



**REPORT ON THE
*SUPPLEMENTARY ESTIMATES (A), 2022–23***

Standing Senate Committee on National Finance

FIFTH REPORT

**The Honourable Percy Mockler, Chair
The Honourable Éric Forest, Deputy Chair
The Honourable Clément Gignac
The Honourable David Richards**

June 2022

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MEMBERS OF THE COMMITTEE

The Honourable Percy Mockler, Chair
The Honourable Éric Forest, Deputy Chair
The Honourable Clément Gignac
The Honourable David Richards
The Honourable Peter M. Boehm
The Honourable Jean-Guy Dagenais
The Honourable Pat Duncan
The Honourable Rosa Galvez
The Honourable Amina Gerba
The Honourable Tony Loffreda
The Honourable Elizabeth Marshall
The Honourable Kim Pate

EX-OFFICIO MEMBERS:

The Honourable Marc Gold, P.C. (or Raymonde Gagné)
The Honourable Donald Neil Plett (or Yonah Martin)

OTHER SENATORS WHO PARTICIPATED IN THE STUDY:

The Honourable Senator: Lucie Moncion

PARLIAMENTARY INFORMATION AND RESEARCH SERVICE, LIBRARY OF PARLIAMENT:

Shaowei Pu, Analyst
Michaël Lambert-Racine, Analyst

COMMITTEES DIRECTORATE:

Mireille K. Aubé, Clerk of the Committee
Annie Trudel, Administrative Assistant of the Committee

ORDER OF REFERENCE

Extract from the *Journals of the Senate* of Wednesday, June 1, 2022:

The Honourable Senator Gagné moved, seconded by the Honourable Senator Gold, P.C.:

That the Standing Senate Committee on National Finance be authorized to examine and report upon the expenditures set out in the Supplementary Estimates (A) for the fiscal year ending March 31, 2023;

That, for the purpose of this study, the committee have the power to meet, even though the Senate may then be sitting or adjourned, and that rules 12-18(1) and 12-18(2) be suspended in relation thereto; and

That the committee be permitted, notwithstanding usual practices, to deposit its report with the Clerk of the Senate, if the Senate is not then sitting, and that the report be deemed to have been tabled in the Senate.

The question being put on the motion, it was adopted.

Clerk of the Senate

Gérald Lafrenière

EXECUTIVE SUMMARY

As part of its oversight role, the Standing Senate Committee on National Finance considered the Supplementary Estimates (A) for the year ending March 31, 2023, which were tabled in the Senate on 31 May, 2022 and referred to the Standing Senate Committee on National Finance on June 1, 2022.

128 organizations are represented in the 2022–23 *Estimates*. Of these, 26 organizations are included in these supplementary estimates. These supplementary estimates request \$8.8 billion in voted budgetary appropriations, and forecast an increase of \$860 million in statutory expenditures. This represents an increase of 4.6% of voted budgetary authorities to date.

In order to examine the *Supplementary Estimates (A), 2022–23*, our committee held two meetings and examined the estimates of six organizations that are requesting total voted appropriations of approximately \$5.35 billion, which represents 61% of the total voted amount requested in these supplementary estimates. The committee also heard from the Parliamentary Budget Officer, Yves Giroux.

Due to the limited timeframe given to our committee, we were unable to receive complete responses to some of our questions during the meetings. However, departments agreed to provide follow-up responses in writing by June 13, 2022. As of this writing, we have not yet received complete written responses from the following departments:

- Treasury Board of Canada Secretariat (partial response)
- Department of National Defence
- Public Health Agency of Canada (partial response)

Our committee would like to note the progress departments have made in responding to our questions in writing in a timely manner. However, as evidenced by the lack of or partial responses by the aforementioned departments, we believe there is still room for improvement.

OBSERVATIONS

1. The **Treasury Board of Canada Secretariat (TBS)** supports the Treasury Board in its role as the government's management board: overseeing the operations of the federal government as a whole, providing oversight of the financial management of departments and agencies, and acting as the employer of the core public service. The TBS itself does not request any amount of funding in the *Supplementary Estimates (A)*, 2022–23.

