

Standing Committee on Public Accounts

32nd Legislative Assembly

First Report

April 2007

Introduction

1. On February 2, 2007 the Auditor General of Canada issued a report entitled, *Transportation Capital Program and Property Management, Department of Highways and Public Works*. In this report the Auditor General “examined how the Department plans and implements transportation infrastructure projects, plans for and acquires space, develops and manages building projects, and maintains buildings.”¹

2. During the course of its audit the Auditor General of Canada (the Auditor General) identified a number of problems with the way the Department of Highways and Public Works (the Department) carries out certain responsibilities. The Auditor General also made a series of recommendations regarding how the Department might usefully address these problems.

3. The Standing Committee on Public Accounts of the Yukon Legislative Assembly (the Committee) accepts and endorses the recommendations made by the Office of the Auditor General in its report. This report will not summarize the Auditor General’s report, its recommendations or the Department’s responses to those recommendations. Neither will this report attempt to summarize the evidence given before the Committee at its public hearing. Instead, the report will focus on those issues that – in the opinion of the Committee – merit further comment.

4. The Committee is encouraged by the responses provided by the Department of Highways and Public Works to these observations and recommendations. Based on the responses contained in the report, and the evidence provided by witnesses during the public hearings, the Committee is satisfied that the Department has seriously considered the recommendations of the Auditor General. In some cases action to deal with the problems identified in the report has already been taken. In other cases action is being taken to comply with the Auditor General’s recommendations.

5. Nonetheless, concerns remain and these concerns will be elaborated upon in the rest of this report.

Maintenance – Transportation

6. One of the most important issues that the committee addressed was the safety of Yukon’s roads and bridges. The Auditor General’s report indicated that the index used

¹ Auditor General of Canada, *Transportation Capital Program and Property Management, Department of Highways and Public Works*, page 1.

by the Department indicated that the overall condition of pavement on the Yukon Highway network is lower than the acceptable limit set by the Department itself.

7. The Auditor General also reported that a number of Yukon's bridges do not meet the minimum standards set by the Department. The report said, "Left unchecked, further deterioration of these bridges could lead to safety problems."

8. Therefore, the Committee asked the Department to explain the extent to which the indexes it uses to assess Yukon's transportation infrastructure are related to safety.

9. The Committee is satisfied – based on the assurances provided to it by the Department – that Yukon's transportation infrastructure, while in need of reinvestment, is safe.

Project Management - Transportation

10. One difficulty the Department encountered was in acquiring accurate estimates for the cost of capital projects. The Department attributed this problem to the volatility of the cost of materials as well as increased competition in the construction sector. These problems, the Committee was told, are not unique to Yukon. In response the Department has said it needs "to be more rigorous in estimating" and "scrutinize very carefully estimates prepared by consultants." (1-5)²

11. The Committee appreciates the difficulties encountered by the Department. The Committee also acknowledges the fact that the Department intends to address this problem. However, the Committee would have appreciated more detail in the departmental responses to what is obviously a systemic problem.

12. The Auditor General reported that "it was difficult to determine...if the Department had complied with all environmental assessment requirements as well as other regulatory requirements."³

13. During the public hearing the Department assured the Committee that the Property Management Agency complies with all legal and regulatory requirements. (1-6) The Department attributes any difficulty the Auditor General experienced in confirming this to the means by which compliance was tracked. The Department assured the committee that it is bringing in new tracking methods that will clearly illustrate that legal and regulatory requirements are being met. (1-16)

14. The Committee is reassured by the Department's commitment to legal and regulatory compliance. It would not be acceptable for the Government of Yukon to be put in the position of not complying with its own laws and regulations.

15. In addition to laws and regulations, the Auditor General's report states the importance of Management Board Directives in the planning and evaluation process.

² Numbers in brackets indicate the page where direct or indirect quotes may be found in the transcript of the public hearing held February 8, 2007.

