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**Proceedings of the Standing Committee on  
Public Accounts**

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Public Accounts Consolidated Summary Financial Statements for the year ending March 31, 2023, and Auditor General Report on the Province's 2023 Financial Statement Audits

Published under the authority of the Speaker of the House of Assembly  
Honourable Derek Bennett, MHA

## **PUBLIC ACCOUNTS COMMITTEE**

Public Accounts Consolidated Summary Financial Statements for the year ending March 31, 2023,  
and Auditor General Report on the Province's 2023 Financial Statement Audits

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Chair: Pleaman Forsey, MHA

Vice-Chair: Lucy Stoyles, MHA

Members: Joedy Wall, MHA  
Jordan Brown, MHA  
Perry Trimper, MHA  
Sherry Gambin-Walsh, MHA

Clerk of the Committee: Bobbi Russell

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Appearing:

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

Sandra Russell, Deputy Auditor General  
Brian O'Neill, Assistant Auditor General, Financial  
Chrysta Collins, Manager of Communications

### **Office of the Comptroller General**

Brendan Hanlon, Comptroller General  
Lisa Warren, Director of Government Accounting.

### **Treasury Board Secretariat**

Elizabeth Lane, Secretary to Treasury Board

### **Department of Finance**

Michelle Jewer, Deputy Minister

### **Newfoundland and Labrador Health Services**

Dr. Patrick Parfrey, Chief Executive Officer  
Scott Bishop, Chief Financial Officer

### **Department of Health and Community Services**

Patrick Morrissey, Assistant Deputy Minister, Corporate Services  
Gillian Sweeney, Assistant Deputy Minister, Population Health

### **Department of Children, Seniors and Social Development**

Alan Doody, Deputy Minister

### **House of Assembly Service**

Evan Beazley, Committee Analyst  
Jennifer Peckham, Committee Analyst (A)  
Gerrie Smith, Law Clerk

The Committee met at 9 a.m. in Conference Room A, West Block.

**CHAIR (Forsey):** Good morning.

We'll call the meeting to order. Welcome to the Public Accounts Committee public hearing respecting the Public Accounts Consolidated Summary Financial Statements for the year ended March 31, 2023, and the *Auditor General Report on the Province's 2023 Financial Statement Audits*.

The Committee wishes to thank the various witnesses from the concerned entities who will appear before the Committee throughout the day. We also acknowledge the Deputy Auditor General and the officials from that office who are attending today as well.

I remind Members and officials to turn the mic on when you wish to speak and turn it off each time when you are finished. There is a button there at the bottom that you can use.

My name is Pleaman Forsey, MHA for Exploits and Chair of the Public Accounts Committee. Before we proceed, I will provide the Committee Members the opportunity to introduce themselves, starting with the Member to my right.

**L. STOYLES:** Lucy Stoyles, MHA, Mount Pearl North.

**S. GAMBIN-WALSH:** Sherry Gambin-Walsh, MHA, Placentia - St. Mary's.

**J. BROWN:** Jordan Brown, MHA, Labrador West.

**P. TRIMPER:** Perry Trimper, MHA, Lake Melville.

**J. WALL:** Joedy Wall, MHA, Cape St. Francis.

**CHAIR:** Thank you.

The Standing Committee on Public Accounts is dedicated to improving public administration in partnership with the Auditor General. The Committee examines the administration of government policy, not on the merits of it, and strives to achieve consensus in its decisions whenever possible. Members take a non-partisan approach to their work on this Committee.

The Committee will hear from several entities today, in the following order: for the morning portion of the hearing are the witnesses from the Office of the Comptroller General, Treasury Board Secretariat and the Department of Finance; next, for the first portion of the afternoon, we will have witnesses from the Department of Health and Community Services and Newfoundland and Labrador Health Services; and finally, this afternoon, we will have the Department of Children, Seniors and Social Development.

Before we start with matters under consideration first today, I wish to welcome from the Office of the Auditor General: Deputy Auditor General Sandra Russell; Assistant Auditor General, Financial, Brian O'Neill; Manager of Communications, Office of the Auditor General, Chrysta Collins.

