

**HANSARD**

**NOVA SCOTIA HOUSE OF ASSEMBLY**

**COMMITTEE**

**ON**

**PUBLIC ACCOUNTS**

**Wednesday, December 9, 2020**

**Video Conference**

**December 2020 Report of the Auditor General, Financial**

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## **Public Accounts Committee**

Keith Bain (Chair)  
Keith Irving (Vice-Chair)  
Brendan Maguire  
Hon. Margaret Miller  
Ben Jessome  
Rafah DiCostanzo  
Tim Halman  
Lisa Roberts  
Susan Leblanc

In Attendance:

Kim Langille  
Legislative Committee Clerk

Gordon Hebb  
Chief Legislative Counsel

Nicole Arsenault  
Assistant Clerk - Office of the Speaker

### **WITNESSES**

#### **Office of the Auditor General**

Terry Spicer,  
Acting Auditor General

Morgan McWade,  
Assistant Auditor General

Janet White,  
Audit Principal

#### **Department of Finance and Treasury Board**

Byron Rafuse,  
Deputy Minister

Lilani Kumaranayake,  
Executive Director - Fiscal Policy, Economics and Budgetary Planning

Rob Bourgeois,  
Acting Executive Director - Government Accounting



**HALIFAX, WEDNESDAY, DECEMBER 9, 2020**

**STANDING COMMITTEE ON PUBLIC ACCOUNTS**

**9:18 A.M.**

CHAIR  
Keith Bain

VICE-CHAIR  
Keith Irving

THE CHAIR: We'll call this meeting of the Standing Committee on Public Accounts to order. My name is Keith Bain. I'm the MLA for Victoria-The Lakes and I'm Chair of the Public Accounts Committee.

Since this is the first Public Accounts Committee meeting that's being held via video conference, just a couple of reminders before we start. The witnesses should keep their video on during the meeting. This is particularly important because in order for us to ensure quorum and everything, the members have to have their videos on, as well.

You're also asked to keep your microphones muted until you're called upon to speak. Don't turn on your microphone until you're recognized by the Chair. In the event that you want to speak, just raise your hand and I'll be watching to see if I can recognize you anyway. Again, a reminder to everybody that has their phones with them, please place them on silent or vibrate.

Now we're going to begin with the introduction of the members, starting with Mr. Horne.

[The committee members introduced themselves.]

THE CHAIR: On today's agenda, we have officials from the Office of the Auditor General and the Department of Finance and Treasury Board with us to discuss the 2020 Financial Report of the Auditor General. We're going to ask the witnesses to introduce themselves.

[The witnesses introduced themselves.]

THE CHAIR: We'll invite Mr. Spicer first to make his remarks, and then we'll follow up with Deputy Rafuse.

TERRY SPICER: Good morning to everyone. As you know, I tabled my financial report with the Legislative Assembly last week. I'm appearing here today to present the findings to the committee and to answer any questions that you might have.

This is the fifth regular report to the Legislature from the Office of the Auditor General this year. That number is notable because the office was able to achieve considerable output despite the challenges presented by COVID-19. As a result, I want to thank my staff for their dedication and hard work. Together they have worked thousands of hours to get this report ready.

This report is the last one for 2020 and it contains three chapters: a chapter on financial audit work of the consolidated financial statements of the Province of Nova Scotia, and the more than 110 entities within government; a second chapter, an information report on the financial impacts of COVID-19 on the Province of Nova Scotia; and a third, which circles back on the areas of interest and a follow-up on previous-year items, including cybersecurity, fraud risk management, internal meetings, and employee social events expenses.

The first chapter in the report details the financial audit of the Province's consolidated financial statements, and of the many organizations that are part of the Government of Nova Scotia. For the 20<sup>th</sup> year in a row, the Province of Nova Scotia received a clean audit opinion on its financial statements. Some of you will note that our office has been charting the continued achievement of the government in receiving a clean audit opinion.

I think it's especially important this year to point out that the Province was able to adapt and provide timely financial reporting even with the difficulties brought on by COVID-19. Key to our work is the team at the Department of Finance and Treasury Board. I want to thank everyone there for their co-operation and professionalism.

As we already reported to the Department of Finance and Treasury Board, while financial statements are reliable and many processes work well, significant control weaknesses need to be fixed at two departments and eight government organizations. These required fixes don't alter the clean audit opinion on the financial statements, but underlying

control weaknesses increase the risk of unreliable financial reporting and misuse of assets in the future. Therefore, they should be addressed in a timely manner.

The second chapter is an information report on COVID-19 spending. It's important to note that this is not a commentary on government policy or decisions. It's also not an audit. The financial measures and funding presented have been reported by government and are unaudited. The report was done to provide Nova Scotians and the Legislature with an overview of the financial impacts of COVID-19 on the finances of the province.

We'll take a more in-depth look when we release a performance audit in 2020 on some of the various provincial spending programs established to support Nova Scotians through the COVID-19 pandemic.

Nova Scotia is experiencing a significant economic disruption brought on by COVID-19. The economy is projected to shrink by 5.5 per cent in 2020 and total provincial source revenue is forecast to decrease by \$599.2 million in fiscal 2021 from what was originally budgeted.

The annual operating deficit is expected to grow to \$853 million in fiscal 2021. That debt is forecast to increase by an additional \$1.2 billion from original estimates. Contributing to these expected results are special financial measures introduced by government to help Nova Scotians, including deferred government loan payments, cash advances to universities and colleges, and a loan program for municipalities.

In addition, the Department of Health and Wellness is incurring significant additional expenses for ramped up health care costs. In 2021, the department projects its COVID-19 spending - which also includes personal protective equipment supplies - will cost \$331 million.

Chapter 3 provides an opportunity for the office to follow up in previous year report areas and investigate topics that are important to Nova Scotians. This year, we circled back primarily on cybersecurity and fraud risk management. We surveyed management in government departments, Public Service units and organizations for our report. We didn't audit these topics, but they're important enough to raise questions - in part because of the heightened importance of cybersecurity this year due to COVID-19.

As with other jurisdictions, the global pandemic forced many provincial employees to work from home, further increasing the risk to the province's cybersecurity with employees accessing that work from remote non-government locations. Despite that, Service Nova Scotia and Internal Services hasn't finalized regulations to define roles and responsibilities for cybersecurity.

In addition, its government-wide cybersecurity risk register is still under development and training programs are not provided to all IT users. Fraud in the public

sector is concerning because it can result in the loss of taxpayers' assets and reduce the public's confidence in the government.

We first looked at this in 2019 and circled back this year for an update. The province implemented a fraud risk policy in 2017 and years later it still seems to be a work in progress. We found that 10 departments, 9 Public Service units, and 19 government organizations haven't completed fraud risk assessments. Nine government organizations do not have fraud policies. Six departments and three Public Service units have fraud training completion rates below 80 per cent.

The government put this mandatory training in place three years ago and it's very important that all departments and Public Service units have every employee complete it. Low completion rates diminish the province's ability to effectively manage fraud risk.

Overall, I find that government continues to take steps to manage fraud risk, but it's not acting fast enough. Thank you for giving me this time to present the three chapters in the report. We'll be happy to answer any questions.

THE CHAIR: Thank you, Mr. Spicer. Now we'll go to Mr. Rafuse for your opening remarks.

BYRON RAFUSE: Thank you, Mr. Chair, and committee members. I would like to make some brief opening remarks. The Department of Finance and Treasury Board works to preserve the financial capacity of government to provide public programs and services in Nova Scotia and to its citizens. Our core responsibilities are establishing a sound financial framework and control over public finances and providing meaningful, transparent financial reporting.

[9:30 a.m.]

We do this by preparing the government's fiscal plan and presenting it annually in the provincial budget documents and forecast updates throughout the year. The actual year-end results are provided annually through the province's Public Accounts which reports the results compared to budget. The 2019-20 Public Accounts were released on August 20<sup>th</sup>.

I am pleased the Auditor General noted that government was able to report reliable and timely financial statements despite the challenges presented by the pandemic and also received a clean auditor opinion for the 20<sup>th</sup> year in a row. These Public Accounts are intended to provide information about government finances in a transparent and objective way for Nova Scotians.

Nova Scotia's Public Accounts show the province's growing economy and strong fiscal foundation helped lessen the financial impact of COVID-19 in the 2019-20 year. We

closed the 2019-20 year with a surplus of \$2.3 million for the year ending. This was \$31 million less than we originally estimated. This is the fourth consecutive year that balanced budgets have been reported by the Province of Nova Scotia.

Public Accounts for 2019-20 also showed the total consolidated revenues were \$12.3 billion, an increase of \$450 million from the budget estimate. This is mainly due to changes in tax revenues, recoveries, and federal transfer programs. The consolidated expenses were also \$12.3 billion, an increase of \$485 million from the budget estimate.

