

# Audits of Two P3 Projects in the Sea-to-Sky Corridor



OFFICE OF THE  
**Auditor General**  
of British Columbia

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- The Auditor General is the independent auditor of the Legislative Assembly of British Columbia
- Reports to the Legislative Assembly, not to the government of the day
- Conducts both financial audits and performance (or “value for money”) audits



# BACKGROUND

## Audit of the Sea-to-Sky Highway Improvement Project Public-Private Partnership

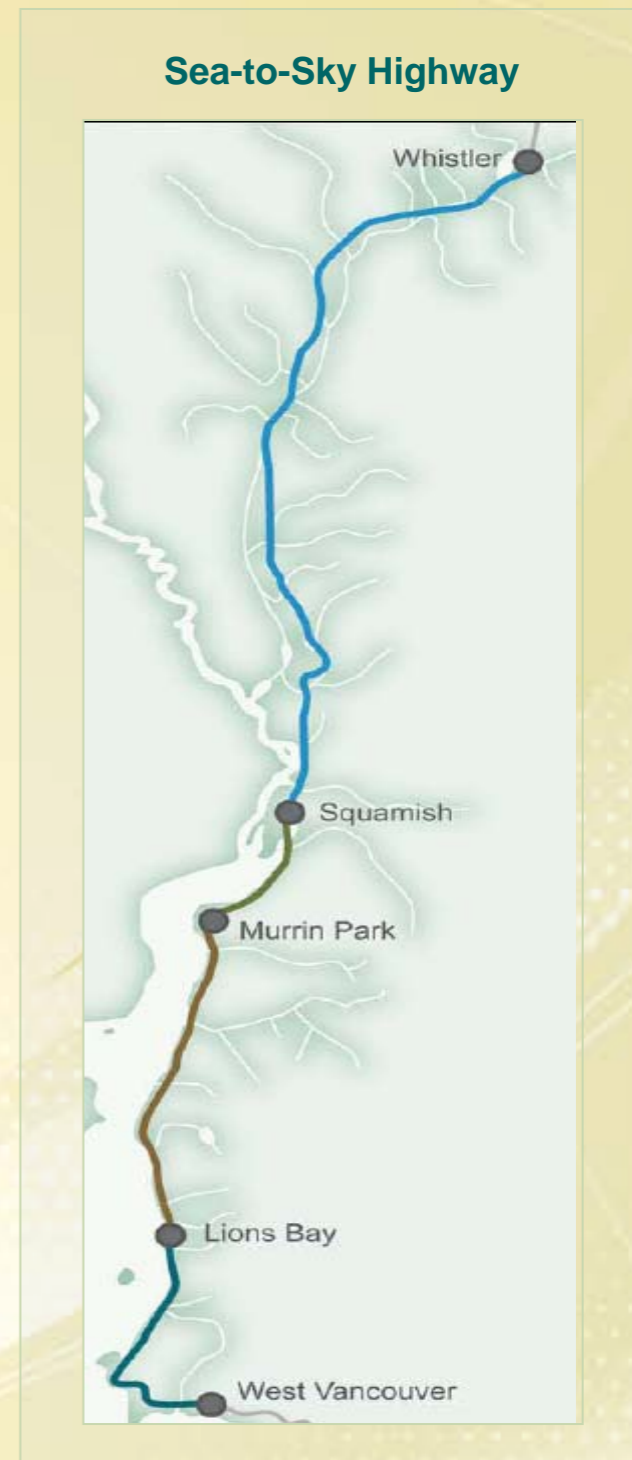
- Sea-to-Sky Highway (95 km) connects communities between West Vancouver and Whistler
- Improvement project procured as P3 between Ministry of Transportation and Infrastructure (MoT) and Sea-to-Sky Highway Investment Limited Partnership (S2S Partnership)



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# BACKGROUND

- S2S to design, build and finance two-thirds of highway improvements and operate/maintain highway for 25 years
  - Highway construction improvements significantly complete by end of 2009
- MoT released project report entitled *Achieving Value for Money – Sea-to-Sky Highway Improvement Project* (Dec 2005)



# AUDIT OBJECTIVES

To conclude on whether MoT:

- effectively transferred design and construction risk to S2S
- developed appropriate contract governance and management methods, and, is effectively managing the concession agreement; and
- is able to demonstrate it is achieving its key objectives for the project



# KEY FINDINGS

## *Design and construction risk transfer*

- We concluded that design and construction risks were effectively allocated between the Province and S2S, based on their respective ability to manage risks and costs

What We Evaluated Against	Not Achieved	Partially Achieved	Fully Achieved
<b>Objective:</b> To conclude on the effectiveness of the Ministry of Transportation and Infrastructure's management of the Sea-to-Sky Highway Concession Agreement in meeting its goals for the project.			
<b>Criterion 1:</b> Was design and construction risk effectively transferred to the concessionaire?			√

# KEY FINDINGS

## *Contract management*

- We concluded that the concession agreement, with a few exceptions, has been effectively managed
  - Recommendations 1, 2, and 3 address exceptions