We will now turn our attention to the first entities we will be hearing from today, the Office of the Comptroller General, Treasury Board Secretariat and the Department of Finance. I would like to thank the witnesses for their appearance and welcome the following officials: Brendan Hanlon, Comptroller General; Lisa Warren, Director of Government Accounting; Elizabeth Lane, Secretary to Treasury Board; Michelle Jewer, Deputy Minister of Finance.

I will start with a few reminders for the witnesses and an outline of how the hearing will proceed, before I call on the clerk to swear and affirm the witnesses.

Witnesses are reminded that this is a public meeting, and your testimony here today will

be part of the public record. Witnesses appearing before the Standing Committee of the House of Assembly are entitled to the same privileges granted to Members respecting parliamentary privilege. Witnesses may speak freely and what you say in this parliamentary proceeding may not be used against you in civil proceedings.

Live audio will be streamed on the House of Assembly social media channels and an archived version will be available following the hearing. *Hansard* will also be available once finalized.

When called upon to speak, please activate your microphone, identify yourself by saying your name first and please remember to turn your mic off once you've finished speaking.

First, I'll invite the Comptroller General, Secretary to Treasury Board and Deputy Minister of Finance to make opening remarks. Then the Committee Members will pose questions in turns of 10-minute periods. These rounds will continue until the Committee have exhausted their questions on the matters.

I now ask the Clerk to administer the oaths and to affirm witnesses.

### **Swearing of Witnesses**

Ms. Michelle Jewer  
Ms. Elizabeth Lane  
Mr. Brendan Hanlon  
Ms. Lisa Warren

**CHAIR:** Thank you.

I now call upon the Comptroller General to bring opening remarks.

**B. HANLON:** Thank you, MHA Forsey.

First of all, I'd like to thank the Public Accounts Committee for asking us here today. I would like to introduce myself and the staff I have with me today.

My name is Brendan Hanlon, Comptroller General of Finance with the Treasury Board Secretariat, and I have with me Lisa Warren, director of Government Accounting. I'm just going to make a short opening statement to let everybody know what we do at the Office of the Comptroller General and then the deputy ministers will introduce themselves.

The Office of the Comptroller General is a branch of the Treasury Board Secretariat. Along with the Department of Finance, we administer the *Financial Administration Act* to ensure adequate control over all government revenues, expenditures, assets and liabilities.

We develop government-wide financial and accounting policies and procedures; provide transaction processing services for payments made to government and received by government; we provide internal audit services to government departments, entities and support the work of government's Audit Committee; and oversee government's fraud management program.

We're responsible for the administration, processing and compliance of payroll, leave and time attendance transactions for over 30,000 government employees, teachers and pensioners. To facilitate these activities, we're also responsible for several of the government's largest financial and payroll systems.

The Office of the Comptroller General also supports government's Audit Committee in its work related to internal audit, Public Accounts, fraud management, advocacy and ethics responsibility. We are a professional accounting organization. We are committed to ensuring we meet our account standards, which allows for clean, unqualified audit opinion on the financial statements of the province.

Finally, the Office of the Comptroller General is a supporter of the role and

mandate of the Auditor General in their work on the Public Accounts, performance audits, and other work. We look forward to continuing this relationship.

Thank you, that's our opening remarks.

**CHAIR:** Thank you.

I now call upon the Secretary to Treasury Board to bring opening remarks.

**E. LANE:** As the Comptroller General has stated, part of my responsibility is oversight of Treasury Board Secretariat. Treasury Board Secretariat has approximately 270 employees across four branches of government: Treasury Board Operations, Human Resources, Evaluation and Accountability, and Office of the Comptroller General.

I'm very happy to be here and happy to take questions from the Committee.

Thank you.

**CHAIR:** Thank you.

I now call upon the deputy minister of Finance to bring opening remarks.

**M. JEWER:** Good morning, everyone.

Thanks for having me here today as part of this group to answer questions on Public Accounts.

I'm the deputy minister of the Department of Finance, so we work very closely with both Treasury Board Secretariat and Office of the Comptroller General throughout the year, and during Public Accounts as well. But we do have a little bit of a different mandate than Treasury Board Secretariat.