This primarily was due to COVID-19 relief funding, some demands of various health care programs and other social services, as well as additional funds for the Boat Harbour remediation. Net debt was \$15.2 billion and the net debt to GDP ratio - one of our key ratios for indicators - for 2019-20 was at 33.1 per cent.

Our last public forecast was in July for the year 2020-21 and showed the COVID-19 pandemic has had a significant increase on the province's finances. Budget 2020-21 had predicted a surplus of \$55 million. In July, we forecasted an \$852.9 million deficit due to the impact of COVID-19 on both our revenues and expenses needed to support Nova Scotians, businesses, and the health care sector.

Our next public forecast is scheduled for later this month. We do see encouraging signs related to the economy. Just last week, Statistics Canada reported that Nova Scotia employment was up by 10,000 to 468,500. This monthly gain was concentrated in full-time employment which has risen to more than 383,000 - the highest level of full-time employment on record.

The data indicated that Nova Scotia has recovered 97 per cent of its lost employment since April. Nova Scotia has also the lowest unemployment rate in Canada at 6.4 per cent for the first time in 44 years. Statistics Canada has reported this through the labour force survey.

It's important to remember, though, this is information that was collected during the week of November 8<sup>th</sup> to 14<sup>th</sup>, so that was at a point in time. It was prior to new restrictions being placed in HRM and surrounding areas. We should still expect there to be uncertainty until COVID-19 is contained nationally and globally.

However, the data is positive as a positive signal of a resilient economy. It reflects the success of Nova Scotians and Public Health measures as we manage the virus, and it shows that it's vital to our economic recovery. Government will continue to support Nova Scotians and apply the same principles of good fiscal management as we move through the recovery phase in the months ahead.

We appreciate the work of the Auditor General and his staff, as well as this committee, bringing the work to more focus on the fiscal health of the province. In closing,

I will remind the committee that my department is always available to provide additional educational sessions to better understand, read, and how to use our financial documents.

Thank you and I look forward to the committee's questions.

THE CHAIR: Thank you, Deputy Rafuse. We'll begin the first round of questioning.

Just a reminder to the members, please indicate to whom your questions are being addressed. We'll begin the first round, 20 minutes to each caucus, with the PC Caucus. Mr. Halman.

TIM HALMAN: Deputy Minister Rafuse, Acting Auditor General Spicer, thank you for your opening remarks. A big thank you to the Office of the Auditor General for their continuing work, and of course a big thank you to the public servants at the Department of Finance and Treasury Board for the work that they're doing on behalf of Nova Scotians.

My opening question is to Acting Auditor General Mr. Spicer. In your opening remarks, it was indicated that Chapter 2 of the December 2020 report is not an audit. It indicates that the financial measures and funding presented have been reported by government and are unaudited. That being said, I'm curious. You've indicated that a full audit on the topics is forthcoming. When can Nova Scotians expect to see audits on the December 2020 report?

TERRY SPICER: We're in the process now of conducting an audit on certain of the funding programs that are primarily the ones administered through Dalhousie University. We'll also be looking at one of them that's administered through the Department of Education and Early Childhood Development. It's fairly specific to those. We're conducting work right now on that. Our expectation is that that will be reported probably in the May-June-July time frame.

TIM HALMAN: If I've understood you correctly, we can expect an audit May-June, specifically on money that was allocated to Dalhousie and money that was allocated to the Department of Education and Early Childhood Development.

Outside of that scope, are there any new initiatives the Auditor General's Office will be implementing in 2021 concerning other government spending on COVID-19 relief, prevention, and recovery measures?

TERRY SPICER: We're now in the process of conducting an audit on the Nova Scotia Internet Trust Fund and the funding that's gone there and the use of that money, so we'll be looking at that as well. That's, I suppose, not directly related to COVID, but



indirectly extremely important to Nova Scotians and has been impacted by COVID. We'll be doing that as well.

As you know, a new Auditor General will be coming to the office in the next several months. At that point in time, we'll be also reviewing what we may be looking at related to COVID-specific expenditures at that point in time.

TIM HALMAN: I'd like to direct the next question to the Department of Finance and Treasury Board. Certainly in the opening remarks, Deputy Minister Rafuse, you certainly highlighted that we've seen Statistics Canada reporting that Nova Scotia's employment was up by 10,000. The monthly gain was concentrated in full-time employment. Could you clarify what sectors of the economy saw employment up by 10,000?

BYRON RAFUSE: I'm going to hand that question off to Lilani who has the details, but further to the question you asked Mr. Spicer - when we released our forecast in July, that was a listing of programs and services that were available at that time. Since that time, as you know, there have been numerous other COVID-related activities that have been advanced, some through some initiatives with the federal government, and those will be highlighted or included in our next update.

I would also add that all those programs are subject to our reporting requirements, so you'll see a complete listing of those. Also subject obviously to the audit process - the Public Accounts that will be released for the year ending March 2021.

To get to the listing of the exact recovery of where this 10,000 came from, I'm going to ask the Chair to recognize Lilani.

THE CHAIR: Ms. Kumaranayake.

LILANI KUMARANAYAKE: Generally, the gains that we saw from the results from last week were reported. We saw monthly employment gains in all industries, except for accommodation and food, information, culture and recreation, business support and call centres, wholesale, retail, manufacturing, forestry, fishing and mining. For all other sectors, we saw widespread gains in employment.

TIM HALMAN: If I understood you correctly, the sectors you just listed - is that where we saw losses?

LILANI KUMARANAYAKE: Yes, that's correct. We saw losses in the sectors that I just mentioned.

TIM HALMAN: Could you specify what industries specifically where we saw that growth of 10,000?

LILANI KUMARANAYAKE: In terms of where it's up, agriculture is around 2,400. Finance and insurance, professional and technical services, personal repair services, and public administration are some of the larger industries. However as I mentioned before, there were widespread increases in employment across a number of industries.

TIM HALMAN: As you know, in the December 2020 financial update - specifically in Chapter 2 - the Office of the Auditor General indicates that we're going to see a 5.5 per cent shrink in Nova Scotia's economy for fiscal 2020-21. That's a sobering percentage. That's quite the contraction in the economy. For fiscal 2020-21, where specifically are we expecting to see those economic contractions? Where are we expecting to see these job losses?

LILANI KUMARANAYAKE: I just wanted to provide a little bit of context to the information that was provided in Chapter 2 of the Auditor General's Report. As the committee is likely aware, when we're doing our economic forecasts, we use a number of complex models. What we do is establish cut-off dates - for example, for Budget 2020-21, the reflected data was up to November 7, 2019. For the July forecast update, it reflected data up until May 22, 2020.

One of the things I just wanted to highlight before we start to talk a little bit about the numbers is that reflected data up to a point where we were still pretty much in lockdown restrictions. The economy started to ease. We saw the Public Health restrictions ease around June 5<sup>th</sup>. When we do our next fiscal update, we will then capture the impacts of the economy opening up a little bit more.

We have seen in the latest economic data, we're seeing that the Nova Scotia economy has been relatively resilient, especially compared to other sectors. So we will see some movement in terms of our expected reductions in terms of economic growth.

Specifically, for the industries that we were talking about in Chapter 2 that was mentioned, we're really seeing a shock again concentrated in accommodations, food service, retail, personal care, transport, residential construction, seafood and manufacturing exports. Those are the sectors that are either affected directly by the Public Health restrictions or are more reliant on trade or connections with other economies which have slowed down.

TIM HALMAN: I appreciate that update. Certainly with respect to the industries, the sectors I have spoken to in this second wave, in particular with gyms that have had to close in the Central Zone due to obviously the public health protocols, they want to know what the expectations are for reopening. I know we all appreciate just the level of anxiety restaurants and the hospitality industry and gyms are going through right now.

With respect to that and the industries that we know we're going to see contract in fiscal 2020-2021, to what extent has the Department of Finance and Treasury Board begun a process to develop an economic recovery plan? Could you provide us an update on that?

BYRON RAFUSE: I know that the Auditor General mentioned that only two provinces have issued their recovery plans, and if you look at those, I will say one is probably pretty politically motivated, as people are actually right now trying to deal with the pandemic in front of them. One of the foundational pieces of a sound recovery plan is good public health policy, and that's what you'll see in Nova Scotia. That's the foundational aspect of this. Good public health policy is good economic policy.

The recovery will occur as the pandemic is dealt with and public confidence returns, allowing people to once again enjoy those activities that they can't right now. Certainly the Province has, along with its partners in the federal government, helped industries along as businesses had to either slow down or in some instances close. But the idea is to create the conditions to allow public health measures to ease, rebuild public confidence, and then continue to support industries as we go forward.

TIM HALMAN: I certainly appreciate that, minister - how critical it is for good public health policy leading the way with economic recovery, absolutely. But I think we all agree that ongoing dialogue with our various sectors is critical. Is it correct to say that certainly the Department of Finance and Treasury Board and various other government departments, as we come out of this second wave, those discussions will be taking place? I'm correct in saying that?

