gaps in those financials. We believe, in consultation with Internal Audit, that the Ombudsman had as much authority as anyone would have to look through the financials and inspect the operations of Island Employment. We do not

believe that a forensic audit would reveal any additional information than what the Ombudsman was able to find.

I want to pick up on a comment that Mr. MacLean made. After Island Employment closed in late November, we did receive a letter from some of the employees that indicated that they had concerns with their RRSPs, as Mr. MacLean indicated. That was new information above and beyond what we had already received. I didn't see it in the report that was published as part of the annual report online.

At that point, we consulted with our legal department, and upon their advice, we referred the matter to the police. We believe that the police will have investigation methods that will go beyond what a forensic audit could uncover. We feel like that's where the rest of this discovery into the finances of Island Employment best sit right now.

SUSAN LEBLANC: I'd like to ask Mr. MacLean what he thinks of that comment. I'm just wondering in terms of a forensic audit versus a police investigation. Mr. MacLean, can you comment on why that is or is not sufficient?

JASON MACLEAN: I must say that this here is something that has consumed a lot of my time since government didn't consult and simply moved on with their ill-informed decisions. It's really consumed the time of all of our members who lost their jobs.

The first thing I want to say is that you cannot rely on the board of directors that was there when you already identified that they don't have the ability to comply to what's needed there.

I also need to point out that government's not being consistent. When they weren't happy with the Nova Scotia Health board, they simply replaced the board. They didn't cease operations there. I think that is a very, very important point that needs to be pushed forward.

Also, we've negotiated with the employer for a severance package, much to our chagrin, because we wanted them to carry on - all the time that I'm having conversations with government. Then we go on to expand for more public knowledge and everything else, and only then, government went and said, well, we're going to give them some sort of pay to really move forward, which was far beneath what we have agreed to with the employer.

Now, with this passing it off to the police - it's simply that. It's passing off a responsibility. This is a responsibility of government funds that were handled by the Department of Labour, Skills and Immigration, and they failed on this. What they cannot do is simply fluff it off so that the police can investigate it and everything is caught up in an investigation of the police when the public still doesn't get the accountability nor the safeguards put in place that they can rely on and trust. Up until now, everything has been

secretive and everything has been behind closed doors, and I cannot even speak to any fail-safe that has been put in place. We'll never know unless we get that full forensic audit.

I certainly hope that answers your question. It's on very many levels, but at the end, you're handing off a responsibility to another organization and then all of a sudden there are no fail-safes put in place or anything that government actually has to answer to, for their failures up front with the management team that was there in the first place.

SUSAN LEBLANC: I'd like to ask Mr. Smith if he thinks, based on his investigation, there was effective oversight on behalf of the government over four years of Island Employment.

WILLIAM SMITH: If I may just make a comment about the earlier discussion. The initial response from the department to our office after the interim report was that they were interested in pursuing a forensic audit. That changed over time. I can't explain why that is, but there was an initial indication to us that they would pursue that.

I'd also need to correct the record on the progress of recommendations that we made to the department. They're in progress. They're not completed yet. We recently had the most recent towards the end of December.

I'm sorry, Ms. Leblanc, I've forgotten your question.

SUSAN LEBLANC: I get it. That happens to me all the time. My question was - now I have to go back and look at my question. (Laughter)

Given your investigation, do you believe there was effective oversight from the department over Island Employment over the last couple of years?

WILLIAM SMITH: Depending on who you talk to, there was a different lens on the relationship between Island Employment and the department. If you talk to Island Employment, they think there was a very close relationship, that the department was very conversant with their operations and their business. If you talk to the department, they basically send the money out the door, they rely on the program policy guidelines - and actually the policy and guidelines for the program, they govern the operations and expenditures of money.

Those same guidelines dictate the policies that have been put in place for such things as expenses and things like that. They don't speak to procurement at all, at least not the ones I've seen. Maybe the more recent updates may. There is a suggestion there that the expense claims and per diems and things like that should be along the lines of the provincial per diems, provincial rates. That's suggested, I believe, in the guidelines. We did find that there was no policy in place by Island Employment to enforce that.

As far as audits go, we found they're superficial at best. We didn't see any deep-dive audits to my knowledge, and when it comes to the reporting of expenses, they relied on an online system called the Labour Market Programs Support System, I believe, and that was the reporting of expenses to the department by Island Employment. That was very much, in our view, just a reconciliation of the amounts. If Invoice X was \$960, there was a verification to say that \$960 came off the books. There was never any question, I believe, that it was a legitimate and necessary expense.

[10:30 a.m.]