With the Department of Finance, we're responsible for fiscal, financial, statistical and economic policy. We provide advice to Cabinet, obviously, and other government departments and agencies. We are

responsible for the provincial budget, the administration of provincial tax statutes, management of provincial borrowing and debt, project analysis, economic and fiscal forecasting, negotiation of federal transfers, and representing the province on national, fiscal and statistical matters.

Thanks for having me here today, and I'm looking forward to your questions.

**CHAIR:** Okay, thank you.

With that, I guess I'll now recognize the Member for Mount Pearl North to proceed with the questions.

**L. STOYLES:** Thank you very much, and thank you all for coming, and of course the Auditor General's office and their staff for coming today, and of course my colleagues for being here today.

In the Auditor General Report, she noticed that the books remain open for one month after the yearly fiscal invoice process, and I'm just wondering, have you looked at any changes in that? Because apparently, we're the only province in Canada that does that. We're just wondering what the practice is going to be moving forward.

**B. HANLON:** Every province treats the chargeback period differently. The chargeback period is 30 days after the end of March. We're legislatively required to have that chargeback period of 30 days, so it allows for expenses that come in late related to prior, previous year, be charged to the correct fiscal year.

Of course, that does result in additional time required to complete the Public Accounts audit, because we need 30 days for the books to close. Right now, we're not looking at any changes to that requirement, but as I said, different provinces do it differently all across the country. And it may be something we'll look at in the future, but right now we're not looking at that particular process.

**L. STOYLES:** Okay.

How frequently does the Office of the Comptroller General review allowances to identify any accounts for which there was no reasonable recovery?

**B. HANLON:** Annually, departments are required to submit Accounts Receivable and Allowance for Doubtful Accounts updates. So we're continually reviewing those accounts. Of course, the larger Accounts Receivable are Income Support and outstanding fines. We're continually working with departments to sort of identify whether accounts should be written off or submitted for writeoff and we will provide advice and guidance on the write-off process.

We want to have correct accounting for all our assets and liabilities, which would include Accounts Receivable and any allowances that are set up. So we're continually working with departments to ensure those balances are correct and up to date.

**L. STOYLES:** Since the Auditor General's report was released, and of course your department has received a copy, what changes has the department made for compliance?

**B. HANLON:** With respect to accounts receivable?

**L. STOYLES:** Yes.

**B. HANLON:** Okay, so as part of the 2024 Public Accounts, we communicated clearly with all departmental executive and controllers to raise awareness of the issue of having up-to-date accounts receivable and allowance for doubtful accounts. We have reiterated the requirements for departments to review accounts receivable, in particular the non-trade receivables and allowances such as Income Support and fines receivable. We have asked them to consider writeoffs in all instances where it's appropriate, which is usually statute-barred

accounts, bankruptcies or deceased. So Income Support are making a special effort to update their balances and writeoffs, as appropriate.

And just a note, the representative from Income Support will be here later this afternoon discussing Income Support accounts further.

**L. STOYLES:** Yes, thank you.

I'm assuming that after seven years and they're on the books and they're not receiving anything, are they automatically taken off the books then or how is that process working? Is that still the same as it has been in the past?

**B. HANLON:** So statute-barred accounts are generally six years with no activity on the account. There are exceptions to those circumstances, but once the six years are up, generally speaking, the department would be required to submit a writeoff to Treasury Board. Anything under \$1,000 the deputy minister can write it off, and then our Internal Audit would follow up on those writeoffs. Anything over \$1,000 would have to come to Treasury Board. So that's a process that's been in place for quite a while.

**L. STOYLES:** The accounts that you're collecting on a regular basis, if somebody is still remaining on income support, you're only allowed to take a percentage of their income support. Can you explain that process to us?

**B. HANLON:** Yes. If you're an active income support client, generally, it's 5 per cent of your income support payment is taken towards your overpayment. So overpayments can be for a variety of reasons. If someone gets a damage deposit for an apartment, for instance, that could be set up as an overpayment.

Overpayments are set up for a number of different reasons. So 5 per cent is taken off

their income support cheque. Once they are inactive from income support, then that collection activity goes over to DGSNL who has a collections section that then takes over collection of that account.