Officials from the TBS offered explanations on its accounting practices in the Public Accounts. Specifically, regarding the recorded net losses totalling \$19 billion in respect of the Bank of Canada's purchases of Government of Canada bonds, they said that investments in the Bank of Canada, which is a government business enterprise, are accounted for in the Public Accounts using the modified equity method of accounting, whereby the cost of the government's investment is reduced by dividends and adjusted to include the annual profits and losses for these corporations. Therefore, in response to the quantitative easing, an adjustment was required to record the upfront expensing of premiums paid by the Bank for secondary market purchases of the Government of Canada bonds. In its written response, it added that from an accounting perspective, the government is essentially purchasing its own bonds which means it eliminates any gains/losses incurred as a result of the market transactions. As a result, there was a substantial equity adjustment resulting in a decrease in the value of its investment.

Regarding the spending review that was announced in Budget 2022, officials from the TBS told us that they are still in the analysis stage of the action plan, and they will provide an update in the 2023 budget. They said the review would include a strategic property review as well as new directions and funding for the departments that are currently experiencing service delays. While our committee recognizes the need for spending review, we believe it must not result in cuts to essential services to the public. Additionally, the Parliament Budget Officer (PBO) also commented on this matter during his appearance before our committee. He stated that to achieve the \$9 billion in savings outlined in the budget, the government's operating and capital spending would grow by 0.3% per year between 2024 and 2027. He added that this would be a level of growth that has not been seen in a long time; and that this level of restraint would be more severe than what was achieved in the early 2000s and 2010s.

Officials also noted the labour shortage in Canada and stated that they are developing a whole approach for the future of the labour market. This would include a new skill strategy, modernized terms and conditions of employment, as well as competitive compensation and benefits. They added that they are currently in negotiations for the 2021 round of collective bargaining. For those that had tabled notices to bargain in 2021, the TBS has started financial discussions and tabled initial economic offers to those groups. Officials said they establish and ask for a mandate based on four criteria, that is, external comparability, internal relativity between the different classifications, performance, and available affordability. Officials added that the affordability criteria include the affordability for the government and taxpayers, but it also includes a number of variables, such as inflation and cost of living. Specifically, regarding the negotiation with Public Service Alliance of Canada (PSAC), officials told us that PSAC has declared an impasse and the TBS is currently waiting for a decision from the Federal Public Sector Labour Relations and Employment Board.

On its policies on the COVID-19 vaccination and telework, officials told us that as of May 30, 2022, there were 2,108 employees put on administrative leave without pay, and 1,899 employees have been granted an accommodation measure. Regarding the return-to-office plan, they added the deputy ministers can now bring back their employees as per their mandate and

operational requirements and assessments while respecting updated health and safety guidance. Deputy heads are now undertaking testing of various models based on the mandates of their departments and their requirements.

While our committee recognizes the government's efforts to disclose information about the estimates and expenditures, we believe there is room for improvement on the information related to other documents such as the Public Accounts of Canada and the budgets. Additionally, as we are entering the post-pandemic stage, we urge the government to consider the competitive labour market and the inflationary environment when it comes to the collective agreement negotiations and talent recruitment while remaining accountable for public funds.

2. **Indigenous Services Canada (ISC)** is requesting additional voted appropriations of \$2,218,525,823, including \$2,119,227,290 for costs related to compensation and for reforms to the First Nations Child and Family Services and Jordan's Principle programs, as well as \$99,298,533 to address the ongoing legacy of residential schools.

Officials from ISC explained this requested \$2.1 billion in additional voted appropriations is the third round of the same item that received the first two rounds of funding of \$1.2 billion and \$20 billion in *the Supplementary Estimates (C), 2021-2022* and the *2022-23 Main Estimates*, respectively. These funding requests are anticipated and adjusted as the negotiations with Indigenous partners continue. Officials added that a portion of the funding would be dedicated to initiate the reform of the Jordan's Principle program while the rest would be put into a trust that would be administered by a third party once the negotiations with Indigenous partners conclude. They said this method of administering the funds was agreed upon during the negotiation process as the department's mandate does not provide tools to manage the eligibility of such a fund. This approach allows the Indigenous institutions to manage the eligibility and issue the payments for their community and their individuals. The details will be disclosed once the negotiations conclude.