³ Auditor General of Canada, *Transportation Capital Program and Property Management, Department of Highways and Public Works*, (hereafter 'Auditor General's report') paragraph 34, page 14.

The report states: “In 1994, the Government of Yukon's Management Board (the finance committee of the Executive Council) issued a directive on project planning and implementation. In April 1998, the Management Board approved the removal of this directive from the Management Board Directive Manual and its inclusion in the General Administration Manual. The directive applies to projects that are estimated to cost \$50,000 or more to acquire a fixed asset. It specifies the principles for project planning, implementation, control, and review as well as the responsibility and accountability of the sponsoring department (with the budget authority for a project) and the performing department (which carries out the work on a project). The Department's activities are also governed by other government directives, such as those on contracting, office space planning, and capital building maintenance.”⁴

16. Unfortunately, it appears that these directives are not always adhered to. For example, the Auditor General reported that “The directive on project planning and implementation requires the Department to identify appropriate review and control points during the implementation phase to ensure that the overall project will be completed on schedule and within the target total cost. However, this was often not done in a rigorous manner. In the sample of projects we looked at, nine were not completed on schedule. Delays in completed projects ranged up to 13 months, although some of these delays were the result of unforeseen circumstances.”⁵

17. The Auditor General also reported that “The directive [on project planning and implementation] also requires the Department to review completed projects to evaluate whether appropriate procedures were applied, economy and efficiency were observed, and objectives were achieved. The Department is also required to evaluate the performance of those responsible for managing the projects and to develop recommendations for planning and controlling similar projects. However, these reviews and evaluations were not done in any of the projects we looked at. The results from such reviews would help the Department to avoid repeating the same mistakes in future projects.”⁶

18. The Auditor General therefore recommended that the Department should, “conduct the required review of completed projects to evaluate whether it has followed appropriate procedures, observed economy and efficiency, and met the objectives for the projects.”⁷

19. The Department's response to this recommendation was: “The Shakwak, Canadian Strategic Infrastructure Fund, and Strategic Highway Infrastructure Program projects are already subject to post-implementation audits as part of the federal requirements and have met with satisfaction. Other projects will be evaluated as resources allow.”⁸

⁴ Auditor General's report, paragraph 10, page 6.

⁵ Auditor General's report, paragraph 35, pages 14-15.

⁶ Auditor General's report, paragraph 36, page 15.

⁷ Auditor General's report, paragraph 37, page 15.

⁸ Auditor General's report, paragraph 37, pages 15-16.

20. During the public hearing the Department reiterated its approach to this directive. The Committee took the position that this position “does not sound like a firm commitment to review completed projects.” The question was then posed, “Does the department not see the value in these reviews?” (1-16)

21. The Departmental response was: “Yes, we do see the value of these. What it boils down to is, do you put the resources into post-implementation or into delivery of the actual program and completing the projects? We need to either re-evaluate the number of projects we are delivering annually and the amount of resources we have available in order to do these post-audits or we need to review the amount of resources we are putting toward these projects.” (1-16)

22. The Committee then asked, “What kind and level of resources would be required to review all of the projects that you have undertaken?” The response was “That is a difficult question to answer on the surface. I am not trying to dodge the answer, only that it depends a lot on the number of projects you may deliver in any one year as well as the degree of complexity or the size of the project. There are different levels or resources required for different types of projects to do the post-evaluations, so it would be difficult for me to give you a definitive answer.” (1-16)

23. The Committee considers the situation of non-compliance with the Management Board Directive unacceptable. The Department acknowledges the value of such evaluations, yet says they are only conducted where resources allow and there are no resources to conduct them. In other words, the Department says it values the evaluations, but doesn’t do them.

24. Whether the answer lies in acquiring more resources or in the re-allocation of existing resources, the Department should not move on to new projects without having learned from those just completed.

25. In addition to the practical benefits of project reviews, there is the issue of proper procedure. The directive on program planning and implementation requires the Department to review completed projects. It does not say that projects be evaluated “as resources allow.” The Committee believes it is not appropriate for departmental officials to select those directives they will follow and which they will ignore, regardless of their reasons for doing so. Directives should be followed unless and until they are repealed or amended.