I'd say it was oversight. I don't think it was close, and certainly as far as the board goes, our investigation revealed that they were aware of many of the practices that were going on and they had no concerns with them. I think the deputy spoke to the board's role of - hindsight, oversight, and foresight was a term used in the board world - nose in, fingers out, but not hands off - so they may have been able to play a bigger role.

SUSAN LEBLANC: With the short amount of time I have left, I'd like to ask Mr. MacLean: Considering the original complaints were made under the whistle-blower legislation, what impact of chill on the Public Service might be risked from what has happened here?

JASON MACLEAN: I believe damage has been done to the public's outlook toward government because if anybody's going to bring something forward, they're going to first look at how is this going to negatively affect me?

With the whistleblower legislation, it's meant to protect people who go out and say something. I just don't believe government had made that extra step that they needed in order to protect the workers here. Sure, they're allowing people to apply for jobs that anybody else can apply for, but I don't look at that as being something special for the people who brought this important information forward.

It leaves me with a couple of questions. How much money was misappropriated, how much is missing, and where did it go? If government can answer those questions, then I absolutely believe a forensic audit needs to happen.

THE CHAIR: Order. The time for the NDP has now elapsed.

We'll move on to the PC caucus. Mr. Ritcey.

DAVE RITCEY: This question is for Mr. Smith. Mr. Smith, thank you for the hard work you and your team have done for our province. It's very much appreciated.

We all appreciate how much time and effort goes into your work and reports. It's extremely important for our government that processes remain open, transparent, and

accountable. We just want to get a better understanding of who had the opportunity to read your reports.

My first question, Mr. Smith, is: With whom did you share both the interim and final investigation reports and recommendations?

WILLIAM SMITH: The interim report was shared with the department and with the executive director of Island Employment. That's a normal process. The final report was shared with the department, the executive director, and the board of directors of Island Employment.

DAVE RITCEY: In your annual report, you indicate LSI does not control Island Employment as a Public Service entity despite its obvious resemblance to one. Also, in your recommendations, you refer to LSI referring issues back to the agency. How can you compare a third-party board-governed organization to a Public Service entity or agency?

WILLIAM SMITH: If I may, Madam Chair, could I quote from the legislation?

THE CHAIR: Certainly, yes.

WILLIAM SMITH: In the interpretation section of the Public Interest Disclosure of Wrongdoing Act, Section 3(a)(iv):

“3 In this Act,

(a) “agency, board or commission” means any corporation or other organization...

(iv) that is a not-for-profit organization that delivers programs or services on behalf of the Government under legislation or pursuant to an order in council, contract or agreement and receives substantially all its revenues from Government funding or from funding and service fees to the Government or program clients that is allowed under the legislation, order in council, contract or agreement;”

We feel quite strongly that Island Employment fits that definition and falls within those parameters.

DAVE RITCEY: Why did it take two years for the Ombudsman's Office to complete the investigation?

WILLIAM SMITH: We initially contacted it in September 2018. As with any significant investigation of this nature, there was a lot of due diligence done collecting

information, speaking to complainants - in this case, there were several - and going back and forth and clarifying things. That was done over the course of the Fall. We advised the department and the agency on April 1, 2019, that we were going to conduct the investigation.

It took in excess of over 12 months - probably closer to 16 months - to get the documentation that we required to conduct our analysis. In fact, we had to send three staff members at various times with our own scanning equipment to the agency to retrieve those documents and were met with a number of delays and excuses on why they couldn't be provided in a timely fashion.

It was not until the Fall of 2020 that we actually had all the materials we needed to analyze, and with that, we issued the interim report in December of 2020 and the final report in March of 2021. The two-year notion is not - it was because of delays. It wasn't because of any inaction on the part of our office.

DAVE RITCEY: This will be my last question for Mr. Smith: Given the significant time period, why recommend further auditing?

WILLIAM SMITH: I don't know if I understand the question. Recommend further auditing of what?

DAVE RITCEY: Further auditing as discussed earlier. We talked about forensic, but any further auditing in your recommendations. You made that comment.

WILLIAM SMITH: When we made those recommendations, we were under the assumption - and it turns out wrongly - that Island Employment would continue. We knew there were other similar types of agreements out there across the province, and we wanted to ensure that the same mistakes were not repeated, so that was that suggestion.

As far as a forensic audit goes, I'm not a forensic investigator, I'm not a forensic accountant, and we don't have any forensic accountants on our staff. If you wanted to do a deeper dive into the records of the organization, then that might be the way to do it. What we recommended is there be a forensic audit or examination that they consider. Then we had the response that we had.

THE CHAIR: Mr. Young.

NOLAN YOUNG: My questions are going to be to Mr. MacLean. It has always been a priority to support the employees who have been negatively impacted from Island Employment's decision to lay off staff. We've gone above and beyond what was required of us as government to ensure that they are taken care of during their transition to a new employer.