BYRON RAFUSE: Certainly. There's actually ongoing dialogue right now with all the sectors, not just the Department of Finance and Treasury Board, but with the Department of Business, with key business stakeholders, also through sectors like the higher education sector through the Department of Labour and Advanced Education, as that sector is a major driver of the economy as well in Nova Scotia.

Those conversations continue as to how the government can support the sectors as they go forward, and what would be the best path forward as public health measures can be eased and public confidence returns and social behaviours get back to where we once were.

TIM HALMAN: No doubt everyone who's here with the Department of Finance and Treasury Board is familiar with Keynesian economics. I look at the numbers here that the Auditor General has pointed out: we had a \$55-million surplus; we now have an \$853-million operating deficit, a \$1.2-billion net debt. If I understood correctly, and please correct me if I'm wrong, a total debt of \$16.9 billion.

Certainly, I think the vast majority of Nova Scotians certainly support the stimulus spending. It's classic Keynesian economics. That being said, my understanding is 15 per

cent of the federal debt is locked in with low interest rates. What percentage of our debt is locked into low interest rates here in Nova Scotia? Would you be able to comment on that?

BYRON RAFUSE: The environment right now, from a debt perspective - actually there are very favourable interest rates available. I don't have that precise figure in front of me, but I can tell you that interest rates themselves are not the only driving factor of our debt portfolio. We do look at not only the rate, but the maturity dates, to ensure that we balance out the end dates of those debts so that we don't have everything maturing in the same year.

We do have, I'm going to call it, very robust guidelines that we have to differentiate between how much is on short-term debt and how much is long-term. Actually, there is an oversight committee with internal and external guidance on that matter. I will get you how much of it is on short-term rates; I don't have it in front of me.

Certainly all the debt we did incur this year, you'll see reflected on our next forecast update - the rates are lower this year than we anticipated. Any borrowing we've done this year would be at a lower rate than we had originally anticipated.

TIM HALMAN: With respect to the \$228 million in infrastructure money, I was wondering if you'd comment on why has it been so challenging for Nova Scotians to get specific information on how that money is being allocated?

As I'm sure you're aware, the media in Nova Scotia have asked specific questions to the Premier. Why so much secrecy around that \$228 million infrastructure?

BYRON RAFUSE: As you said, capital spending is one way in which we can stimulate the economy. It's a classic Keynesian theory. That program was put in place to allow and enhance spending in those areas. It was designed to be geographically dispersed throughout the province on what I would say were relatively small- to mid-sized projects to give smaller and mid-sized contractors the opportunity for additional work through the pandemic process.

It was, I would say, very diverse types of spending from roads, buildings, to small option homes, to equipment. Certainly, there is a lot of work being completed on that front. That would, as we said at the time, be an economic impact to that predicted when we did announce that program. We're continuing to monitor that spending. It will be shown in our economy as we report on the gross national product.

TIM HALMAN: Deputy, with respect to your comments, if myself or any Nova Scotian wanted to take the Premier up on the challenge to go look on the website and it's all out there to see where this money is being allocated, what steps does a person need to take to get some specific information on this infrastructure money? While I appreciate your

comments, they have been of a general nature. Nova Scotians are looking for specifics. Where can we find specifics?

BYRON RAFUSE: As with any spending the Province does, I indicated earlier and the Public Accounts show we're over a \$12 billion organization. We have the ability to track all spending, stimulus and otherwise. That information is available, and it is tracked. I would say that if there are further details on that, you would ask the applicable departments.

Here at the Department of Finance and Treasury Board, our job is to ensure that there is a proper authorization in place and that there are proper approvals for the spending. The actual details of what it's spent on - although we do track that, it's for the individual departments that have those programs to release.

THE CHAIR: The time for the PC Caucus has expired. We'll move now to the NDP for 20 minutes. Ms. Leblanc.

SUSAN LEBLANC: Thank you, everyone, for being here this morning. I'm going to focus my questions on the financial impacts of COVID-19 on the province. I think it's important to note that a number of defining characteristics of the economic shutdown related to COVID-19 before I begin.

We know that large numbers of jobs were lost immediately because of government-ordered closures, particularly concentrated within female-dominated sectors. In part, because of the sectors impacted, job losses were concentrated in lower-wage groups. Extended closures of child care centres and schools impact the ability of individuals to work or to return to work. The majority of the sectors with higher risks of infection are also sectors with higher proportions of women employees, which will have had an impact on decisions to return to work.

Given the disproportionate impact this particular economic downturn has had on women, it is somewhat surprising to see this missing entirely from this chapter. My question is for the Department of Finance and Treasury Board, though. Does your office have gender- and race-disaggregated data regarding the economic impacts of COVID-19?

BYRON RAFUSE: I will start with some comments and then I will hand it off to Lilani for further details. Certainly, what you've indicated is true. Those industries that were primarily impacted by COVID-19 did impact the lower-wage group and also impacted groups that had challenges attached to the workforce. However, this pandemic was quite widespread.

If you look at the Canada Emergency Response Benefit data that has been provided, although everybody thought it would hit the lower-income brackets, and it did, there were individuals across the entire employment spectrum who applied for CERB. As well, the

numbers indicated earlier on the CERB data that it was equally spread between males and females. However, as I said, there were some industries that were hit worse than others. Maybe I'll ask Lilani to speak to that a bit more, if I could.

LILANI KUMARANAYAKE: I think this is a tremendously important question. I wanted to flag a couple of things reflecting back on some of the information we received last week. While it's true that there was a very disproportionate impact on women because of the sectors we saw closed, what we did see - just as we saw resilience by industry, we saw resilience in terms of male and female employment.

From the numbers from last week, we saw that employment among women increased by 4,800 jobs, so it's just under 400 from where we were in February 2020 before the COVID-19 impact. As Deputy Rafuse said, the best economic policy is the containment of COVID-19. You can see as we were doing quite well in terms of the first wave, as the economy started to pick up, we then saw a reversal of some of the trends that we had seen right at the beginning of the lockdown.

The Department of Finance and Treasury Board does analysis by gender, by age, by demographics - for example, visible minorities. Those are all pieces of information that we look at and assess. We are reliant on Statistics Canada to provide that level of disaggregation. We are very active and continue to promote that disaggregated data collection so we can do some of that analysis by the different population groups.

[10:00 a.m.]

SUSAN LEBLANC: It's great to hear that you have access to that data because obviously, to get the full picture, it's important to have that. Are you able to provide us with provincial data that would allow us to fully appreciate the ways in which the financial impact of COVID-19 has been disproportionately felt by low-wage and precarious workers?

LILANI KUMARANAYAKE: Yes, that's information our Economics and Statistics Division can put together.

SUSAN LEBLANC: So just to clarify then, I guess, because this was a thing that happened yesterday in the Health Committee. We weren't sure if we actually made the request, so I am officially making that request and ask that we follow up with you to get that information later.

You were mentioning that you got this aggregated data for gender and race from Statistics Canada, I believe you said. Is there capacity within the Department of Finance and Treasury Board itself to conduct a gender-based analysis of economic data?

LILANI KUMARANAYAKE: I think there are two different pieces. One is being able to collect the information to allow for that analysis, so we primarily rely on Statistics Canada because they have the infrastructure in the survey. We also need to have a large enough sample size to be able to do that work, because if we have very small samples there are issues about privacy and confidentiality. Statistics Canada has a very robust platform.

The Division of Economics and Statistics is, in fact, Statistics Canada's representative agent for Nova Scotia. They actually do have access to very disaggregated data. The first task is getting the information, and the second task is actually looking at it and saying what does it tell you? That work that's actively done - I don't know if you're a subscriber to our daily statistics analysis. Typically, we do show the breakdowns in terms of different population groups: gender, age, youth, et cetera, but again our staff are able to do analyses in different ways at different levels of depth, depending on the question that's asked.

SUSAN LEBLANC: I know that the Auditor General will be releasing a performance audit in 2021 that will look at the various provincial spending programs established to support Nova Scotians through COVID-19, and that audit will look at whether measures put in place were successful in meeting intended outcomes.

This question is for the Auditor General: Will it be within the scope of that performance audit to look at those groups and economic sectors hardest hit by the financial impacts of COVID-19 and how that compares to the groups and sectors targeted by government relief funds? That's the first question.

TERRY SPICER: As I mentioned earlier, the first audit that we're looking at right now does not have that as part of the scope. Again, just to manage expectations here, as we've all talked about COVID as an ongoing thing and there are programs being developed all the time, our initial view was to look at those programs that are primarily being offered and administered through Dalhousie University. That's the COVID-19 spending audit that we're working on right now. That has a fairly specific scope.

What we're going to look at down the road, we haven't fully decided as yet. The new Auditor General will be coming, and obviously that will be a discussion we'll have with that individual as to what we look at and in what perspective we look at it, but we'll certainly take that under advisement when we look at what we're going to be doing going forward.