Long Term Planning – Property Management

26. Another Management Board directive, entitled ‘Office Space Committee’ and issued in November 1995, governs the planning and allocation of government space. As described in the Auditor General’s report “The directive requires the Department of Highways and Public Works to carry out effective accommodation planning for government departments—by developing and implementing long-range plans to maximize the use of existing buildings and recommending the acquisition of additional facilities (by lease, purchase, or construction) to meet future accommodation needs. However, we found that there is no long-term strategic approach to identify and meet accommodation needs and no long-range master plan for acquiring and allocating

space. In addition, this directive has been subject to different interpretation and application and is not being followed consistently.”⁹

27. As a result, “Space planning is largely done on an ad hoc basis.”¹⁰ This is problematic, given that the Property Management Agency (PMA) is responsible for “about 480 government-owned buildings and 52 leased buildings.”¹¹ The Auditor General, therefore, concludes that “the Office Space Committee (also known as the Deputy Ministers Space Committee)...is not carrying out its responsibility to review the annual accommodation needs plan and recommend it to the Management Board according to the directive. There is no current annual accommodation needs plan.”¹²

28. The Auditor General therefore recommends that “The Department of Highways and Public Works should complete a master space plan to lay out a long-term approach to providing accommodation based on standards applicable to all departments. The Department should develop and implement long-range plans for building space to maximize the use of existing space and to recommend whether to build, buy, or lease as the best option for acquiring additional space.”¹³

29. The Department has agreed to this recommendation, adding “A Yukon-wide, master space plan is under way and targeted for completion in September 2007, based on consultant capacity. This initiative will address current issues and long-term space needs for all government departments. This plan will recommend whether to build, buy, or lease as the best option for acquiring space and will be presented to the Management Board for approval. Once approved, the ongoing maintenance of this plan will be the Department's responsibility.”¹⁴

30. The Committee is encouraged that the Department has begun to work on a comprehensive plan for the planning and allocation of government space. Nonetheless, the Committee wishes to express two concerns.

31. First, is the fact that the Department did not follow the Management Board directive. Subsequent to the public hearing the Department undertook to explain why this had occurred. The response – which is appended to this report – provides additional detail regarding what has occurred recently regarding corporate space planning. However, it does not answer the core question – why the Office Space Committee directive was not followed.

32. It appears – from the answers provided at the public hearing and the written responses submitted – that the Office Space Committee gradually and consistently drifted away from the requirement for long-range planning. The Department now finds

⁹ Auditor General's report, paragraph 38, page 16.

¹⁰ Auditor General's report, paragraph 39, page 16.

¹¹ Auditor General's report, page 1.

¹² Auditor General's report, paragraph 40, pages 16-17.

¹³ Auditor General's report, paragraph 43, page 17

¹⁴ Auditor General's report, paragraph 43, pages 17-18

itself in the position of having to develop a long-term plan, while managing the problems associated with the lack of such a plan, until such a plan is in place.

33. This series of events provides one example of why Management Board directives should be followed. These directives are issued for a purpose. If the directive becomes dated due to changing circumstances it should be amended. Ignoring a directive, or proceeding in an ad hoc basis – where there is a directive – is not an acceptable approach. The situation described in the Auditor General’s report is evidence of that fact. During the public hearing the Department agreed that the lack of long-term planning is one reason the government currently has problems regarding space allocation. (1-7)

34. The Committee’s second concern is that while the target date for the Department’s new master space is September 2007, this date is dependent on ‘consultant capacity’ and the plan may in fact arrive some months later.(1-6)

35. While the Committee is sensitive to the realities of such planning, the urgency of this plan requires that it be delivered as close to the target date as possible. September 2007, after all, is merely the target date for the delivery of the master space plan. It will take some time after this date to implement the plan and for the government to see the benefits of it.