What I'd like to know is: What types of support were given to the staff of Island Employment so that we could better understand that this transition goes as smoothly as possible?

THE CHAIR: I'm sorry, I didn't catch, who was that for?

NOLAN YOUNG: Mr. MacLean.

JASON MACLEAN: You're speaking of what supports were given by government to Island Employment, to the staff? Is that what you're asking?

NOLAN YOUNG: I guess I can be more pinpointed here. What were the severance requirements of your collective agreement with Island Employment?

JASON MACLEAN: There was no severance. Being a new local, there was no severance that had been established in the collective agreement. However, we were able to go with the employer to establish what is provided for in the Civil Service Master Agreement, such as I guess your group tried to do today with the online voting.

What happened was when this issue came to light, I reached out to a few of your colleagues like Minister Allan MacMaster and others. I had different conversations with them, and asked them to consider what is going on here in this here organization, and not only that, we've already brokered a deal with the employer.

Your colleagues and people in your bureaucracy also stepped in and they did not uphold the deal that was made with NSGEU and the employer at that time. What they did was issue eight weeks, which by all estimates would have brought them until the announcement that was yesterday on the new providers, but just never kept them going or that they would be held with a job. That's all we ever asked when we approached this - "do not throw the baby out with the bathwater" is a term that I used - and we said simply have another group come in and run this organization.

We've seen this before in Richmond County home care and we've seen this, and it's ongoing right now in a home care agency in Antigonish. These are some solutions that we put forward to them. We didn't want our members to be without severance, but ultimately they did receive eight weeks' severance, which was above and beyond what was provided for in the collective agreement.

NOLAN YOUNG: What did the NSGEU do to support staff after the 60-day notice from LSI? How did you help them find new jobs?

JASON MACLEAN: The role of NSGEU is to simply fight for the jobs that they currently have. One thing that I did personally was to reach out to LSI - the person who was in charge of procurement. I had a long conversation with them because we went and

got a lawyer for our members and they were going to form a society and actually apply to become the service provider themselves and have them incorporated. But there were blocks that were put up with the RFP that was there for people who currently work within this system with LSI, that already has a relationship with them. They also had to be in the Cape Breton area - which I do believe the new provider isn't in the Cape Breton area, one of the new providers. That kind of puzzles me.

There was a series of blocks there that we could not achieve - that they could even apply to become a provider under the parameters that were set there. It just seemed more and more that the department cut ties with this group, and they didn't want any of these workers to be a part of anything moving forward.

NOLAN YOUNG: Who did you negotiate this collective agreement with? Who were the signing parties?

JASON MACLEAN: Island Employment, the employer.

NOLAN YOUNG: There were reports of a toxic work environment at Island Employment for several years. Just wondering what the union did to help employees during that situation.

JASON MACLEAN: What we do is try to work with the employer. We try to support members on tough situations. We've developed some programs here within NSGEU on how to deal with workplace conflict. We always have our Employee Relations Officers - the ones who assist people in the workplace - to insist on participating in workplace relation programs that an employer may have. Anything outside of that, we would offer it ourselves.

Currently, I'm in talks with one of our other employers to where we brought in the Department of Labour, Skills and Immigration, and we're actually doing mediation with the employer and with the employees. I feel it very important that we take an active role to create a healthy workplace within our workplaces. Thanks for that question.

NOLAN YOUNG: Did the government provide salary, benefits and job security to Island Employment employees, or was this done through the discretion of Island Employment?

JASON MACLEAN: Sorry, could you repeat that question?

NOLAN YOUNG: Did the government provide salary, benefits and job security to Island Employment employees, or was it all done at the discretion of Island Employment?

JASON MACLEAN: I'm actually really confused with that question. I could break it down a little bit, I guess. They were hired by Island Employment who had a contract with government. Government ended the contract with them, which therefore ceased operations.

Indirectly, government did provide everything to them, but no, the employer was Island Employment. I will tell you this - government absolutely ended their employment there.

NOLAN YOUNG: In the end, was it Island Employment's decision to lay off all the employees?

JASON MACLEAN: Actually, it was Island Employment's decision to cease operations because they had no more funding from government.

THE CHAIR: Any further questions from the PC caucus?

Mr. Boudreau.

TREVOR BOUDREAU: Madam Chair, I'll be directing some of my questions to the Department of Labour, Skills, and Immigration.

Just a follow-up on something that the Ombudsman had mentioned. After the interim report, it was thought that the department was looking at a forensic audit. Was that an assumption that was true? If that was the case for the department, what made you change from a forensic audit to not having one?