**L. STOYLES:** After the six years is up and you can do an automatic within a \$1,000 – it's automatically dated then after the six years is what you're saying. If somebody was to win the lottery and they still owed \$20,000 for income support, is there any way of recovering that?

**B. HANLON:** My understanding of statute barred is that once the six years are up, there is no, sort of, legal ability to collect that money once the six years is up and it is statute barred, which is why it would then, normally, get routed directly for a writeoff at that point.

**L. STOYLES:** Yes, but if they're paying their 5 per cent and they're still in the books and they're paying, if they took 10 years or 15 years, are you allowed, even after the six years is up, will you continue taking that 5 per cent or is their account considered dead?

**B. HANLON:** My understanding is that if you're an active income support client and the 5 per cent is coming off, that counts as acknowledgement of the debt. So therefore statute barred wouldn't be in effect on that debt. It would be continual to be paid and oftentimes, depending on the size of the debt, at 5 per cent, it may take a while to collect but it would not become statute barred during an active collection, we'll say. That's my understanding.

**L. STOYLES:** So if someone is not on income support and they've gone to work, you can deduct their wages and take the amounts off their wages and that's not the 5 per cent, right?.

**B. HANLON:** Correct. So there are a number of tools that DGSNL would use. Federal set-off is one. They could put

someone in federal set-off. If they get an income tax return, that would be applied against their income support overpayment. They can set up repayment arrangements with people. They could do wage attachments on people. So they use a number of different tools to collect once you become inactive from income support.

**L. STOYLES:** Is there any avenue for an appeal once they're deemed to owe the money? I'm dealing with a case now, so I'm asking this, and they've said right from the get-go that they didn't owe the money. Is there any way for a further appeal for them to come back and say to the Auditor General and to you guys that they can come back and have a second look at their account?

**B. HANLON:** I'm just going to put a caveat on this. You can confirm with CSSD this afternoon, but my understanding is that there's an income support appeal board that would hear those types of issues, not the Comptroller General. It's handled by the income support appeal board. That's my understanding. It can be clarified with CSSD.

**L. STOYLES:** Okay, thank you.

I'm going to move on.

Thank you.

**CHAIR:** All right, thank you.

The Member for Placentia - St. Mary's.

**S. GAMBIN-WALSH:** Good morning.

I'm just going to focus on the straight piece, public-private partnerships right now. So the AG notes a continuing issue regarding the review of inflation rates using calculated and contractual obligations relating to P3s. When does the Office of the Comptroller General intend to conduct a sensitivity analysis to explain any potential impacts of

the change in inflation rates on the total value of P3s contractual obligations?

**B. HANLON:** So I'm happy to report that we have worked with the Department of Health and Community Services and updated contractual obligation disclosures to reflect inflation rates built into P3 agreements for operating payments. So we have taken that step. We have taken the advice of the Auditor General and implemented that step.

**S. GAMBIN-WALSH:** Okay.

**B. HANLON:** On the second part, the sensitivity analysis, we're reviewing options to provide sensitivity analysis if it's materially warranted in future Public Accounts. So we're just looking at the impact if rates go up or down, is it material to the Public Accounts? So once we've done some analysis and determined if it should or should not be included in the Public Accounts, if we determine that should be included, then it will be included.

So we're considering that alternative, but we have already implemented the impact of interest rates on P3s.

**S. GAMBIN-WALSH:** Okay.

What exactly are you doing to review the inflation rate used when calculating the contractual obligations? What exactly is done? What's the process?

**B. HANLON:** So we would look at incremental increases or decreases in the rates and the amount – I guess the amount of money that that would impact on the Public Accounts themselves. If the amount is relatively small, I mean, if it's immaterial, should it be included or not, that's a question for our office. But that's what we do, we look at if the rate goes down by a certain percentage, what is the impact and if the rate goes up by a certain percentage what is the impact.

It's all sort of predicated on the fact that nobody really knows which way the rates are going to go. Therefore, what sort of level of changes should we be looking at. Those are the things we're looking at.

**S. GAMBIN-WALSH:** Okay, thank you.

Specifically about loans: How frequently does the Office of the Comptroller General review allowances to identify any accounts for which there is no reasonable – like how often do you actually do that – probability of recovery?