SUSAN LEBLANC: Great, because I think for my money that seems like an important aspect of the study. We can look at how we're spending and where we're spending, but it seems like to cross-reference it against what sectors need that support makes a lot of sense.

Just to reference what Mr. Halman was talking about earlier, at this point, we really can't find out the information of where government stimulus has been targeted so far, specifically. The Premier has referred to "the website," many people have tried to actually dig down and get that information, including lots of journalists, and it still seems quite hard to reach. I hope that is looked at.

At this time, how confident are you that the government has put appropriate agreements and accountability frameworks in place to establish measurable outcomes and reporting requirements to provide transparency about the effectiveness of COVID-19 relief spending, Mr. Spicer?

TERRY SPICER: I can't provide an opinion on that yet, until such time as we do the work.

SUSAN LEBLANC: I think I saw Mr. Rafuse's hand go up.

THE CHAIR: Mr. Rafuse.

BYRON RAFUSE: I just want to distinguish that stimulus spending and support for individuals impacted by COVID-19 are two different things. What the Auditor General is looking at is whether or not the targeted groups impacted by that support were the ones that the support was targeted to reach, first of all, but also whether or not those are the individuals who were most adversely impacted by the pandemic.

Stimulus spending or any other recovery aspect - it may not necessarily be the same direct group. Obviously, we have vulnerable individuals who were impacted by the pandemic. A lot of the programming they're putting in place were to deal with homeless folks or things like that. Stimulus spending itself won't help them initially, but finding a way for them to attach to the workforce in the long-term would. Those are two different kinds of things.

I want to make sure that what you're looking for and what the Auditor General is reviewing are actually separate things.

SUSAN LEBLANC: We don't have to discuss this here, but I do think that it all matters. It all matters to Nova Scotians and if it's all about COVID-19 recovery and what's happening to our provincial finances and to individuals' bank accounts, then I think we need to look at it all.

In the report, you mentioned the long-term economic recovery plans that have been shared with the public and other provinces. Since June, our caucus has been calling on the government to establish an economic recovery task force made up of representatives from industry, labour, environmental organizations, not-for-profits, African Nova Scotian communities, Mi'kmaq communities, municipalities, colleges and universities, as well as



education and early childhood development experts, and - wait for it - an MLA from each of the parties.

In your professional opinion, would this approach improve public accountability and transparency regarding the significant public spending?

TERRY SPICER: That's a very broad question. As mentioned in the report, our objective for this really wasn't to make a commentary on what the plan might look like. It really was about - this is a significant impact to all Nova Scotians, as has been made clear here today. It's really about when can Nova Scotians expect a recovery plan? What will that include? What will they be looking at? How will they develop that?

Obviously, I think most reasonable people would think input from a broad sector of impacted Nova Scotians would make sense. I'd have to turn the question over to Mr. Rafuse and his team as to who is going to be included and when.

BYRON RAFUSE: As I noted earlier, there have been two provinces that have released their economic recovery plans and I would say one of them was politically motivated because it was the Government of British Columbia that was heading into an election. The Government of Alberta has also released a plan and it is a long-term plan looking at ways in which they can make their economy more diverse. Quite frankly, they probably would have had to do that even if there wasn't a pandemic, given the second whammy that they're facing with the oil industry.

Right now, the government is concentrating on dealing with a pandemic, providing supports for those who have been impacted, providing good, sound public health policy that will allow for the recovery to occur. Then they'll move to what that recovery plan will look like and how they formulate that. That will be a decision of the government of the day.

SUSAN LEBLANC: I'm going to hand the rest of my time over to my colleague, Ms. Roberts.

THE CHAIR: Ms. Roberts.

LISA ROBERTS: I wanted to ask just a follow-up question to Mr. Rafuse related to stimulus. Classic economic stimuli tend to be spent in the area of construction and infrastructure. We certainly saw some of the announced projects were related to investment in capital assets like improvements to museums and so forth.

Given that prior to COVID-19 shutting down sectors of the economy, we already were hearing of labour and material shortages in the construction sector, I'd like to hear a little bit more on yours and maybe Ms. Kumaranayake's thoughts about any limit on economic stimulus that might result from investing further in sectors where we're hearing

about inflation of prices. Both for labour and for materials, because of that sector being at capacity when those sectors, particularly construction, were not greatly impacted by COVID-19.

BYRON RAFUSE: The capital spending program that was announced is just one tool that the government has to get the economy going or to lessen the impact of a pandemic. As I said earlier, there was a host of projects that could be advanced, some of which were probably into a future year construction plan that could be advanced.

They were relatively smaller projects - small to mid-sized projects - that would allow a diverse group of individuals or companies to work on that throughout the province. Yes, that is just one tool.

There is the recognition that in some sectors there are work force challenges in the skilled trade areas. That, though, does require a longer-term solution and this was an immediate solution to the problem at hand. Other things could be done to address the labour shortage that would allow individuals to perhaps, if attachment challenges to the work force, allow them to skill up to fill that void and the like. There's all types of things like that.

If we thought that that program was just going to inflate prices, then that probably would not have been an ideal way to go. The thinking was, and remains, that it would have a positive impact on the economy. It would allow employment levels to be maintained and therefore enhance the living of a number of Nova Scotians.

I will hand it off to Lilani, though, because she is more of an economic wizard than I am about the impact of that in the long term, or other types of things that we could do to address the rest or any aspect of your question.

LILANI KUMARANAYAKE: We were actually in that situation for the past several years in the sense that we did have labour shortages in a number of sectors. It was one of the areas that businesses spoke about.

One of the things we also saw which was very encouraging was investments in innovation which actually also meant available workers, as Deputy Rafuse talked about, skilled up. We saw that being reflected in terms of our productivity statistics. For the past several years, our labour productivity has increased after a period of reductions. That just shows the economy adapting.

Then we actually start to see more in-flows for our population. We had an increasing labour force, so then again, the economy started to adapt in another way where we started to have more employment. As an economist, we're always seeing the economy adapting. I think the role for government is to see to what extent we can ease some of that transition and where it may impact negatively on folks.

[10:15 a.m.]

I think the stimulus was opportune because we were in a position where we were in a significant downturn, and it was there to provide a buffer. We saw over the last few months in terms of our labour force statistics - in October, we saw the increasing number of people starting to participate again in the labour force. Our unemployment rate went up a little higher, but then in November we saw those folks that were participating were actually employed.

It's a little bit of a cycle and the role of the stimulus is to provide that little bit of a buffer until the economy is able to become more resilient.

THE CHAIR: The time for the NDP caucus has expired. We're going to move to the Liberal caucus for 20 minutes. Ms. DiCostanzo.

RAFAH DICOSTANZO: I will start and then I'll hand it to one of my colleagues. My question is about the economic outlook. As some of my colleagues have been talking about, the construction business has done exceptionally well. We were not expecting this to happen. Also, you mentioned that agriculture and finance are doing really well. I also remember hearing about how well the Port of Halifax is doing. That was because of a strike in Montreal or just in general.

I'm looking for an economic outlook. Are these sectors helping to overcome - in percentages - the tourism sector and the restaurant business and others in the economy? We know those are going to recover as soon as we control COVID-19 or we have vaccines for everybody. What are the percentages for the economic outlook? The industry of construction and others, are they bringing in a lot more money than those industries? Where are we with percentages and outlook?

THE CHAIR: I would assume that your question is directed to . . .

RAFAH DICOSTANZO: Mr. Rafuse.

BYRON RAFUSE: As we indicated when we released the first quarterly forecast in July, we did indicate that the economy would be contracting in the province. That would be not unexpected for this year. Our predictions are that it will. We turned to positives into 2021. There will, however, be sectors that will take longer.

When we say we have a positive in the next year, the overall size of the economy will take some time to get back to where it was or where we anticipated to be. We did anticipate a fairly good growth at the time when the government tabled its budget in the Spring. We indicated robust growth for the next couple of years - and then the pandemic happened.

It will take some time. When we talk about recovery next year, it will still be less than what we anticipated, even with the growth. Certainly, some sectors will take longer than others and are not solely dependent on what's going on in the Province of Nova Scotia. For industries that rely heavily on exporting, a lot will depend on how those countries that they export to are handling the pandemic and how their economies are growing. Case in point: exports to China with their growing middle class as they deal with their situation - the middle class continued to start to spend again, then our exports that are targeted to them will go back at that point.

Conversely, we have a large tourism sector here in Nova Scotia, and it's no secret that they were heavily impacted by COVID and by not only domestic but international travel restrictions. As the pandemic is dealt with, it seems more positive every day, especially as countries are rolling out their vaccine strategies. Those countries will deal with their pandemics, they will again provide themselves with the confidence to do what they normally do, travel restrictions at some point will get back to a more reasonable level.