AVA CZAPALAY: When we received the interim report, we felt it was very important to get expert advice from the Internal Audit Office as well as from our Department of Justice. In those conversations, we looked at a variety of options, including the information that was provided, which we felt were very serious allegations, in the interim report, and we wanted to be clear on what our next steps should be.

Mr. Smith has detailed for us today the efforts that he and his team undertook to unearth the financial information at Island Employment. Two years of effort, essentially requiring him to take scanners into Island Employment to get the documents that he needed because they weren't forthcoming, that kind of thing. In his published synopsis of his report, he does indicate that there are gaps in the material that he received.

Looking at the entire situation, it did not seem as though a forensic audit could unearth anything more than what Mr. Smith and his team were able to do with their work. We determined that a forensic audit was not an appropriate way to go forward, and as I had mentioned previously, the additional lack of reaction from the board and from the senior management led us to conclude that there was no point in continuing with this service provider.

[10:45 a.m.]

TREVOR BOUDREAU: I would suspect that the department would want to have good relationships with service providers that they have a contract with, Island Employment providing employment and skills services to those people in Cape Breton. Could you describe the relationship that the department would have had with the board and management of Island Employment before, during, and after the Ombudsman's investigation? Did that change at all over time, or the correspondence and contact that you would have had with Island Employment? How was it before, during, and after this Ombudsman's investigation?

AVA CZAPALAY: I'd like to defer that question to Ms. Hoddinott.

THE CHAIR: Ms. Hoddinott.

NANCY HODDINOTT: We have regular interactions, primarily with management of organizations in our monitoring processes, so quarterly reports would be regular meetings with management to review financial activities. Planning and executing auditing would involve management as well, but the other piece is we ensure that our reporting and our quarterly reports are shared with the board.

While we're not meeting with boards on a regular basis, we ensure that the outcomes and the findings that we have through our reporting and any concerns that they may have are definitely being communicated with the board, so that both board and management are aware, and hopefully board and management are working together to rectify any concerns they have or celebrate any successes they have as well in their client service delivery.

TREVOR BOUDREAU: Just a little bit more on that. You had a relationship before, a relationship during the investigation, and a relationship after. Once the final report came out, or even when the interim report came out, were there discussions with Island Employment? What steps were being taken by Island Employment based on the findings of the Ombudsman's report? Did you get any sense that Island Employment had plans in place to deal with the issues at hand?

NANCY HODDINOTT: Again, as the deputy has indicated, we were very much disappointed with the board and management's response to the Ombudsman's Report. We would have expected - and this will be part of our monitoring as we manoeuvre through this - a very clear reach-out and invitation to have some conversation around what the findings were, what this organization was doing, sharing their responses that they would have been required to send back to the Ombudsman about how they were rectifying some of these concerns. We had no intentional reach-out by the board or the management to discuss any of this.

I think throughout all of this, with the findings of the Ombudsman, that was probably as disturbing as anything else that we were learning through the investigation. Again, coupled with the investigation results by the Ombudsman, it really solidified that we could not have any confidence that this board and this management could or would take the steps necessary to ensure that these things weren't going to happen again.

THE CHAIR: Mr. Boudreau, you have 30 seconds.

TREVOR BOUDREAU: I won't be able to get my question out in time, so I'll hold off.

THE CHAIR: That was our first round of questioning. Now we'll go into a second round of questioning. In order to leave time for closing statements and any motions that might come forward from the meeting, each caucus will now have seven minutes.

Ms. Arab.

PATRICIA ARAB: I will try to be as quick as possible, because there's a lot to digest.

At the end of our last questioning, Deputy Minister Czapalay said that the board was supposed to save the jobs. They did not save the jobs. The board was the problem, as you said.

Let's be clear, it's never a good time to be unemployed. Now, especially, is a horrific time to be unemployed, and when there's stigma and uncertainty around someone's unemployment status, which - and forgive me, I am from Halifax, but have strong ties in rural Nova Scotia, particularly in Cape Breton. In a rural area when you know a business or a company has done wrongdoing, if you were a former employee of that company and nothing clearly states that you weren't a part of that wrongdoing, it adds a level of stress and stigma - especially when you're going to apply for other jobs.

Then we add that to the tax implications, with the RRSPs that Mr. MacLean mentioned, and we have a situation in front of us where a forensic audit could easily clear this up. Whether the information is there or not, you can give some peace of mind to the employees who have been unavoidably affected by this.

Mr. Smith, my question in the time that I have is going to go to you, because in your earlier statement, you said that initially the department was interested in a forensic audit and then they decided against it. Can you give me any insight as to why that change occurred?