Officials also elaborated on the reform of the Jordan's Principle program. They said that as part of their long-term reform plan, they are currently working with Indigenous partners to improve efficiencies of the processing and approval of requests of products and services as well as the payment for reimbursement of costs. They stated that in addition to working with the Assembly of First Nations, the First Nations Child and Family Caring Society of Canada, and other provincial and territorial partners, they have also established the Jordan's Principle Oversight Committee, which consists of First Nations communities, representatives and provincial-territorial organizations. This committee would examine the issues, challenges and concerns and suggest reforms of the program to better meet the needs of Indigenous children who submitted requests.

ISC provided additional information on the Jordan's Principle program in a written response. Specifically, ISC stated, regarding the expenditures of the program, that on average, 89-90% of funding for Jordan's Principle program goes directly to individual and group requests; 7.2-7.9% to Service Coordination; and 2.7-3.0% for Program Administration. Regarding the current reform efforts of the Jordan's Principle program, it said that its new Back-to-Basics Approach, which was developed and agreed upon with Indigenous partners, has a request approval rate of over 95%. It also claimed that it has made progress on payment processing, stating that in fiscal year 2021-22, ISC processed 80.8% of invoices within 15 days even as the total invoices paid increased by 38%. Lastly, it detailed its new appeals process for Jordan's Principle, which now will be adjudicated by an external non-governmental panel of experts.

In a separate written follow-up response from TBS to our committee, the TBS detailed its roles regarding departments' performance indicators. It stated that Treasury Board may impose conditions and require departments to undertake various remedial actions such as identifying appropriate and valid performance metrics, where there is lack of clarity of expected results or where there are gaps in the quality of the indicators included in Treasury Board submissions. In these cases, the TBS works with departments to address these conditions within the time prescribed. Specifically on ISC, the TBS stated as mentioned in ISC' 2022–23 Departmental Plan, it is working with Indigenous partners to co-develop indicators and targets for programs and services offered by the Department. The establishment of new targets and baselines is required for program reform and is subject to confidential negotiations with partners. The work has been delayed due to COVID-19, and the Department plans to establish targets for a large number of programs by March 2023.

On the subject of performance indicators, the PBO told us that, in an ideal world, performance indicators would be used by ministers and departments to consider the amounts and allocations of funding, and determine the effectiveness of programs. However, in reality, they are mostly based on the needs of departments and policy decisions, and they are not determining factors in decisions as to where and how to allocate additional funding. The PBO stated that in a recent report on ISC and Crown-Indigenous Relations and Northern Affairs Canada, they found that performance indicators are regularly amended and adjusted for various reasons.

Our committee recognizes the importance of reconciliation and the nation-to-nation relationship to Canadians, Indigenous peoples, and indeed to Canada itself. Further, we recognize the progress made on these points and the continued commitment by the government to improvement. However, our committee is increasingly concerned with the lack of clear and verifiable performance indicators and progress benchmarks on the issue of reconciliation considering the large sums of appropriated funds to ISC.

3. The **Public Health Agency of Canada (PHAC)** is requesting additional voted appropriations of \$1,523,836,518, including \$1,406,900,000 for the procurement of additional therapeutics and \$9,619,156 for the Pan-Canadian vaccine injury support program.

Officials from PHAC stated that the majority of requested funding is being reprofiled from the previous fiscal year, including the funding for the procurement of additional therapeutics. Officials added that the funding was allocated originally in the previous fiscal year to allow PHAC to sign contracts with companies. It was then brought forward to the current fiscal year to match the timing of the payments. Officials detailed that as of May 19, 2022, \$766 million has been spent on therapeutics to date with a further \$1.9 billion under obligation through contracts, and they have a total budget across multiple years of \$3 billion. Officials clarified that the therapeutics comprise products from various companies, including Pfizer and Merck, of two main types, those for hospitalized patients and those for outpatients with mild to moderate illnesses such as Paxlovid.

Regarding the Pan-Canadian Vaccine Injury Support Program, officials explained that the program is administered through a third-party administrator *RCGT Consulting* with funding from PHAC. They work through the resolution of claims and process to administer those claims that come forward. This program applies to all provinces and territories in Canada, except Québec which has its own vaccine injury compensation program. Officials said that based on the latest data from December 2021, out of the approximately 400 claims that were made, 323 claims were deemed eligible and are now in the medical review process.