In our tourism sector, they did quite better than I think they expected when the Atlantic bubble was in place this year, as a lot of people took advantage of having the opportunity to travel within Atlantic Canada, they otherwise missed out earlier or did not plan for right now.

As those borders open up, people can travel. Those sectors will feel the benefit of that. The question will be whether or not the infrastructure remains in place, on an airline perspective whether or not that can be maintained or returned, and how long that will stay. That's where I think a recovery plan from government will kind of concentrate on, for the tourism sector it is those types of things.

Right now, I can't give you exact numbers on the recovery or the size of the economy, but we don't anticipate the overall economy to be back next year even though we have positive growth to what we anticipated. It will be a number of years, because we will have lost out, not only have we contracted, but we lost out on anticipated growth. It will take a number of years for it to get back.

RAFAH DICOSTANZO: I'm also thinking about other provinces. They must be in the same boat as we are, so how are we faring in percentages compared to the other provinces in Canada?

BYRON RAFUSE: Generally speaking, the economy of Nova Scotia has been more resilient than other provinces, and I'm not going to be one to question the Public Health policies in other provinces, I don't think that's my place. They are struggling right now in certain provinces as they deal with those issues, and their economies are.

I'm going to ask Lilani if she has some statistical information about how other provinces are doing as far as our contraction that we're experiencing here as it compared

to what they're - so you can get an order of magnitude as to how others are predicting their economies will be impacted as compared to ours. I'm just going to hand it over to Lilani right now.

LILANI KUMARANAYAKE: What I do have in front of me is just a little bit of a comparison around net debt to GDP ratios that we've seen. We saw in our July forecast that because of the COVID-related revenue decrease and expenditure increase, our net debt to GDP for 2021 reduced by about 5.4 percentage points. When you compare that to some of the other provinces, so some of the stronger provinces like B.C. and Quebec, their net debt to GDP increased by 6 percentage points roughly.

Then when you see places like Alberta, Ontario, Newfoundland and Labrador, Manitoba, their net debt to GDP just in the one year has increased roughly by about 10 percentage points. Then we saw last week the fiscal update from the Government of Canada, where the net debt to GDP is now predicted to go up to 50.7 per cent of GDP, up from 31.2 per cent.

This just shows you the orders of magnitude in terms of the impact, and you can also see that it roughly correlates to where the second wave has been quite substantial as well. So it speaks again to the best economic policy is really the best Public Health policy.

RAFAH DICOSTANZO: That is wonderful. Can I say that Nova Scotia is number one out of the 10? With 5.4 per cent, is that the lowest out of all the provinces?

LILANI KUMARANAYAKE: It's among the lowest. What I would also point to is there was a recent study that was put out by the Parliamentary Budget Officer at the beginning of November.

What they did was look at the COVID-19 spending and the trajectories that economies were on and they actually looked from a long-term perspective, if provinces were fiscally sustainable. Only three provinces were found to be on a fiscally sustainable path in the long term and Nova Scotia was second in that.

Nova Scotia was one of only three provinces that was noted to be on a fiscally sustainable path in the long term. That builds on the hard work that the province has been doing in terms of fiscal management over the past several years.

RAFAH DICOSTANZO: That's amazing news. Thank you. I do have another question for Mr. Rafuse, as well.

You mentioned the external trust and honestly, I did not understand that part. There's an external trust of government's control and what does that mean for the funds remaining at the end of the trust agreement? I believe you mentioned \$306 million? If you could just elaborate and explain that to me, I would appreciate it.

BYRON RAFUSE: I think you're referencing the reports of the Auditor General, and also what we disclose in our document. Government has established a number of trusts, one of which was COVID-19 related. I don't want to call the agreement "Dal". I'm going to call it the trust-like agreement as it's not a true trust.

Government sometimes will for a number of reasons use external parties to complete a task. Notably over the last number of years is the rural internet trust. That was funds that were provided to an external group of trustees who are now going through the process of funding the development of the rural internet strategy. That was done for a particular purpose.

For COVID-19 related activities, there was an agreement set up with Dalhousie near the end of last fiscal year that allowed funds to flow. Initially \$50 million was provided to Dalhousie to administer programs that were to be designed to help Nova Scotian individuals and businesses, particularly those who fell through the gaps of a federal program. It was designed to do so, and those funds continue to roll out. In fact, another tranche of money went out to individuals in the last couple of weeks.

[10:30 a.m.]

There is a second amount that was allotted to that agreement with Dalhousie that is geared towards the tourism industries, particularly our larger players in tourism industries. The reason why that was designed that way was because we talked about the impact that COVID-19 has had on the tourism industry, but also the federal programs did not target that group of individuals. Smaller tourism operators could take advantage of a federal program being some initial programming that the province had.

In those agreements, if there happens to be any money left over for the beneficiaries of those plans, there's certain things which can happen to that. The initial tranche with the Dalhousie agreement speaks to - if there are any funds left over, it must go to the individuals and businesses that actually were beneficiaries of the support, so it must continue to go to them.

Language like that is always in these agreements. That's because the trustee or the person you are getting to administer the program is that - it must be clearly articulated that they can't be the beneficiary of any unused funds. That's why the kind of language is in that.

For the second one on the tourism aspect - the administrators of the agreement have already indicated that is to allow larger tourism operators to facilitate financing options with them. It's a standby letter of credit, which will allow them to go to their bank to seize financing options that may not have been available to them. The bank can rely on that either to provide the loans - because they may be in an adverse risk situation - or also to provide

more advantageous interest rates. If, in fact, the businesses can't make the payments, then that money can be used to make the payments.

Hopefully, if this works quite well, none of those funds will be used. Those individuals will get financing, they'll be able to finance their debt. That means they'll be in operations and continue at some point to be successful operators in the tourism industry. If that's the case, there should be a balance left of that \$50 million, and so there had to be very different language on who the beneficiary of that would be. That language has been embedded into the agreement with Dalhousie or advisory with Dalhousie. Then that beneficiary would be research in Nova Scotia as opposed to - obviously it could not be Dalhousie.

That's what is really important as you set up these relationships with external partners - to ensure that they're not the beneficiary of any unused funds and there's clarity about what they're supposed to use that money for. There are strict guidelines in terms of actions that they can do, and then what will happen with any residual funds. It's clearly articulated in the Dal agreement and, in fact, in any trust agreement that may have been entered into recently or in past years. It's clearly articulated as to who their beneficiary may be if there are any residual funds. Obviously, it can never be the trustee.

RAFAH DICOSTANZO: I know that our economy improves with immigration and getting new immigrants moving here for skilled workers and all the other programs. I know that has been delayed or is taking much longer right now for immigration.

My husband is a lawyer and he has had so many people moving to Halifax from other provinces. Do we track that and the economic benefits of how many people are moving from Ontario, from Alberta - even from British Columbia - because it's cheaper for them? They're looking at it - I can work from home, the changing lifestyle and moving to Nova Scotia. We're amazed at the number that is happening. Is this being tracked?

BYRON RAFUSE: When we talk about immigration to the province, we not only track those that are coming to us internationally, but we also talk about interprovincial migration to the province. Obviously, both aspects have been positive over the last number of years. I'm hoping that while I'm talking, Lilani can look up the actual amounts.

Actually, they both have a positive impact to the province. They bring workers here. They increase our population. They bring some skills. Actually, overall, immigration - interprovincially or internationally - is good for the economy of Nova Scotia. Whether or not we track the impact of just immigration is something else. I'm going to ask Lilani to speak, too, because we generally speak in totality as opposed to incremental of the aspect. Maybe she can give you further insight, but we certainly do track those numbers.

When we release our population growth - I'm going to plug the daily statistics too - when we update that, we generally include how much of our population has grown from

international immigration and how much has been interprovincial migration. Lilani, do you have something you want to add to that?

THE CHAIR: Lilani, if you could do it in about 45 seconds.

LILANI KUMARANAYAKE: Forty-five seconds it is. We do track interprovincial migration. Statistics Canada puts out numbers every quarter, so we will likely see that impact in the next quarterly update. We have seen a slowing of international immigration so I think in terms of the net, we are expecting a short-term slowdown in terms of our population growth - although we were coming off a record high from July 1<sup>st</sup> of over 980,000 people in Nova Scotia.

In the very short term, we're expecting a little bit of a slowdown in growth, but we're very optimistic over the next three years, given the new targets that were provided by the federal government. We expect to again go up in terms of our trends that we've seen for international immigration.

THE CHAIR: The time for the Liberal caucus round of questioning has expired. Before we get into the second round, we were a little bit late starting, so I would like to ask the committee for an agreement, if they are in agreement to extend the meeting to 11:18 a.m., and that will provide about eight minutes for second-round questioning to each caucus and enough time to finish other committee business.

Is it agreed?

It is agreed.

With that, we'll proceed again to the second round of questioning. Mr. Halman, you have eight minutes.