Maintenance – Property Management

36. The Auditor General reports that, “A Management Board directive, entitled Capital Building Maintenance, requires the Department to identify capital building maintenance projects through regular and/or annual inspections. However, there is no up-to-date information on the condition of all government-owned buildings.”¹⁵ During the public hearing the Committee asked the Department to explain why it has not followed this directive. (1-7)

37. The Department response was that “Fundamentally, there are not enough resources to be able to inspect all the buildings on a regular basis at the level of a facility audit that would be needed to identify all the requirements. On a day-to-day basis, we do have staff who inspect the buildings from a preventive maintenance level, mainly related to code. Again, there are insufficient resources to be able to inspect and carry out all of the preventive maintenance required, but we do inspect the buildings for code and condition in what I would call a minor way, but it is sufficient to make sure that the systems meet the building code of the day and that any health and safety issues are taken care of.” (1-7)

38. The Department has established a business redesign project to develop a long-term capital maintenance plan. This project is “tied in with the procurement of a property management information system.” Together these elements should help the Department deal with what it has identified as “the fundamental root causes of the

¹⁵ Auditor General’s report, paragraph 73, page 28.

issues we found in property management...a lack of robust data, a lack of documented procedures and insufficient resources to carry out all the work.” (1-7)

39. The Department estimated that once these systems are in place developing the ability “to inspect all the Government of Yukon buildings at the correct level and in accordance with industry standards will probably take a minimum of five years.” (1-7)

40. While the Committee is once again pleased to see the Department addressing its responsibilities in a comprehensive manner, the timelines identified by the Department make the point regarding the cost to the government in terms of time that takes place when these responsibilities are – for whatever reason – neglected.

41. While a property management information system can help the Department deal with “a lack of robust data” and “a lack of documented procedures” it is unclear to the Committee how such a system will remedy “insufficient resources to carry out all the work.” The Committee therefore asked whether “the implementation of the business process redesign project change [the Department’s tendency toward reactive building maintenance] if the resources available to the department and its relationship to other departments remain the same?” (1-8)

42. The Department’s response – “The business process redesign project will change this, but there will be much larger changes if our relationships with the other departments improve significantly” – raised some interesting questions about this relationship. Questions about this relationship were also raised by the discussion surrounding the Department’s withdrawal from the multi-care facility projects in Watson Lake and Dawson City due to a breakdown in the relationship between the Department and the client department – Health and Social Services.

43. The Department assured the Committee that greater planning and co-ordination is taking place at the senior management level to establish common priorities and better communication between the Department and client departments. (1-19) While the Committee is reassured to hear this, co-operation between Yukon government departments, in the interest of all Yukoners, is something the Committee expects.

Property Management – Core

44. The Auditor General reported “The Department maintains a procedures manual for building development projects. The manual, written in 1990, was based on a 1990 Management Board directive entitled Building Development Projects, which has been replaced. As a result, the guidelines do not reflect the current directive on project planning and implementation, and project managers do not follow them consistently. The Department is aware that the manual needs to be updated to reflect current best practices and has included this as a major component of its Business Process Redesign Project that began in March 2006.”

45. The Auditor General reported that “In the 10 projects that we looked at, we did not find any documented project plans that clearly set out a strategy and course of action for completing a project, including proposed quality control and quality assurance

processes, work schedule, cost plan, and project team organization.”¹⁶ The Committee therefore asked the Department, “How is a project manager supposed to manage a project of any size or complexity if this documentation does not exist?” (1-8)

46. The Department responded that “Although there isn't a specific document called the project plan that we use at the present time, there is a building projects procedures manual that describes requirement specifications. That has been the main means by which we identify all the elements of a project plan. In addition to that, there is a schematic design report produced at the end of the planning phase for all building projects. This report also has all of the elements of a project plan. It addresses most but not every single item in Directive 2.17.” (1-8)

47. Nonetheless, the Department acknowledged weaknesses to this approach. The Department is planning to “adopt industry standards from the Project Management Institute, an internationally recognized organization. We've already started training our project managers toward that accreditation and are already reviewing our procedures manual for a rewrite to bring it in line with the Project Management Institute standard, also recognizing the procedures that are required by Directive 2.17, and we'll be asking our project managers to create a document called "project charter" to address the shortcomings we recognize.”