**B. HANLON:** We did a specific project this year, our Internal Audit completed a review of loans receivable and requested writeoffs for 11 of those 35 accounts.

There were over 35 loans, Internal Audit did an initial first look and they decided that 11 of those loans should be submitted for writeoff. Then departments were requested to review the remaining 24 loans and complete writeoffs where necessary and financial statements were updated for 2024. Altogether, 19 accounts of the 35 were written off. One is currently in process which would make it 20 – if it's approved, of course, by Treasury Board – and of the 14 loans remaining, one has since been repaid and one is a conditionally repayable loan.

Really, there are 12 of the 35 accounts remaining. We did a concerted effort this year to look at all 35 accounts and take action where necessary.

**S. GAMBIN-WALSH:** Okay, thank you.

My colleague was referring to accounts receivable, the doubtful accounts, and we had quite a discussion about this yesterday. I'm just wondering, and I know this is probably for CSSD also, but there was a probability of somebody winning the lottery and you got your six years or whatever – I actually know a case where someone did win the lottery and paid back what they owed – but it seems like there is a

significant amount of money owed on the books. I understand there are the potential of estates, but you use the six or seven years there so is it beyond your control? Does it then go to Treasury Board and Treasury Board totally decides if that is written off or not?

**B. HANLON:** Sorry, do you mean if it's beyond six years or just within?

**S. GAMBIN-WALSH:** Beyond.

**B. HANLON:** I'll just add, and again CSSD may have additional to add to this this afternoon, there are things they can do like certificates of judgment and whatnot to expand the collection period beyond six years. There are tools they can take if they fell, you know, it might depend on the size; if someone owes a large amount, they could seek a certificate of judgment which would, I think, extends it an additional 10 years.

Those steps are worth taking if the amount of the overpayment indicates that they should take additional steps.

**S. GAMBIN-WALSH:** Okay.

**B. HANLON:** Then, usually, the department would make the decision that this is now beyond the six years so we cannot submit it for writeoff, and if they did submit it for writeoff, it would be sort of not legal, because there's no longer the ability to collect that money. The law says that that is no longer recoverable.

**S. GAMBIN-WALSH:** Okay. Thank you very much.

I'm just going to Inventory Management. The AG notes in the report that Inventory Management is a large area of risk for the government. How is the government working to ensure that inventory count guidelines are followed and that documented policies are in place?

**B. HANLON:** We're taking a different approach this year and we have implemented an inventory guideline for departments. We have formalized an inventory guideline to tell them steps they should be taking every year. We have sat down with departmental comptrollers, we have quarterly meetings with departmental comptrollers to outline steps they should be taking on inventory control.

This year we will be implementing spot checks; our internal audit division will be doing spot checks on inventory, so that's sort of a new thing we're going to be doing, just to sort of add additional validity to the reports that are coming in for departmental inventory, and we have communicated to departmental executive the need to get inventory updates in on time, and ensure they are accurate and timely.

So those are the steps we've taken, new guidelines and we're going to be doing spot checks on inventory, and communication to comptrollers and executive.

**S. GAMBIN-WALSH:** Okay, thank you very much.

So Bank Reconciliations, we know that they're not being completed at year-end. Can you just comment on that?

**B. HANLON:** Yes, I can. Last year there were three instances of bank recs going beyond – 60 days is sort of policy in place for having bank recs completed. My understanding is there were a couple of year-end bank reconciliations that went beyond 60 days; I think they may have been 70 days. Part of it had to do with the write-back period, so you know, year-end needs a bit of additional time for bank reconciliations, but for this year we are going to ensure that all bank reconciliations are done within the 60-day time frame.

**S. GAMBIN-WALSH:** Just an additional question to that. Have you found that you may have four or five months that are not

completed? Are we looking back at October, November, December and you're into March? Is that happening?

**B. HANLON:** Right now, that is not happening. All bank recs are being done within a 60-day time frame right now.

**S. GAMBIN-WALSH:** Okay. Thank you.

The unfunded pension liability: Has government reviewed this pension plan to determine if an action is needed to ensure its continued sustainability?