TIM HALMAN: The fun continues. With respect to the \$228 million infrastructure spending, I'd just like to return to that for a moment, deputy. If I understood correctly, Nova Scotians, they have to follow up with individual departments to get specific information.

The Premier of this province has indicated to get that information, he said that's easily available. Does the Department of Finance and Treasury Board agree with the Premier that this information is easily accessible?

BYRON RAFUSE: As indicated earlier, one of the responsibilities not only of my colleagues here at the Department of Finance and Treasury Board, but also my units that are embedded in each department, is to provide a robust reporting and accounting system that tracks all of our expenditures. We are quite able to report on all aspects of our spending.



When we say we are a \$12 billion organization, we track everything that accumulates to the total. Therefore, the capital spending lists and what is being spent on it - not only the capital spending, the increase, but normal sized capital was quite robust this year, if you recall. All of that can be tracked or is tracked and is available for the departments for the purposes of accountability.

TIM HALMAN: Will the Department of Finance and Treasury Board commit to making that information about the \$228 million accessible to Nova Scotians via your website or the Department of Transportation and Infrastructure Renewal's website? Will you make that commitment to Nova Scotians today?

BYRON RAFUSE: As I indicated earlier, our job is to ensure there's a system that allows this tracking but also ensures that there's proper authorization in place from a budgetary authority to make these expenditures. As you can tell, when we release our financial statements or what we're talking today, we deal in totalities, summary information, and total information, individual amounts by departments - we release that type of thing.

The actual detailed spending is something on which we rely on the departments to provide. It's not our habit to release departmental spending at that level of detail.

TIM HALMAN: Mr. Spicer, CBC Nova Scotia just posted around 9:50 this morning that provincial spending on inclusive education is to end with millions of dollars left over. I'd like to point out that in your December 2020 financial review, in Chapter 2, Table 2.20 indicates less cost savings and recovery due to COVID-19, and the projected cost in health care was \$87.9 million.

Am I correct to say that this is the money that was not spent by departments? Can you clarify what that means?

TERRY SPICER: Could I ask Mr. McWade to respond to that?

MORGAN MCWADE: The table on 2.20, what we're focusing on there is fiscal 2021 projections when you look at that cost savings of \$87.9 million that you're referring to. We're not getting into the fiscal 2020 spend or remaining money that's left over. That's looking at the departmental projections looking forward to fiscal 2021 and the changes there from what was originally budgeted back in the prior year.

TIM HALMAN: I believe Mr. Rafuse wanted to add to that.

THE CHAIR: Mr. Rafuse.

BYRON RAFUSE: When we reported our forecasted spending in July, obviously we had enhanced spending in a number of areas, but there are a number of activities which

could not go forward. That number is the \$87.9 million in that paragraph, which was provided by the Treasury Board and released when we did our forecast update.

I don't have the breakdowns in front of me, but it was a number of areas where obviously things couldn't go forward. Obviously, if people had planned expenditures for travel, that wasn't occurring. For the Department of Education and Early Childhood Development, with the closing of schools for the months of April, May and June, obviously busing didn't occur, so that was a savings.

You accumulate all those up across all the departments, that's a number there. That's what that number relates to.

TIM HALMAN: I appreciate you clarifying that. Obviously, the question is going to come up when stories like this are out there in the province. I certainly appreciate the pandemic made it necessary for departments to prioritize budget items. There are many additional costs associated with managing this pandemic. I think everyone appreciates that.

Listening to my constituents in Dartmouth East - and I'm sure it's the same for my MLA colleagues - we heard concerns about home care. We heard concerns about blood collection. Naturally, every elected official wants to make sure these dollars are going to the appropriate resources.

Do we know what some health care programs or education programs - do we know where that money may not have been allocated, that may have never been spent due to the pandemic? Do we have information on that?

BYRON RAFUSE: I don't have it with me, but I will endeavour to provide you with that information as to what they reported back then as to the activities that did not occur. I just don't have it ready at hand.

As I say, some of the examples I provided would be examples of that. Obviously, blood collection services is not one which they try to save money on. The difficulties there were trying to work within the confines of the Public Health protocols and the ability to do that. That's not something where money was saved. In fact, that service probably cost more than it actually anticipated, given the need to address the demand in a slightly different delivery model.

As I say, I will provide you that list as it was - provided back in July. Perhaps when we do our forecast update, we will have an update to that as well as to where there are pockets of money which were not going to occur because of COVID-19.

THE CHAIR: That was good timing. We'll move now to the NDP Caucus - Ms. Roberts, with eight minutes.

LISA ROBERTS: I'd like to take some time with the Auditor General to hear Mr. Spicer's comments on the use of external trusts. The report we're examining today states that when government loses direct control and oversight of those funds, there is a heightened risk that the funding is not used for the intended purpose or for the greatest effect.

[10:45 a.m.]

The question for Mr. Spicer: since 2016-2017, the Liberal government has contributed \$306 million to external trusts. In the course of your audit work, did you find any agreements, accountability frameworks established around these external trusts that would indicate that government was aware of the potential risks and was trying to mitigate against them?

TERRY SPICER: Absolutely there are agreements in place, and part of what we would have done to date would have been look at those agreements to make sure that accounting standards were met to sort of account for them as they are.

I don't have the detailed agreements in front of me, so I can't speak to the specifics about them other than we're comfortable that they are properly accounted for. All I can say to that is that we're in the process now of looking at the internet trust and how that money is being managed and the oversight with respect to that. We are also looking at the Dalhousie agreement and doing some more detailed audit work on that, and I won't be able to comment any further on those obviously until we complete that work, and that will be coming at a future date.

There's absolutely no question that there's agreements in place, as I think Mr. Rafuse has described earlier.

LISA ROBERTS: I did also note Mr. Rafuse's comments earlier. Nonetheless, the office did flag the increasing notable use of trusts over the past number of years. Are there risks to using trusts that cannot be mitigated entirely through agreements that make them distinct from other ways of spending for long-term public objectives?

TERRY SPICER: I think our main point here is that when you do this type of approach - and we look at it from a risk perspective - these expenditures then go outside the direct control of government, so there is, I think, a risk that there is less direct control, less oversight of that particular spending under this scenario than there would be if it was done perhaps through a traditional approach.

That doesn't mean necessarily that it's not being managed properly and that the money isn't going to where it's supposed to go, but we look at it from a risk perspective. I think there is a heightened risk there, and again we will be looking at a couple and we'll be able to comment a little bit further on that down the road.

LISA ROBERTS: Just to clarify, the \$306 million contributed to external trusts that you note in this December report does not include the \$100 million in COVID relief funds transferred to Dalhousie to administer on behalf of the Province for COVID relief? Is that correct?

TERRY SPICER: That's correct.

LISA ROBERTS: So you'd have similar concerns or at least be urging similar caution that these COVID relief funds are at heightened risk of not being used for the intended purpose or for the greatest possible effect?

TERRY SPICER: They are operated a little bit differently. There's less direct control by government, and perhaps Mr. Rafuse can comment on the oversight that is in place and how they do know, but that's our perspective and again, I really can't comment a whole lot more until we look at it.

THE CHAIR: Mr. Rafuse.

BYRON RAFUSE: I just want to make a comment on the use of trusts. They're only used in very specific instances, but like I said to the other gentleman, it's noted in this report. Not only do they meet the appropriate accounting standards, but in trust agreements, they stipulate how the funds can be used, they include the eligibility requirement, how any kind of residual funds must be distributed.

We don't enter into these agreements with individuals or organizations of which we don't have a great bit of confidence with. In fact, you have to use trusts because the recipients prefer you do that, like the Forestry Innovation Transition Trust is where the forestry industry wants to have some say and control of what the money is distributed on.

Yes, the Province does lose an element of control, but that's by design. They're well-managed, there is good oversight on these, and there's accountability to the recipients as to how these monies are being used.

LISA ROBERTS: I want to quickly move to the section of the Auditor General's Report that talks about control weaknesses identified at two government departments and eight government organizations. Within the Department of Service Nova Scotia and Internal Services, nine weaknesses were identified in total, eight of which have previously been reported on.

My question for Mr. Spicer: Are you able to provide us with specific examples from this audit that demonstrate the weaknesses within the department just to make it a little bit more real?

TERRY SPICER: Mr. McWade, could you respond to that?

MORGAN MCWADE: Yes, certainly. We actually give kind of specific examples on what the actual weaknesses are in Appendix II, so items like a lack of detailed procedures on internal controls, having well-defined roles and responsibilities, we found potential segregation of duties issues as well with access to the vendor and vendor team and the ability to process payments, as well as procurement technicians not validating that three quotes had occurred.

I think it is important to mention that in spite of having these deficiencies, we were still able to complete our audit and provide a clean opinion. That's not to say that there are no controls at all, but these are significant control weaknesses when you have this number of weaknesses over a key area such as the processing of transactions. These are scenarios where, as we would say, represent risk and bad things can happen. But certainly we do detail out all of those observations in Appendix II.