48. The Committee is encouraged by the Department's approach to this issue. The Committee also supports the Department's approach to professional development. The decision to upgrade the training of current project managers to Program Management Institute standards, and to address the shortage of qualified project managers by training its own staff are pro-active measures.

49. The Committee does find it curious, however, that the Department is only at this point poised to “adopt industry standards.” (1-8) If these practices are indeed “industry standards” why have they not been adopted to this point? A similar question can be raised regarding the Department's move to improve its use of language that is common in the construction industry. (1-8) As the Department made clear during the public hearing, there are benefits to this approach, so the Committee is left to wonder why it has taken some time to adopt practices that are “common” or “standard” in the industry.

50. The Auditor General's report brought to the Committee's attention an incident where “where a total of about \$195,000 was spent on [the Mayo Recreation Complex construction project] prior to obtaining Management Board approval for the implementation phase of the project, contrary to the government directive.”¹⁷

51. During the public hearing the Department attributed this to confusion among itself, the Department of Community Services and the village of Mayo, regarding the status of the funds required for the project. The Department said it hasn't “instituted any

¹⁶ Auditor General's report, paragraph 50, page 20.

¹⁷ Auditor General's report, paragraph 55, page 22.

particular procedure for this but we have discussed how we will control it and we will be putting procedures in place.” (1-9)

52. The Committee will be interested in seeing what procedures are put in place to deal with projects that involve other entities or multi-year funding initiatives. Any expenditure of public funds, that does not follow proper directives, has to be considered a serious matter, even if it is a singular event. It would not be appropriate for such an event to occur again.

53. The Auditor General report also “noted several cases where the Department proceeded with a project without the required environmental assessment and approval. Project managers told us that they did not receive adequate training and guidance in this area. According to reports commissioned by the Department, the potential environmental impacts may not be significant in the projects that we looked at. However, the Department must ensure that it conducts environmental assessments as required by legislation.”¹⁸

54. During the public hearing the Department acknowledged “two cases...where the environmental assessments were not complete. It has made it obvious that on internal processes and procedures, there are not enough checks and balances in our systems. So, part of the business process redesign project's goal is to document processes and procedures and put those checks and balances in place. That is one of the key objectives that they will be addressing in the next couple months.” (1-9)

55. The Committee looks forward to hearing more from the Department about how this objective will be addressed. The Committee cannot express strongly enough how important it is for Yukon government departments to adhere to all laws passed by the Yukon Legislature and regulations issues by the Commissioner in Executive Council.

Core Program Management - Leasing

56. The Auditor General made several blunt statements regarding the Department’s leasing practices. Among them are the lack of “an overall strategy for acquiring office space”¹⁹; the department’s lack of “an adequate cost-benefit analysis to support acquiring space through leases”²⁰; that “the Department had entered into nearly all the recent leases on a sole-source basis”²¹; and that “the Department has not established internal policies and procedures to guide its officials in acquiring space and in documenting decisions.”²²

57. During the public hearing the Department could not explain to the Committee “why, over the past 10 to 12 years, the department proceeded without a strategy.” (1-

¹⁸ Auditor General’s report, paragraph 56, page 22

¹⁹ Auditor General’s report, paragraph 60, page 24

²⁰ Auditor General’s report, paragraph 62, page 24

²¹ Auditor General’s report, paragraph 64, page 26

²² Auditor General’s report, paragraph 70, page 27

10) However, the Department agreed that “the absence of a strategy has contributed to additional costs over the years.” (1-10)