**E. LANE:** Government is responsible for a number of different pension plans. In terms of direct responsibility, there's the Pooled Pension Fund, they include the Uniformed Services Pension Plan as well as the MHA Pension Plan, as well as the Provincial Court Judges' Pension Plan and there are various levels of funding status for each of these plans. I'm just, I guess, wondering which specific plan that you're referencing?

**S. GAMBIN-WALSH:** Uniformed, specifically.

**E. LANE:** Currently the Uniformed Services Pension Plan has a funded status of between 25 per cent and 26 per cent. Government is aware of the nature of the funding status of that plan and is currently reviewing options to address that issue.

**S. GAMBIN-WALSH:** Okay, thank you.

That's all my questions right now.

**CHAIR:** Thank you.

We'll ask the Member for Lab. West to ask questions.

**J. BROWN:** Thank you so much, Chair.

My first question, I guess, is on the \$660-million line of credit held by different entities of the Newfoundland and Labrador Health Services. The Auditor General made a note

of the sustainability and that. I just want to know what is this a sustainable debt that is possibly within there or are there any issues within the department on the \$660-million line of credit with the Newfoundland and Labrador Health Services?

**M. JEWER:** Certainly, a large line of credit for NL Health Services, we are continuing to work with the department and NL Health Services on how to manage that line of credit. In *Budget 2024*, there were additional funds allocated to NLHS to help address that issue and we're continuing to work with them on bringing that down.

**J. BROWN:** Thank you.

I guess, a follow up on that is the sustainability. I guess, from your answer is that yes, it is possible, it is sustainable or is there some concern for sustainability going into the future with that?

**M. JEWER:** I'm not sure I can answer that particular question around sustainability, we're continuing to work with them to find options to address the line of credit. Currently, their line of credit, the interest they pay on the line of credit, for example, is higher than our cost of borrowing for government. We're looking at options on what's the best way to fund that shortfall.

**J. BROWN:** Thank you so much.

I guess moving on to Asset Retirement Obligations, the Auditor General noted that a lot of buildings and other assets that will require this is currently not an operating policy right now. Where is the department, the Treasury Board or the Office of the Comptroller General with the asset retirement obligations, given a lot of buildings and stuff are seeing their end date coming up soon or you see there are some new buildings that are replacing older buildings, aging infrastructure – where are we to with that in the policy?

**B. HANLON:** We have a policy in place now where all departments have to report changes to their asset retirement obligations to my office on a monthly basis. We have developed a formal business process for reassessing and updating asset retirement obligations regularly. The process ensures accuracy and completeness of the information used to calculate asset retirement obligations.

We requested the Department of Transportation and Infrastructure to complete a review of 5 per cent of their total assets in ARO, which was about 40 buildings. So they completed that the past year. We're going to do a rolling, I guess, update from departments on asset retirement obligations.

So the process we developed will be reviewed by the Office of the Auditor General to ensure that they agree with the process and position we're taking on asset retirement obligations.

**J. BROWN:** Thank you, Comptroller General.

With the asset retirement obligations and you are having, like you said, monthly reports and everything like that, are we going to see a more robust plan for retirement of assets, or is there any concern there that because we're only doing this now and it's only aging buildings that are coming up faster, a lot of infrastructure is now severely aged in this province – is there any concern there?

**B. HANLON:** MHA Brown, do you mean sort of future infrastructure investments or – ?

**J. BROWN:** Current infrastructure investment.

**B. HANLON:** I guess I'll pass it off to Michelle, but my office wouldn't necessarily comment on future infrastructure investments. I mean, we would record asset

retirement obligations and make sure government is aware of the condition of the assets. But with respect to future investments, of course, my office wouldn't comment on that.

**M. JEWER:** I'll ask you to repeat the question, I'm sorry.

**J. BROWN:** Like I said, we weren't tracking retirement obligations with current assets now that we have a significant amount of aged and aging building and some infrastructure that's going to soon be replaced, are we in a good place with asset retirement obligations? Are we going to be able to meet those needs? Because we weren't tracking it before.

**M. JEWER:** Certainly that's something that we look at when we're looking at current infrastructure as well as new, like, for example, the sustaining capital piece of keeping that infrastructure in good condition. So that is something that we look at when we're looking at a budget for a particular project.