WILLIAM SMITH: No, I'm afraid I can't. I don't have anything other than what I heard from the deputy minister here today. I wasn't involved.

When we make recommendations, we're telling the department or the agency the "whats" of what we figure will need to be fixed. How they do that and how they operationalize the recommendations is in their wheelhouse.

PATRICIA ARAB: So it can be clear to say that you did not advise that the department not move forward with the forensic audit.

WILLIAM SMITH: No, that still remains a recommendation. However, it's the department's prerogative to decide how they go about addressing that recommendation.

PATRICIA ARAB: Thank you. So now we defer this situation to the police, which is an already-overburdened system and not able to necessarily give any peace of mind quickly to these employees and the situation that they currently find themselves in.

I have to say that, given everything I know about the minister responsible for this department, given the fact that in her mandate letter there are numerous times where employment in rural Nova Scotia is encouraged and mandated to her, I feel very strongly that if there is an easy fix, this is something that she would be on board with doing.

Mr. MacLean, I know that you met with the minister and the deputy minister in November. Can you tell us what came from that meeting and if there have been subsequent meetings or what those conversations have been in terms of, specifically, these 30 employees?

JASON MACLEAN: We actually had a very pleasant meeting in November, but there haven't been any subsequent meetings. We did try to reach out to the government, to no avail. It appears that - one thing that I was trying to feel that wasn't happening was because of all the media attention it was getting. The minister had agreed to meeting with us in the Legislature, but that hadn't happened. Then I reported that that hadn't happened, and all of a sudden we had a meeting that I was happy to attend.

One thing that was said in that meeting is that at the end of it we were going to be very pleased for our members. I haven't reached that spot yet where I'm very pleased for those who have been laid off because their lives are still filled with uncertainty and they still have no closure. As to what you spoke about with the forensic audit, they're still walking around stigmatized in their neighbourhoods.

PATRICIA ARAB: Again, I just want to say on the record that I do feel in all of my interactions with this Minister of Labour, Skills and Immigration, she is an individual who cares, and this would be something that would be very important to her.

To me, it seems like it's a very easy fix. A very easy direction that can be given from the department so that we can give some peace of mind to these employees in Cape Breton, keep them in Cape Breton, set an example for what this government wants to do in

rural Nova Scotia to make sure that those in rural Nova Scotia hear that their voices are heard.

I guess, again - and it's not fair to have the deputy here, but I guess my last question would go to the deputy. Given the conversations that we've had today, is a forensic audit something that is still a possibility, or is it closed completely?

AVA CZAPALAY: Regarding the forensic audit question, I don't know how I can say it any more clearly. We do not believe that a forensic audit will unearth any more information than Mr. Smith's team has been able to do over two years. We also believe that Mr. Smith and his team had as much, if not more, authority than a forensic auditor would have to compel individuals to turn over records.

Based on Mr. Smith's account, we believe the records were incomplete. We believe that the records would be even more incomplete right now because the people responsible for the misuse of public funds have had full knowledge of Mr. Smith's work since his interim report was published in December 2020. They've had a full year, if not more, to cover their tracks.

I don't believe that a forensic audit would add any more value to this conversation than the information that we already have that led us to the decision to terminate the contract.

With respect to jobs in rural Nova Scotia . . .

THE CHAIR: Order. I will now move on to the NDP. You have until 11:05 a.m.

Ms. Chender.

CLAUDIA CHENDER: I guess I want to start just picking up with some questions that Mr. MacLean put out there at the end of the last round which were pretty simple. This question goes to the department: Is the department clear about how much money has been misappropriated or unaccounted for, and what happened to those funds?

AVA CZAPALAY: With the response, Ms. Chender, maybe I'll ask Ms. Hoddinott what to add. The bulk of this contract with the service providers, as you might appreciate, is for staff salaries as well as for things like rent. The vast majority of the contract is salaries and rent.

There is an additional component of the contract that allows for some operational types of expenses, like travelling and so on. Those are the pieces that Mr. Smith investigated, so I'll ask Ms. Hoddinott if she can add some clarity to my response.

NANCY HODDINOTT: Unfortunately, I can't add a lot more clarity, because those details in terms of funding amounts are detailed in the actual full Ombudsmen's Report. Those are details that - and Mr. Smith, you can correct me if I'm wrong - that I'm actually not able to share because they are excluded from FOIPOP. Those are details, I believe, only the Ombudsman Office can provide.

[11:00 a.m.]

CLAUDIA CHENDER: A forensic audit by the Office of the Auditor General would, in fact, be public. So as not to use up too much of my time, I'll just state that and not ask it, and say that one of the purposes that we feel would be accomplished by a forensic audit would be to allow the public to understand that information.