58. The Department also attributed the lack of a cost-benefit analysis to a desire of client departments to remain in the location they already occupied. Lacking a strategy “there didn't seem to be a reasonable approach to exiting that particular property. In many cases we renegotiated in situ, and in accordance with the contracting directive negotiated a new lease in an existing location and stayed there.” (1-10)

59. The Department's use of sole-source contracts was attributed to the situation it now finds itself in, where “there are so many leases in place and so many requests to address that, without a strategy, it's very difficult to know how to move forward in the most cost-effective way.” (1-10)

60. While the Committee does not dispute the Department's description of the current situation, the Auditor General's report shows that the Department has been sole-sourcing leases for some time. They are not just the result of leasing problems, but also a contributing cause.

61. The problems caused by the Department's approach are illustrated by an example cited in the Auditor General's report. It describes a situation where “the Department has rented space at the Professional Building in Whitehorse since 1 October 1991. A three-year lease (with no renewal option) expired on 31 May 2005. In December 2004, the Department initiated discussions with the landlord to renew the lease, including improvements to the building and concerns about heating and ventilation deficiencies. Numerous proposals were exchanged between the landlord and the Department for 15 months without an agreement being reached. Finally, the Department renewed the lease for three years commencing 1 March 2006, with an increase in rental rate but no capital improvements to the building.”²³

62. In other words, lacking a strategy for acquiring space, unable to conduct a cost-benefit analysis and yielding to a client department's desire to remain in its existing location, the Department had no leverage with the landlord and renewed a lease for three years on the landlord's terms. This case provides an example of how the Department's – and hence the government's – desire for efficiency in public spending are undermined by a lack of planning.

Property Management Agency

63. In 2004 the Government of Yukon Audit Services issued “Review of the Property Management Agency.” According to this document “The objective of this review was to assess Agency practices and procedures over the development and management of government owned and leased facilities.”²⁴

²³ Auditor General's report, paragraph 68, pages 26-27

²⁴ Government of Yukon, Government Audit Services, “Review of the Property Management Agency”, January 8, 2004, page 1.

64. This review found problems similar to those identified in the Auditor General's report. For example, "The review found that...government buildings were not being systematically maintained in an effective way to minimize costs and to maximize the economic benefit to the government. As well, the Agency did not take a long-term strategic approach in identifying the accommodation needs of departments and agencies..."²⁵

65. This review was based on the 2000-01 fiscal year. Hence, some of the problems identified in the Auditor General's report are of long standing. Given that the PMA was created in 1996, the Committee asked the Department to comment on the extent to which these problems are endemic to the PMA.

66. The Department acknowledged the aforementioned problems as long-outstanding and attributed them to "not having enough robust data, not having sufficient resources and not having documented procedures in place to follow described actions taken to address them." (1-11) The Department also assured the Committee that it was addressing these issues.

67. Nonetheless, these problems led – in the 2004 review – to questions regarding the propriety of the current structure and design of PMA as a special operating agency. In response to the 2004 review the Department prepared "a strategy paper that will initiate a discussion about [PMA's mandate, goals and business models]. The strategy paper will be developed for consideration by the Management Board."

68. The Department informed the Committee that "The strategy paper was developed a year ago. It was circulated in April 2006. It addressed and reviewed all of the options for how the organization could be structured and its relationship to its client departments. It wasn't reviewed by government at that time; the department plans on doing an initial review and resubmitting that paper this year." (1-11)

69. The Committee offers all the encouragement it can to the Department in re-submitting this paper, and to Management Board in giving it consideration. Given the problems encountered by PMA, and the long-standing nature of some of them, this consideration is necessary.

Performance Management and Reporting

70. The Auditor General reported that "There is no requirement for departmental performance reporting in...Yukon...While the Department has clear objectives, it has developed few meaningful indicators to measure performance. There is also little public information on the condition of the transportation infrastructure and whether it is improving."²⁶

²⁵ Government of Yukon, Government Audit Services, "Review of the Property Management Agency", January 8, 2004, page 1.