THE CHAIR: The time for the NDP caucus has expired, so we're going to go now to the Liberal caucus. I'm going to ask whoever is going to lead this would raise their hand please.

Mr. Jessome.

BEN JESSOME: To Deputy Rafuse, the small business impact grant allocated over the course of COVID was established at \$5,000 an entity. How did the department arrive at that figure? Can you elaborate on that please?

BYRON RAFUSE: The size of that grant was determined in collaboration with the Department of Business with discussions with the sector as to what would be an amount that would facilitate support for the organizations that met the criteria. Obviously those organizations needed to have some type of a reduction in their revenues to participate. It was not designed to make anybody whole - it was designed to help support them through this.

It was also thought that perhaps that would need to be not only a complement of the federal programming, but at some point could be repeated, and that a subset of that group that were supported in April were provided relief again in December. That was related to the restrictions placed in HRM and Hants County. They were eligible before. As I said, this was designed in collaboration with those and to complement other support programs.

BEN JESSOME: Those are good points, but why was Dalhousie chosen to administer the COVID-19 relief fund?

BYRON RAFUSE: For a number of reasons. There was a desire to implement in a very expeditious way to provide support. It was felt that Dalhousie could administer that

program, particularly while a big part of the Public Service's attention was related to COVID-19 response.

This was a vehicle that we thought could do that. It had the ability to expedite the process. It had the ability to partner with others in a way which we did not. It also allowed that type of flexibility to move quickly with this - the primary reason for it. They also had the expertise and, quite frankly, I think they were willing and able to help.

BEN JESSOME: There was \$270 million advanced to universities in the form of cash to assist with cash flow. Was there discussion at the department level targeting that funding so that tuition fees would be minimally impacted, if at all?

BYRON RAFUSE: When the decision was made to advance that funding - and just for clarity for the committee's group, the Province does have a memorandum of understanding with the university sector, which it provides funding for. The funding does go out in installments, but the universities have in the past - and in particular this time - it asked that money be received all in advance.

It wasn't so much as to alleviate tuition concern, but it was actually a concern about - they were experiencing increased expenses or earlier expenses than they anticipated. As well, they were unsure at the time about their revenue sources and what the COVID-19 impact would be to their tuition base. To alleviate their cash flow concerns, we did advance that money up front.

Since that time, there have been ongoing conversations with the university sector about what the impact has been to them from an expense perspective and from an enrolment perspective. We're still kind of working through that with the Department of Labour and Advanced Education. Early indications are that the domestic enrolment was minimally impacted as students were receptive to the online offerings or the offerings that some universities were able to offer in person. International students were a different matter. Those who had a large international base did have enrolment challenges.

We are now - with the Department of Labour and Advanced Education - just continuing to have that conversation with the universities as to what that would mean to them and whether or not further support is necessary and warranted. You may note that on the individual basis (inaudible), on a student-first basis, there were funds being provided to Nova Scotia university students just recently to offset some of the impacts, that they may have experienced some increased costs to prepare to do online or distance learning.

Some university students were given an amount of money to help offset that cost. Tuition itself was maintained, but the concern with universities was really around the overall enrolment models and what that would mean to the future for the universities as they go forward.

As you know, some universities have a very robust international presence, and they needed to work through that in the current year and also to look to those plans on an ongoing basis as things develop. That was the nature of why we advanced the money to the universities.

THE CHAIR: The time for the Liberal caucus has expired. That concludes our questioning for the witnesses this morning. I want to thank them for being here, and of course we do have a couple requests for information that you had mentioned and we do want to follow up with your respective offices.

I'd like to invite both Mr. Spicer and Deputy Rafuse to make some brief closing remarks if they wish, and we'll start with Mr. Spicer.

TERRY SPICER: Just very briefly, thank you for having us today and for your interest in our report. I want to thank the staff once again at my office, the team at the Department of Finance and Treasury Board, and the committee for their continued interest in our work.

THE CHAIR: Thank you, Mr. Spicer. Deputy Rafuse.

BYRON RAFUSE: I'll be very brief. I just want to thank the committee for the questions. I'll note that were a couple of follow-ups, and we'll get those to you as shortly as possible.

I will repeat that if the committee wants to have a kind of run-through on how you read our financial documents and the connections, we've done that in the past, and I will offer that up to committee members again if they so choose.

THE CHAIR: Thank you both very much. Again, that concludes our questioning of the witnesses of the respective departments this morning. Again, we want to thank you. It's trying times for everybody, and I'd like to tell Lilani I'm going to apologize another time for being unable to pronounce her name. Please accept my apology.

Anyway, the witnesses are free to leave the meeting now, and we're going to continue on as the Public Accounts Committee just to look after some committee business. Again, thank you very much.

Mr. Halman.

TIM HALMAN: With your permission, I have two motions I'd like to put forward for the committee's consideration. I'd like to start with the first one.

THE CHAIR: Go ahead, Mr. Halman.

TIM HALMAN: Today at Public Accounts, the Department of Finance and Treasury Board indicated that Nova Scotians have to follow up with the individual departments to get specific information on the \$228 million infrastructure stimulus spending. The Province has been unable or unwilling to give specific details about how this \$228 million in infrastructure money will be spent.

Therefore, I move that the committee invite the Department of Transportation and Infrastructure Renewal and all appropriate staff to the Public Accounts Committee at the earliest date possible to explain how the infrastructure stimulus money will be used in Nova Scotia.

THE CHAIR: Is there any discussion on the motion? Mr. Jessome.

BEN JESSOME: I would just note that there is an agenda-setting process that we can apply this topic to as per the routine and practice of this committee.

THE CHAIR: Ms. Leblanc, you waved your hand up.

SUSAN LEBLANC: I support the feeling of this motion, the intention of this motion. I think it's at this point reprehensible that we're still trying to find out where this money has been spent and how it's spent. Journalists in many scrums and we as Members of the Legislative Assembly have been trying to find out this information and we are constantly - it feels like strange evasiveness. One has to wonder why.

I would assume, based on Mr. Jessome's comments, that the Liberal members of this committee won't pass this motion, so I wonder if I could amend the motion and suggest that perhaps this committee write a letter to the department or the Premier's Office or both and ask, as a bipartisan committee, to present us with clear information about that spending.

TIM HALMAN: With respect to Mr. Jessome's comments, I certainly appreciate the comments and the sentiment. However, we cannot forget that one of the core mandates of this committee is to examine the public expenditures. We weren't able to get specific details today from the Department of Finance and Treasury Board.

With respect to the amendments put forward by Ms. Leblanc, I would like to see a specific timeline attached to that letter for when that letter would go out, and a request from the Public Accounts Committee clearly stating that we expect that specific information to be revealed to Nova Scotians.

THE CHAIR: I just want to get some clarification. Maybe Gordon can help me out with this one. Your motion, Mr. Halman, is that the Department of Transportation and Infrastructure Renewal be called to the meeting. Ms. Leblanc, I think your amendment is that a letter be written asking for the information. Am I right in my assumptions in all that?



SUSAN LEBLANC: Yes, Mr. Chair, that is what I suggested, but I'm also happy to let this motion go through and be voted on, and then if it's voted down, I could introduce a new motion - whichever is easier.

MR. CHAIR: I'm just wondering if one would destroy the intent of the other at this point.

TIM HALMAN: To Ms. Leblanc's point, let's keep it simple. Let's move this motion forward. I call for a recorded vote.

THE CHAIR: A recorded vote has been called for. I'm going to use the same list as used before.

**YEAS**

Tim Halman  
Lisa Roberts  
Susan Leblanc

**NAYS**

Bill Horne  
Ben Jessome  
Hon. Margaret Miller  
Brendan Maguire  
Rafah DiCostanzo

The motion is defeated.

[11:00 a.m.]

Ms. Leblanc, do you want to make your motion?

SUSAN LEBLANC: Sure. Mr. Chair, I move that the Public Accounts Committee write a letter to the Premier's Office and to the Department of Transportation and Infrastructure Renewal requesting a full list of stimulus projects connected to the COVID-19 stimulus package - a full list and amounts assigned to each project.

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

TIM HALMAN: I would like to see a deadline attached to that letter.

THE CHAIR: Mr. Jessome.

BEN JESSOME: I humbly suggest that the deadline will be budget season next year as per the usual routine of government. I think that we need to trust and continue to encourage different ideas of different departments and where spending should be made.

This reporting will take place. It will be presented as per usual during budget session and I have confidence that it will be done in a transparent and effective way, and

that Opposition members will have plenty of time at that time to ask lots of questions of various departments in the government.

THE CHAIR: Ms. Leblanc, as mover of the motion, did you plan on including a timeline in your motion?

SUSAN LEBLANC: Sure. Given that it's the middle of December, let's say by January 31<sup>st</sup>.