I believe that the Ombudsman also said that he didn't have any purview over procurement or anything like that, so there also may be missing pieces that we don't understand. I think for us and on behalf of the public, it's important for the public to understand what happened to those funds.

The next question I have I guess is for the department - and it could be Ms. Czapalay or Ms. Hoddinott. We've heard that the department worked quickly - so quickly, in fact, that just one day before this hearing, we had an announcement of a new provider, which is great for folks who are looking for those services. However, eight weeks of severance and the possibility of a new job does not make those employees whole.

I believe that the Ombudsman referred to Section 3(4) of the Public Interest Disclosure Wrongdoing Act, essentially the Whistleblower Act. This would fit under that Act. We have a situation where the department did not catch this wrongdoing. It was reported by an employee and subsequently every employee has lost their job in contravention, I would say, of that Act.

My question to the department is: Why hasn't the department guaranteed employment for these employees who lost their job through no wrongdoing of their own when the department decided - contrary to the advice of the Ombudsman - to pull funding?

AVA CZAPALAY: Within our role, we did everything we could to ensure that employees were treated fairly. We ensured that we complied with our contract with Island Employment by giving 60 days' notice that the contract would be terminated. In addition to that, as previously mentioned, we added an additional eight weeks' severance for the employees.

We worked quickly to have an interim provider in place so that there was no lapse in service, and the job postings for the interim provider required the exact same skills and training as the Island Employment employees. We made numerous efforts to encourage

Island Employment employees to, in fact, contact the interim provider and apply for those positions.

We also mentioned right from the start that we would work as quickly as we could to find new providers, and we have done that. We always have indicated that those new providers would be identified by early to mid-January, and we've been working tirelessly to ensure that has happened.

Overarching all of this, we made it very clear right from the start, and we've reiterated it at every point, that it was very important for us that these jobs stay in Cape Breton. Ms. Hoddinott has mentioned earlier that people's expectation is that the same number of jobs that were at Island Employment for career service delivery would still be there with these new providers.

CLAUDIA CHENDER: I guess I just want to point out that jobs and humans are different, although they sometimes go together. To me, it's required that those jobs be protected, but it is not sufficient because you are dealing with human beings, 30 of whom lost their jobs through no fault of their own, but because they made proactive efforts to ensure their workplace - funded by this government - wasn't in contravention of the law and was operating properly. As a result, those 30 people lost their jobs - just before Christmas, as Mr. MacLean pointed out.

While I appreciate that the department has made efforts to create opportunities for those people - I think acting quickly in terms of ensuring extended severance is important. However, I'm not sure that acting so quickly to put this new provider in place such that there was insufficient attention paid to, in fact, employing these 30 people was the right decision. I think most people would have been willing to wait with an interim provider for a few more weeks if there was a path to finding permanent employment for these 30 people.

Further, we have no guarantee - and the public has no assurance because they can't see many parts of the Ombudsman's Report - that this won't just happen again.

THE CHAIR: Order. The time for the NDP has elapsed. We now go to the PC caucus until 11:12. Mr. Boudreau.

TREVOR BOUDREAU: I think I'll ask one question and then let my colleagues, if they have anything further, ask some as well.

I happen to be one of the MLAs in Cape Breton. This has impacted people in my community. This has impacted service to residents in my riding. There are concerns - especially in rural Cape Breton - that local services will be impacted because of the closure of Island Employment.

What Island Employment had was satellite offices. It wasn't just one office in Sydney. There were offices in Port Hawkesbury and in Inverness County as well. Residents want to know that these services will be provided close to home, and in the case of my Acadian riding, they want to know that those supports will be offered in both English and in French.

I'd like to ask the department to give me some insight. I know they announced two service providers yesterday, but I want to make sure that I understand. What are some of the requirements for those service providers to make sure that they provide local and appropriate supports both in English and in French, and what are the timelines for these services?

NANCY HODDINOTT: We absolutely wanted to ensure that we had service providers in place with the qualifications and skills and capacity to take on this work. We also wanted to ensure that that same regional and local presence continued in Cape Breton. We can assure you that those satellite offices will continue. Services will still be provided close to home and in community.

In terms of how we select, we wanted organizations that had knowledge of labour market issues in communities, service experience in terms of employment service experience, and relational kinds of organizations. Certainly we are committed to ensuring services are available in French and English, so that was another requirement.

We needed to know that they had a defined start-up plan and could actually begin this work and have their plan executed fairly quickly. I can tell you that these organizations are posting jobs this week, so that's absolutely welcome news. We can also tell you that one of the providers that provided some interim jobs will be continuing to provide them. Those interim roles will be able to be moved permanently if individuals who applied for the interim are interested in staying on over the longer term, which again reduces the disruption to those staff who worked on an interim basis.