While we welcome the efforts to procure therapeutics against COVID-19, we encourage the government to improve its proactive information disclosure, including the intended use of the requested funds, the accounting mechanisms, and the rationales behind them.

4. **Public Safety Canada** is requesting additional voted appropriations of \$823,638,161 for the Disaster Financial Assistance Arrangements (DFAA) contribution program.

Officials from Public Safety Canada explained that the DFAA is a contribution program that was established in 1970 through which the federal government supports provinces and territories in cases of large-scale natural disasters. When the anticipated eligible response and recovery costs exceed a threshold, which is based on the population, a province or territory can seek financial assistance under the program. The Governor-in-Council may then, on the recommendation of the Minister of Public Safety and Emergency Preparedness, approve an Order in Council to authorize the Minister to provide financial assistance to the affected province or territory. That jurisdiction has then up to five years to request the final payment. Advance or interim payments may be made, as needed. Requests for reimbursements are processed following the receipt of information on provincial or territorial expenditures and a review by federal auditors.

Officials observed that the \$823.6 million requested for the DFAA would supplement the \$100 million already requested in the 2022–2023 Main Estimates. This new funding would be used to cover existing liabilities from previous natural disasters, including a payment to Quebec for the 2019 spring flood, an interim payment to Manitoba for the October 2019 storm and a final payment to Saskatchewan for the 2017 wildfires. A portion of that funding would also be used for an advance payment in respect of the recent disasters in British Columbia.

Regarding the management of the DFAA, officials told the committee that the department conducts accounting exercises in the spring and fall of each fiscal year to reassess the needs of provinces and territories. As part of this process, the department may find out that the actual requests for assistance are larger than the initial estimates. In such cases, the department may need to request additional funding through supplementary estimates. Officials added that recently, certain provinces and territories have taken more time to submit the information required under the program, as they have had to pull resources from certain sectors to support the response to the COVID-19 pandemic. As well, events such as elections or additional disasters or emergencies, may have an impact on the time needed for a province or territory to submit the required information related to requests.

Officials indicated that the department has launched a review of the DFAA and that the Minister has appointed an advisory panel to review and make recommendations regarding the program. They mentioned that the advisory panel is considering whether to change the modalities of the program and the types of disasters that are covered by it. The advisory panel has also been conducting consultations, including with Indigenous communities. The advisory panel will submit its recommendations in fall 2022.

Furthermore, officials stated that there are a number of initiatives aiming to minimize and mitigate the risk of future disasters, such as the National Adaptation Strategy, which is under development, and the National Risk Profile. They added that infrastructure is one component being considered as part of this work.

In light of the growing frequency and severity of natural disasters in Canada, our committee looks forward to the results of the review of the DFAA. As well, we encourage the government to

allocate adequate resources to mitigation and adaptation measures, such as the upcoming National Adaptation Strategy and investments in resilient infrastructure, to limit the human and financial costs of natural disasters.

5. The **Department of National Defence** is requesting \$500 million for military aid to Ukraine, as announced in Budget 2022.

Officials from the Department of National Defence informed the Committee that since the beginning of the Russian invasion of Ukraine, the Department has committed almost \$50 million worth of surplus and in-service donations to Ukraine, including non-lethal equipment such as vests and meal packs, and lethal equipment such as howitzers and related equipment. They noted that the department has kept track of these donations and their costs to ensure that its own stocks are replenished quickly.

As well, officials stated that the department committed \$214 million in procured items to that country, such as satellite imagery, drone cameras and armoured vehicles. They also explained that the requirements and requests have been communicated through a number of avenues, including to the Minister of Defence through her Ukrainian counterpart, and through multilateral donations requirements.

Speaking on capital spending under the Strong, Secure, Engaged policy, officials said that the department has been tracking and publishing their results since the beginning of the policy in 2016-2017, and that as announced in the Fall Economic Statement 2020, it developed new baselines for its schedule and costing estimates. They also indicated that a new version of the Defence Investment Plan, which was last published in 2019, would be released in fall 2022.

6. The **Canadian Air Transport Security Authority (CATSA)**, who is responsible for screening air travellers and their baggage in 89 airports across Canada, is requesting \$329.7 million for “critical operating requirements.”