Does that answer your question?

**J. BROWN:** Thank you so much.

Moving on to Inventory Management, I know that my previous colleague talked about it, but in the report they singled out TI with some of the issues with the inventory management. My question would be, given that some of this has not been followed up on and there has been issues with inventory management, going back, what is the plan to reconcile or to get there? Because if there is a significant issue now and the Comptroller mentioned about some new procedure and that, what is the plan for reconciling some of the issues that are probably going to arise from where missing inventory or inventory that was not properly logged – is there a plan in place to deal with that?

**B. HANLON:** I guess I wouldn't presuppose that there was going to be issues coming up in inventory but, like I said, our internal audit section will be doing spot checks on inventory to ensure validity. We communicated with executives the, sort of, necessity to tighten up all inventory controls and inventory management.

Of course, if issues would happen to arise with any of the inventory, then we'll work with the departments to remedy those issues. We couldn't presuppose that there will be any at this point.

**J. BROWN:** Okay. I just wanted to make sure that if there is going to be an issue with reconciliation on inventory, I just wanted to know if there's a plan in place or if there's anything that the department is looking at or anything like that to make sure that we have a process for us, given that we've had issues in the past in keeping track of inventory in this province.

**B. HANLON:** The Office of the Comptroller General has zero tolerance for any fraud whatsoever. So if anything comes up in our review of inventory, then we will work with the department to remedy that situation.

**J. BROWN:** Thank you.

Finally, with the pension liabilities, especially with the uniformed pension, I know that my colleague asked about it and we mentioned that there is work identifying anything like that. Can we get some timeline or anything on this work or the work it is going to be to reconcile that deficit in that pension? I think that the uniformed one is the one that was singled out in the report as being one of the most underfunded ones. Is there any work or timelines or anything like that that we can see on addressing those issues?

**E. LANE:** I can verify that, as I stated previously, government is aware of the funding status of that plan and the issues with the funding status. Work is ongoing in

terms of an analysis of options to address the funding status of the plan. I don't, today, have a timeline or an expected time as to how long that will take but I can confirm that the analysis is ongoing.

Thank you.

**J. BROWN:** I know previously when it comes to underfunding pensions and that there has to be certain permissions and stuff given. Is the government allowed the underfunding – I know when dealing with the Wabush mines workers and that, the company went to government and asked them for permission to underfund the plan. Did government give itself permission or is there any promissory note or anything like that attached to this plan for the allowance of its underfunding?

**E. LANE:** With respect to the Uniformed Services Pension Plan and a couple of other pension plans as well, the *Pension Benefits Act Regulations* exempt the USPP from the requirements to fund financial deficiencies, which has been a long-standing exemption. So there is legislation that backs the deficiency in the Uniformed Services Pension Plan.

**J. BROWN:** Thank you, that's my final question.

**CHAIR:** Thank you.

We'll now call upon the Member for Lake Melville.

Thank you.

**P. TRIMPER:** Thank you, Chair.

First of all, I just wanted to check – Brendan, when you were talking about decision-making around writeoffs, there's another threshold above \$5,000. Is that when Cabinet gets involved? I mean Treasury Board is there and those representatives but is there a point at which

the entire Cabinet – I’ve served in Cabinet; I’m just trying to recall, but I put it out there.

**B. HANLON:** Settlement limits are \$5,000. So if government wants to settle an outstanding debt with somebody and the, sort of, variance between the amount they want to settle at and the amount of the original debt is greater than \$5,000, then that’s when that particular incident would kick in.

**P. TRIMPER:** That’s what I’m asking.

**B. HANLON:** Okay.

**P. TRIMPER:** All right, thanks.

I’d like to follow up on my colleague from Lab West’s line of questioning around assets. I’m going to go a little bit off topic here. I’m going to stay on the topic, but I want to look at it from a couple of different angles. Because, as an MHA, I’m aware of several assets that are sitting on the books not available for use by government, not available for use by the private sector, and they just seem to be stalled year after year. I’m trying to think of a way to overcome that. I’ve got buildings in my District of Lake Melville that I’ve had inquiries.