We also ensured that we want people and organizations that understands what the breadth of employment services are, have the capacity to deliver those services effectively, and get them up and running fairly quickly. The two service providers that we have selected are absolutely in that wheelhouse and are eager to get started and are respected organizations in this field and in this province already.

THE CHAIR: Mr. Young.

NOLAN YOUNG: My question is for Ms. Czapalay. Did the government provide salaries, benefits, and job security to Island Employment employees, or was this done at the discretion of Island Employment?

AVA CZAPALAY: Island Employment was the employer and would have provided salaries and benefits and all of those things.

NOLAN YOUNG: In the end, was it Island Employment's decision to lay off all the employees?

AVA CZAPALAY: Island Employment made the decision to close after we notified them that the contract would be ended.

THE CHAIR: Mr. Boudreau.

TREVOR BOUDREAU: Maybe I'll just direct a question that I wrote down as the Ombudsman was giving an answer. He mentioned that he gave that interim report to both the department and to the executive director, but not to the board. Then with the final report, he gave it to the board, the executive director, and the department.

Given that the investigation was on the management, is this a regular practice - is this how that typically happens? Why was it two the first time and not all three? It just was confusing to me, so maybe he can clarify that for me.

WILLIAM SMITH: It's normal practice to provide reports to the department involved and the respondent at the interim stage. The purpose of that report is to seek any clarification anyone might want to provide to point out any factual errors that we may have made, things that they are totally sure are not true. They may have some recommendations or changes or whatever. It's not unusual to make changes or deletions or additions based on some of that information in the final report. When the final report was issued, it was given to the board.

TREVOR BOUDREAU: Would the board have gotten notice or any information in terms of the interim report? I guess I just wanted to know what was the difference between the interim and final report with the board itself.

WILLIAM SMITH: The board was just among the witnesses. None of the witnesses received the report. The main respondent and the department received the report. The board was shared with at a later date. It wasn't shared right away, because management wanted to share that report. I am told that when it was shared, it was made as a standing item on board meetings - however many board meetings were held after that.

THE CHAIR: Thank you very much. The time for questioning has elapsed.

We'll now have an opportunity for our witnesses to make a closing statement. Ms. Czupalay, would you like to start?

AVA CZAPALAY: Thank you very much and thank you for the questions today.

Labour, Skills and Immigration terminated its contract with Island Employment because we lost confidence that public funding was being appropriately handled. I want to be clear: This was an issue with the governance and management of the contract. We did not have any issues with the services delivered by the staff of Island Employment.

Our focus has been to keep the services provided by Island Employment in Cape Breton, along with the funding that goes with those services. We moved quickly to identify an interim provider and have that interim provider put in place, and we also moved quickly to find two new providers. We indicated that we would find the providers by early to mid-January, and it was with significant care and effort that we were able to find those providers and put them in place this week.

We also moved quickly to support the staff. We do appreciate that the staff have had a lot of anxiety around this issue, so we went above and beyond the NSGEU contract to provide the eight weeks of severance to help tide them to a point where the new providers would be in place.

We also have accepted the Ombudsman's advice and recommendations to us, and we have made many, many improvements to our 2020-2023 agreement. It has stronger monitoring and auditing processes in place as a result of that investigation, and we'd like to thank the Ombudsman for his recommendations to us.

THE CHAIR: Mr. Smith, would you like to make a closing statement?

WILLIAM SMITH: I hadn't planned to, Chair, but I guess I do have a couple of closing comments. We really appreciate the people who came forward and shared this information with us. It's unfortunate that the turn of events saw most of them - probably all of them - lose their employment. That was never the intention of this office.

To put it in perspective, not unlike Mr. MacLean, I grew up born and raised in Whitney Pier - the youngest of 10 children, a family of four sets of twins, with a sole provider who worked for DEVCO, and seven years between the youngest and the oldest in the family, so we know the value of a job and the hardships associated with tough financial times. I do hope that the employees come out of this in some whole fashion.

THE CHAIR: Mr. MacLean.

JASON MACLEAN: Madam Chair, I just want to speak on behalf of the members of NSGEU. They're bitter. No amount of funding given to them above and beyond what was provided in the collective agreement is washing that bitterness away for them.

I appreciate the words of the Ombudsman. How I would characterize our members is that they're heroes. They saw injustices being done and public funds being misused. They brought that information forward, but they feel that they've been dealt with in a

punitive way with government, as opposed to being hailed as those heroes as a thank you for bringing this forward. What happened was they lost their jobs in such a way that even the community suffered, because there was a gap in the services that were being provided from the time that they ceased working until even today.