What We Evaluated Against	Not Achieved	Partially Achieved	Fully Achieved
<b>Objective:</b> To conclude on the effectiveness of the Ministry of Transportation and Infrastructure's management of the Sea-to-Sky Highway Concession Agreement in meeting its goals for the project.			
<b>Criterion 2:</b> Has the ministry developed appropriate operations, maintenance and rehabilitation contract governance and management tools and managed them effectively?		√	

# KEY FINDINGS

## *Accountability for achieving key objectives and measuring value for money*

- We concluded that the ministry is not able to demonstrate its success to date of achieving its long-term objectives for the project (improved safety, reliability and capacity)
  - Recommendations 4 and 5 address this finding

What We Evaluated Against	Not Achieved	Partially Achieved	Fully Achieved
<b>Objective:</b> To conclude on the effectiveness of the Ministry of Transportation and Infrastructure's management of the Sea-to-Sky Highway Concession Agreement in meeting its goals for the project.			
<b>Criterion 3:</b> Can the ministry demonstrate that it is achieving the project's key objectives of improved safety, reliability and capacity through a well-designed and effectively managed contract?	√		



# RECOMMENDATIONS

## ***We recommend MoT:***

1. review and approve all changes in the P3 ownership structure as allowed under the Sea-to-Sky Highway Concession Agreement for the remaining life of the project agreement
2. ensure all key project documents are identified and accessible for the full term of the Sea-to-Sky Highway Concession Agreement



# RECOMMENDATIONS

## ***We recommend MoT:***

3. review the Sea-to-Sky Highway Concession Agreement (and all other existing P3 contracts) to assess the financial impacts of switching from the PST to the HST, and recover any overpayments made



# RECOMMENDATIONS

## ***We recommend MoT:***

4. measure and monitor the achievement of its main objectives for the Sea-to-Sky Highway Improvement Project
5. report publicly on how well it is achieving its value-for-money and risk transfer objectives outlined in the Sea-to-Sky Highway Concession Agreement



# BACKGROUND

## *Audit of the Britannia Mine Water Treatment Plant Project Public-Private Partnership*

- Britannia Mine located 50km north of Vancouver on Sea-to-Sky Highway
- Remediation project led by Ministry of Forests, Lands and Natural Resource Operations
  - primary goal to reduce environmental impacts from mine



# BACKGROUND

- Britannia Mine Water Treatment Plant Project (BMWTP) a key component of remediation project
  - Procured as P3 with private partner EPCOR Britannia Water Inc (EPCOR)
  - Ministry of Forest, Lands and Natural Resource Operations manages P3
  - Ministry of Environment - water treatment plant regulator



# AUDIT OBJECTIVES

To assess whether provincial government objectives for BMWTP are being met:

1. Did construction of the treatment plant meet the government's objectives?
2. Are the government's financial and environmental objectives being met?

## Audit Focus

*The focus of our audit was the Britannia Mine Water Treatment Plant Project public-private partnership.*

*However, because government is monitoring the long-term effectiveness of the plant by measuring environmental changes resulting from the Britannia Mine Remediation Project, we also found it necessary to review the progress of the broader remediation work.*



# KEY FINDINGS

## *Construction of the water treatment plant*

- We concluded that construction of the Britannia Mine Water Treatment Plant met government's objectives

What We Evaluated Against	Not Achieved	Partially Achieved	Fully Achieved
<b>Objective:</b> To assess whether government's objectives for the Britannia Mine Water Treatment Plant Project public-private partnership are being met.			
<b>Criterion 1:</b> Did construction of the treatment plant meet the government's objectives?			√

# KEY FINDINGS

## *Meeting of financial and environmental objectives*

- We concluded that government's financial and environmental objectives with the plant are substantially being met
  - Recommendations 1, 2, and 3 address exceptions

What We Evaluated Against	Not Achieved	Partially Achieved	Fully Achieved
<b>Objective:</b> To assess whether government's objectives for the Britannia Mine Water Treatment Plant Project public-private partnership are being met.			
<b>Criterion 2:</b> Are the government's financial and environmental objectives being met?		√	



# RECOMMENDATIONS

***We recommend Ministry of Forests, Lands and Natural Resource Operations:***

1. obtain periodic independent verifications of EPCOR Britannia Water Inc.'s water quality testing results over the remaining life of the project agreement



# RECOMMENDATIONS

***We recommend Ministry of Forests, Lands and Natural Resource Operations and Ministry of Environment:***

2. each develop and use a clear and concise method of maintaining records of key decisions about, interpretations of and amendments to the Britannia Mine Water Treatment Plant Project agreement and permits, respectively



# RECOMMENDATIONS

***We recommend Ministry of Forests, Lands and Natural Resource Operations:***

3. work with the Ministry of Environment to develop long-term plans and timelines for meeting their goal of closure of the contaminated site under the *Environmental Management Act*.



# LOOKING AHEAD

- April 2013 follow-up report will review the ministries' implementation of our recommendations
- Office plans to conduct further performance audit work on:
  - the effectiveness of public-private partnerships;
  - contract management; and
  - performance reporting within the public service.



# Further Resources

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