²⁶ Auditor General's report, paragraph 87, page 31-32

71. The Auditor General therefore recommended that “The Department of Highways and Public Works should improve its performance measurement and reporting to the Legislative Assembly by clearly specifying goals and objectives, establishing meaningful performance indicators with a focus on results, and linking reported achievements to stated goals and objectives. This should include reporting on the condition of the transportation infrastructure and government-owned buildings.”²⁷

72. The Department’s response to the Auditor General’s recommendation was that it “will benchmark and establish the performance measurements based on industry best practices for buildings. New reporting on the status of transportation infrastructure will begin as part of the 2006–07 year-end reporting to the Minister.”²⁸

73. Unlike the rest of the Department, the PMA has been timely in reporting to the Assembly. The Minister of Highways and Public Works tables the agency’s annual report and business plan in the Legislative Assembly each year. However, the Auditor General has identified deficiencies in this reporting: “While the Property Management Agency has established business objectives, the report provided information on only two performance measures: facilities management unit costs and work request volumes and turnaround.”²⁹

74. The deficiency of PMA reporting can be seen by comparing the 2005-06 annual report to the Auditor General’s report. Under ‘Space Planning and Development’ the annual report lists 10 of the more important capital projects the agency was involved in for that fiscal year. The listing gives a short description of the project and the amount expended on it.³⁰

75. Six of these projects are also reported on in Exhibit 6 of the Auditor General’s report. This exhibit lists the project’s original target total cost; pre-tender construction cost estimates; lowest bid received; revised target total cost; whether Management Board approval was required to increase target total cost; the original expected completion date; the date when the project was ‘substantially’ completed; and total incurred costs as of September 2006. The exhibit chart also has a column for comments on the progress of the project.

76. The Auditor General’s report gives a much fuller picture of the progress of these projects. While it may be difficult for the PMA – or any government department or agency – to acknowledge cost-overruns or missed deadlines, this information is crucial for the Assembly and the public to accurately assess the performance of public bodies. The Department must take these factors into consideration when considering its future reporting to the Assembly.

Observations and Recommendations

77. In its opening statement the Auditor General said: “We have made recommendations to the department to which it has agreed and has responded. The Committee may wish to review these responses to determine whether it is satisfied with

²⁷ Auditor General’s report, paragraph 89, page 32

²⁸ Auditor General’s report, page 32

²⁹ Auditor General’s report, paragraph 88, page 32

³⁰ Highways and Public Works, Property Management Agency, Annual Report 2005-06, pages 5-6.

the specificity of the proposed action plan in three main areas: first, what needs to be done to address each of our recommendations; second, who is accountable to do it; and finally, over what time frame.” (1-2) That is exactly what the Committee plans to do in framing its observations and recommendation.

78. In some ways it is difficult for the Committee to make recommendations. The Auditor General’s report contains several recommendations. The Department has responded positively to all of them. In the responses contained in the Auditor General’s report, the Department has indicated that it has already begun to implement some of the Auditor General’s recommendations, or is doing planning to implement others. This was reiterated during the public hearing. In this context, the Committee is wary of recommending that the Department take on additional tasks. Nonetheless, the Committee would like to express two concerns and make one recommendation.

79. One of the Committee’s concerns is the Department’s ability to fulfill all the undertakings it has committed itself to in its responses to the Auditor General’s recommendations. During the public hearing the Committee asked, “How will the department [undertake these planning and evaluation projects] when it hasn’t been able to do this in the past? Is it getting an infusion of resources? Is it reallocating resources from other areas? Will other activities be put on hold while these planning evaluation exercises are undertaken?” (1-12)