[11:15 a.m.]

I just want to thank the committee for hearing us out. This is something that I vowed to our members that I will never let go. We will not let it go. NSGEU will not until we get a forensic audit, which I believe everybody sitting in that Chamber right now believe is needed, because we, as officials, need to be transparent to our constituents. Government is not being transparent on what happened and where things are going from now, and we all must know where things are going and how it's going to happen.

THE CHAIR: Thank you, Mr. MacLean. Ms. Leblanc, I believe that you have your hand up. Is that right?

SUSAN LEBLANC: I do, Madam Chair. I'd like to make a motion. The committee today has heard details of third-party mismanagement of public funds and government actions resulting in the loss of 30 public sector jobs, as well as a reduction in employment services to Nova Scotians. The Nova Scotia Ombudsman has outlined a range of inconsistent and inappropriate practices involving public funds at Island Employment. The investigation also flagged weaknesses in how the Department of Labour, Skills and Immigration govern third-party agencies spending public money.

The Ombudsman has suggested that a forensic audit may be required. Nova Scotians have a right to know what failures took place at Island Employment and the Department of Labour, Skills and Immigration, and that appropriate actions are taking place to ensure that these oversight failures are not repeated.

I move that this committee write to the Auditor General in support of the request of the Nova Scotia Government and General Employees Union, that the Office of the Auditor General undertake an audit of operations at Island Employment.

That's my motion. I just want to clarify that the Auditor General does have the ability to retain external experts to conduct the forensic aspects of that audit.

THE CHAIR: Thank you. There is a motion on the floor. Any discussion?

Mr. Young.

NOLAN YOUNG: Can I take a three-minute recess, please?

THE CHAIR: Yes, a three-minute recess.

[11:18 a.m. The committee recessed.]

[11:22 a.m. The committee reconvened.]

THE CHAIR: Order. We have a motion on the floor.

Mr. Young.

NOLAN YOUNG: I would like to propose an amendment to the motion - that we write a letter to the Auditor General asking her opinion of this request for an audit.

THE CHAIR: Her opinion of this audit?

NOLAN YOUNG: Her expertise or expert opinion on this.

THE CHAIR: On this matter?

NOLAN YOUNG: Yes.

THE CHAIR: Any further discussion? We have two motions on the floor.

Ms. Leblanc.

SUSAN LEBLANC: I'd just like to ask the member to clarify what he's saying. Is he suggesting that we simply write a letter asking the Auditor General what she thinks of this whole situation, or what she thinks of us asking her to do an audit? She has been really clear in speaking to the Public Accounts Committee that the Office of the Auditor General is always willing to take requests about audits, then they figure it out from there. Just us writing a request, there's no harm or foul. I'd just love a clarification, thanks.

THE CHAIR: Any further discussion? The Auditor General is actually here with us online today, so we can actually ask her. Under the Auditor General Act, Section 22, PAC can make a request to the AG to do an audit. Bearing all of that in mind, perhaps we could ask the Auditor General what she would recommend.

KIM ADAIR: Yes, hello everyone. I just wanted to point out that is an option for the Public Accounts Committee to consider. Having heard the discussion this morning that under Section 22 of the Auditor General Act, we can receive a request from the Public Accounts Committee to carry out an audit of any nature.

The thing to point out is that while I do have a very professional audit team, forensic auditors - we do not have that skillset at this time. However, as pointed out, we can augment the skillset with such expertise. I have had some experience in my past doing audits of a forensic nature.

The other important thing is that any report of the office would be a public report, tabled in the Legislative Assembly and presented to the Public Accounts Committee. I will just stop at that - that it's up to the Public Accounts Committee to decide.

I have also been listening to the discussion though and find it very enlightening and informative. I was not aware of a lot of the details. Commenting beyond that, at this point in time, I would decline.

THE CHAIR: Ms. Chender.

CLAUDIA CHENDER: I'm conscious of time. I'd like to call the question on our original motion.

THE CHAIR: Yes. We are calling the question on the motion by the NDP to write to the Auditor General and ask her to do an audit on Island Employment.

All those in favour? Contrary minded? Thank you.

The motion is defeated.

There was a subsequent motion by Mr. Young, or that was just a suggestion, not a motion? An amendment.

Ms. Chender.

CLAUDIA CHENDER: The Auditor General is clear in her comments that she just made that she would decline to comment further beyond pointing out our ability to ask her to do an audit, so I think the point of that motion is moot.

THE CHAIR: Is there any other business for the committee today? Going once, going twice. We will meet next on January 26th. It will be an in camera meeting. With that, the meeting today is adjourned.

[The committee adjourned at 11:27 a.m.]