THE CHAIR: So we're clear on the motion then. The motion was made by Ms. Leblanc that the deadline will be January 31<sup>st</sup>. We'll conduct another vote . . .

SUSAN LEBLANC: Mr. Chair. Sorry, pardon me, I believe my colleague, Ms. Roberts has her hand up to speak to the motion.

THE CHAIR: Sorry, Ms. Roberts. I apologize.

LISA ROBERTS: I just wanted to briefly address the appropriateness of us asking for this reporting while Mr. Jessome has made reference to normal discussion and release of information that would happen in the context of a budget session. This is spending that has already happened. This is not a budget looking forward to the next year, and in fact this is spending that happened that was not contemplated in last year's budget.

We have been in this extraordinary time of now 10 months or nine months without legislative oversight where we have been inhibited from asking questions to ministers and where other Public Accounts Committees - certainly those that are functioning well - are engaged in oversight of government actions related to COVID. This feels like a very appropriate action for this committee to take, and I'm certainly grateful to my colleagues on the committee for bringing this forward.

THE CHAIR: Ms. Leblanc.

SUSAN LEBLANC: Yes, I would like a recorded vote, please.

THE CHAIR: A recorded vote has been called for. We'll begin the voting. Again, same order.

**YEAS**

Tim Halman  
Lisa Roberts  
Susan Leblanc

**NAYS**

Bill Horne  
Ben Jessome  
Hon. Margaret Miller  
Brendan Maguire  
Rafah DiCostanzo

The motion is defeated.

Mr. Halman.

TIM HALMAN: I have another motion to put forward, but before I do that, I'd like to extend our meeting by 15 minutes.

THE CHAIR: Mr. Jessome.

[11:15 a.m.]

BEN JESSOME: I also have a motion that I think is pressing given, if we're talking about new motions, we need to ensure that the committee will continue business while the House is prorogued, so I would suggest we get that housekeeping item out of the way.

THE CHAIR: There is a request is to extend the meeting by 15 minutes.

Is it agreed?

It is agreed. Our meeting now will go until 11:33.

Mr. Halman, you have a motion.

TIM HALMAN: Certainly keeping in mind Mr. Jessome's request, I will be as quick as I can.

On December 2<sup>nd</sup>, the Minister of Education and Early Childhood Development announced \$14.3 million from the federal Safe Return to Class Fund. According to the government's release of December 2<sup>nd</sup>, \$1.5 million to the Emergency Food Response Fund and to meet the increased demand for health food in school, \$1 million to pilot new online math and literacy programs, \$2.8 million for touchless water stations, \$2.7 million on ventilation inspections, \$1.5 million for PPE for students and staff, and \$700,000 to support a transition to blended learning.

These are significant investments that require oversight, accountability, and transparency. Therefore, I move that this committee call on the Deputy Minister of Education and Early Childhood Development and appropriate staff to appear before this committee to answer questions regarding these expenditures.

THE CHAIR: Is there any discussion on the motion? Ms. Roberts.

LISA ROBERTS: I would welcome this topic coming before Public Accounts Committee, and I would welcome the schedule of this committee being amended to enable more meetings and more topics to be covered, given that we're now meeting virtually, that

we're making up for a lag of many months of the committee not meeting, and also given that other mechanisms for democratic oversight are currently lacking in Nova Scotia.

For all those reasons, I would support this motion.

THE CHAIR: Ms. Miller.

MARGARET MILLER: I'd like to ask Ms. Langille when our next agenda-setting is.

THE CHAIR: Ms. Langille.

KIM LANGILLE: This committee works a bit differently than the others. Since we're now looking mostly at Auditor General reports, what has been happening is once the Auditor General tables a report, then the subcommittee would meet after that and would review that report and select topics from that. However, as always, there's nothing stopping members or the committee from deciding on topics apart from that, and for other topics to be brought forward when the subcommittee is meeting as well.

In answer to your question, there is no date at the moment for the subcommittee to meet to review the most recent report, which is the report that you just heard about today. That will be happening sometime in the near future, I assume. I'll discuss that with the Chair.

THE CHAIR: Ms. DiCostanzo, you had your hand up.

RAFAH DICOSTANZO: I'm not sure if it's an appropriate time right now, but I also would like to do the same motion as we did in the other committees, that we continue to do virtual video conferencing while it's safe for the staff and Legislative TV - sorry, for everybody. We just need to move that motion that we moved at other committees as well, so you let me know when the timing comes.

THE CHAIR: Thank you for that. We do have that on their agenda, so I'm going to go back to Ms. Miller.

MARGARET MILLER: As per the definition of this committee, the PAC only meets on the AG reports. Any of the subject matter may well be involved with the AG report coming up in the future, and I think that we do have agenda-setting coming up, and I do think that this should be relegated to the next agenda-setting meeting.

All of these subjects that have already scheduled over the next few months have been very important subjects as well. They've all been timely, all of us in our different parties have submitted different topics on this, and we will be moving forward with that.

THE CHAIR: Ms. Roberts.

LISA ROBERTS: I would just like to remind the members of this committee that, in fact, the Public Accounts Committee has a long history in Nova Scotia of dealing with topics in addition to Auditor General reports.

In fact, if anyone had the time in September to attend the virtual training of the Canadian Council of Public Accounts Committees that was offered to PAC members, the Speaker was the Chair of the Public Accounts Committee of the British Parliament, which has met a significant number of times over the past - well, at that point - six months to provide oversight on the extraordinary spending that has been happening in the context of the COVID-19 pandemic.

That is entirely appropriate and it is still within, as Ms. Langille referenced, the terms of reference of this committee, that we may meet to talk about other matters related to government spending. This is a committee that is intended to provide democratic oversight of government spending.

TIM HALMAN: I echo Ms. Roberts' comments. I appreciate what she just articulated. In the spirit of following the KISS method, I'm calling for a recorded vote on the motion I just put forward.

THE CHAIR: A recorded vote has been called again for the third time. We'll begin with Mr. Horne.

**YEAS**

Tim Halman  
Lisa Roberts  
Susan Leblanc

**NAYS**

Bill Horne  
Ben Jessome  
Hon. Margaret Miller  
Brendan Maguire  
Rafah DiCostanzo

The motion has been defeated.

We have two other motions that are coming forward. Mr. Jessome.

BEN JESSOME: I move that pursuant to Section 36 of the House of Assembly Act and pursuant to Resolution No. 2, Section a(i) passed unanimously on June 15, 2017 that this committee meet after the House is prorogued for the life of the General Assembly, abiding by public health protocols and continuing with virtual options as required.

THE CHAIR: Is there any discussion on that motion? Would all those in favour of the motion please say Aye. Contrary minded, Nay.

The motion is carried.

Ms. DiCostanzo.

RAFAH DICOSTANZO: I move that the Public Accounts Committee continue to hold meetings virtually until the committee sees that it's safe to meet in person for witnesses and for staff.

THE CHAIR: Is there any discussion on that motion? Would all those in favour of the motion please say Aye. Contrary minded, Nay.

The motion is carried.

We have two pieces of correspondence that committee members have received: one being from the Conseil scolaire acadien provincial requesting an update of the implementation of the recommendations from the 2015 Auditor General Report; and from the Department of Transportation and Infrastructure Renewal around questions that arose at the November 4, 2020 meeting. Members have been provided with all those.

There are two other items. Ms. Lohnes-Croft was the Vice-Chair of the Public Accounts Committee, and as such, she was a member of the subcommittee. Mr. Irving has since replaced her as the Vice-Chair and what we need is a motion to say that Mr. Irving will be a member of the Subcommittee on Agenda and Procedures. Would someone like to make that motion?

BEN JESSOME: So moved, Mr. Chair.

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

The motion is carried.

Also, for the April 14, 2021 meeting, we received a recommendation from Deputy d'Entremont and Deputy LaFleche that the deputy for the Department of Lands and Forestry also be invited to attend that meeting regarding the July 28, 2020 Report of the Auditor General to the Nova Scotia House of Assembly, Government-wide: Contaminated Sites. I guess what I'm looking for is whether or not the committee will agree to add this witness to the list that day as well.

Is it agreed?

It is agreed.

I hope there is nothing else I'm missing. I'm going to ask the Clerk to give me a yea or a nay with a head shake if we've covered all the items. Okay.

Our next meeting will be January 13, 2021. We've agreed that if things remain the way they are, it again will be a virtual meeting: an in-camera briefing at 8:30 a.m. and then the meeting at 9:00 a.m. The witness is the Department of Health and Wellness, and Nova Scotia Health concerning mental health services from the November 22, 2017 Auditor General's Report.

That concludes our business for the day. If we don't see everybody, I want to wish everybody a very happy Christmas, Happy New Year, happy holidays, and look forward to hopefully much better news and everything when 2021 comes.

[The committee adjourned at 11:26 a.m.]