80. The Department’s response only addressed the property management program. Nonetheless the response was informative. The Department informed the Committee that it has, in its “business plan for the upcoming fiscal year...asked for additional resources for three personnel on a short-term basis. That is the project management team that we put together for our business process redesign project. In addition, we have diverted some funds from within our existing program to hire a consultant to assist us with that project. One of the reasons why we would ask for additional resources is to backfill the three staff so their positions can be maintained as we go forward. The rest of the work that we will be doing, like the property management information system, is in the request for funds for next year and the year after. The master space planning project was approved in this current year’s budget. So, we have received some additional resources and we have set aside some staff who are going to be working internally to engage our work unit staff in producing and doing the work. There is a bit more of a concentrated effort than there has been in the past.” (1-12, 1-13)

81. The Committee does not doubt the Department’s sincerity or its commitment to addressing the issues raised in the Auditor General’s report and the public hearing. Nonetheless, the Department’s ability to carry through on its commitments appears to be, to a large extent, contingent on securing additional resources. This, as the Department made clear at other points during the public hearing, has been a problem in the past. This, therefore, is a cause for concern.

82. There is another, related concern: As mentioned above, the PMA was subject to an internal government audit released in 2004. This audit, based on the 2000-01 fiscal

year, identified problems that persisted at the time of the Auditor General's report. During the public hearing the Department informed the Committee that it is has been working on a response to the internal audit since 2004. (1-11) Given the persistent nature of some of these problems, and the fact that the PMA is still addressing issues raised three years ago, the Committee is concerned about the Department's ability to carry out its commitments according to the timelines presented during the public hearing.

83. The Committee believes, therefore, that it will have to give continuing attention to the issues raised in the Auditor General's report and the actions the Department is taking to deal with them. While the Committee is cognizant of the workload facing the Department, it feels that reporting on these efforts is essential for the purposes of accountability and establishing confidence in the Department's plan of action.

84. **Recommendation:** That the Department submit to the Minister of Highways and Public Works a report detailing measures the Department is taking to address issues raised in the Auditor General's Report. The measures to be reported on shall include:

- The risk management action plan;
- The risk register;
- Improvements to information management systems;
- Progress toward the adoption of standard industry recognized language for building consultant services and construction contracts;
- The Business Redesign initiative;
- The new Property Management Information System; and
- The Master Space Plan;

That this report:

- Contain a description of each of these projects in terms of the issues it is designed to address and how those issues will be addressed;
- Specify who, within the Department or PMA, has responsibility for, or is otherwise involved in directing, each of these projects;
- Provide timelines for the completion and implementation of these projects; and
- Indicate progress achieved so far.

That the Minister of Highways and Public Works table this report in the Yukon Legislative Assembly on the first sitting day of the 2008 Spring Sitting.

85. The Department has informed the Committee that it "accept(s) the recommendation made in the report and will ensure that the Department submits a report to the Minister of Highways and Public Works as recommended. Ongoing updates on the progress of identified improvement activities will also be provided."³¹

³¹ Letter (dated March 28, 2007) from Janet Mann, acting Deputy Minister, Department of Highways and Public Works, to Arthur Mitchell, Chair, Standing Committee on Public Accounts: appended to this report.

86. As part of its continuing attention to the issues raised in the Auditor General's report, the Committee also reserves the right to schedule a follow-up hearing with the Department to address the action plan to be detailed in the above-mentioned report.

Conclusion

87. The Auditor General's report has brought to the Committee's attention serious issues regarding the Department's Transportation Capital Program and the PMA. The Auditor General has made a series of recommendations to address those issues.

88. The Department has accepted the recommendations of the Auditor General and has, in the report and in the public hearings, committed to addressing them. It has also indicated a number of actions it has already begun, or will undertake, to address the issues raised by the Auditor General.

89. The Committee is confident that the Department is committed to its program of improvements. However, the Department and the PMA have not always adhered to directives, and legal and regulatory requirements. There is ample evidence to suggest that had these directives and requirements been followed problems identified in the Auditor General's report could have been mitigated or avoided entirely. It is for this reason that the Committee has recommended more detailed and more regular reporting from the Department to the Assembly. The Committee believes that the Department's actions, coupled with improved reporting, will, over time, adequately address the issues raised by the Auditor General.