Officials from CATSA stated that the organization receives approximately \$568 million in base funding through the Main Estimates each year, but that this amount has been insufficient since approximately 2014. As a result, it has been requesting additional funding through Supplementary Estimates (A).

They indicated that the recent delays at security screening experienced in Canada’s major airports are not the result of a lack of funding, but rather to a lack of screening officers, combined with the rapid increase in the number of passengers. They explained that prior to the pandemic, there were 7,400 screening officers, that a significant number was laid off during the pandemic, but that since last spring 1,250 officers have returned, out of the 1,750 that could return. They said that CATSA now has 6,800 officers at its disposal and that recruitment is ongoing to address staffing shortages, with a target of 1,000 new officers this year. They added that more than 400 screening officers are currently being trained. The requested funding would support CATSA’s staffing efforts.

Officials told the Committee that the amount of funding provided to CATSA is in accordance with an “85-15 target,” which refers to 85% of passengers waiting less than 15 minutes, on average, over the year, in [Class 1 airports](#), which are airports with an annual passenger traffic in excess of 1 million people or a high threat/risk potential. While they recognized that this target has not been met recently in certain airports due to the challenges noted above, CATSA intends to meet

that target during summer 2022. They noted that wait times have already started to improve and that in the last week of May, 88% of passengers waited 15 minutes or less in Class 1 airports.

Speaking on COVID-19-related measures, officials mentioned that a number of measures were implemented during the pandemic and that they had an impact on screening, but at a time when there were fewer passengers. They went on to say that these measures have been adjusted as the pandemic evolved and that with the expected increase in passenger volumes, they would be revised to make efficiency gains without compromising the health and safety of workers and passengers.

The recent delays experienced by passengers in Canada's major airports are unacceptable. With the increase in the number of passengers expected during the summer, we urge the government to take the necessary measures to ensure their efficient transit through Canada's airports.

WITNESSES

June 7, 2022

Canadian Air Transport Security Authority

- Nancy Fitchett, Vice-President, Corporate Affairs and Chief Financial Officer;
- Kelsey MacTavish, Senior Director, Operations.

Department of National Defence and the Canadian Armed Forces

- Lieutenant-General Frances Allen, Vice Chief of the Defence Staff;
- Cheri Crosby, Assistant Deputy Minister (Finance) and Chief Financial Officer;
- Troy Crosby, Assistant Deputy Minister (Materiel).

Indigenous Services Canada

- Kelley Blanchette, Assistant Deputy Minister, Lands and Economic Development;
- Keith Conn, Assistant Deputy Minister, First Nations and Inuit Health Branch;
- Paula Hadden-Jokiel, Associate Assistant Deputy Minister, Regional Offices;
- Catherine Lappe, Assistant Deputy Minister, Child and Family Services Reform Sector;
- David Peckham, Assistant Deputy Minister, Education and Social Development Programs Sector and Partnerships Sector;
- Philippe Thompson, Chief Finances, Results and Delivery Officer.

Office of the Parliamentary Budget Officer

- Yves Giroux, Parliamentary Budget Officer;
- Kaitlyn Vanderwees, Analyst.

Public Health Agency of Canada

- Joel Denis, Acting Vice-President, Infectious Disease and Prevention and Control Branch;
- Martin Joyal, Director General, Strategic Policy, Planning and Coordination, COVID-19 Vaccine Rollout Task Force;
- Martin Krumins, Vice-President and Chief Financial Officer, Chief Financial Officer and Corporate Management Branch.

Public Safety Canada

- Mauricette Howlett, Director General, Programs, Emergency Management and Programs Branch.

Treasury Board of Canada Secretariat

- Annie Boudreau, Assistant Secretary, Expenditure Management Sector;
- Karen Cahill, Assistant Secretary and Chief Financial Officer;
- Marie-Chantal Girard, Senior Assistant Deputy Minister, Pension and Benefits;
- Rod Greenough, Executive Director, Expenditure Strategies and Estimates;
- Monia Lahaie, Assistant Comptroller General, Financial Management Sector, Office of the Comptroller General;
- Samantha Tattersall, Assistant Comptroller General, Acquired Services and Assets Sector, Office of the Comptroller General;
- Paul Wagner, Assistant Deputy Minister, Strategy and Transformation, Office of the Chief Information Officer.