I’m just looking to see if there’s some more transparency that could be provided. I remember years ago, around 2016, we did a review of our footprint and looked at our space and we radically pulled back, so much lease space, underutilized and so on. Is there any mechanism and/or have we ever engaged something similar to look at assets that, really, we don’t seem to have any use for, yet are still sitting there, languishing away, with a building up of liability?

**B. HANLON:** MHA Trimper, good question.

The Department of Transportation and Infrastructure are responsible for listing all space within the government envelope. I would suggest that if you wanted to reach

out to Transportation and Infrastructure, they should be able to provide that information for you. Of course, the Office of the Comptroller General would not have that information, but Transportation and Infrastructure are responsible for all space requirements, is my understanding, within government.

**P. TRIMPER:** Understand and I’m doing that and it’s working. It’s a little slow. I just wondered if there was any direction or – would you guys ever consider providing that direction to all departments who may have assets? Again, I always like to look across the country too at other Ps and Ts and see if there’s some lessons learned there or some direction that could be used. I don’t know if you have any comment on that.

**B. HANLON:** I guess my comment would be, we have professional accountants that could sort of assist with that as well. I mean, TI are sort of the holders of the space but, of course, we could get involved in an analysis, that sort of thing. We haven’t in the past but it’s not to say that we couldn’t.

**P. TRIMPER:** And then rolling it in and having had a background in environmental consulting previously, the environmental liabilities, the public safety liabilities that are loading up on that and I’m thinking from a public safety perspective and some issues, children playing around a facility that’s not safe and some of that, building escalating costs is more than incentive to actually dispose of some of these assets. I’m thinking that there’s need for some exercises there where at some point you say we have to fish or cut bait, as they say.

**B. HANLON:** Thank you, MHA Trimper.

We’ll certainly take that under advisement. You’re making very good points on the use of government space.

**P. TRIMPER:** Okay.

I'm going to pause there and pass it on to my colleague, from the beautiful District of Cape St. Francis.

**CHAIR:** Thank you.

We'll now call upon the Member for Cape St. Francis.

**J. WALL:** Thank you, Chair.

I wasn't expecting that from my colleague from Lake Melville, you don't normally pause.

**P. TRIMPER:** But I recognized your –

**J. WALL:** You certainly did, and I appreciate that.

Thank you all for coming here today. I have a couple of follow-up questions from my colleague for Placentia - St. Mary's before I get into other questions, because questions are stimulated by conversation.

First of all, on the loans, it was noted 11 of 35 accounts were submitted for write off. If I have the numbers correct from my taking notes. I looked at the other 24: you have 19 of 35 written off, one in process and we're down to 12. I believe you said that, right.

So those 12 accounts, what about those? Will those be recoverable or are you looking for those to be written off as well.

**B. HANLON:** MHA Wall, good question.

Our review, we looked at all of the loans and the chances of collectability on those loans. I guess to summarize, the 12 loans that are remaining, in our opinion they are collectable so that's why they are remaining on the books. The ones that could have been written off or should have been written off, have been or are in the process of being written off.

**J. WALL:** Okay, thank you for that.

With respect to Inventory Management, I do know that the AG has made some recommendations, and you did say about the spot checks that you wanted to implement for the departmental inventory.

I'm just wondering how those spot checks are going to be implemented, and do you have dedicated staff or officials to do that to ensure that is done in a timely matter throughout the year?

**B. HANLON:** We have dedicated Internal Audit staff that are directed by an internal audit plan.

We will work the spot checks into our internal audit plan, and we do have dedicated, professional, knowledgeable staff that can carry out the inventory spot checks. We'll do it across the province at different locations and different types of inventory to make sure we have, you know, a good scope and scale of all the inventory and make sure there are samples from all different areas.

That's our plan.

**J. WALL:** Okay. Thank you for that.

With respect to the AG, she noted the inadequacies of the inventory management. On top of spot checks, any other new guidelines or anything else being implemented other than the spot checks to address her recommendation.

**B. HANLON:** Yeah, so I mean, ultimately departments are responsible and required to have documented inventory management policies and practices in place. Of course, our job is to ensure they have those practices and policies in place. As well, at our comptroller meetings – I have quarterly meetings with all departmental comptrollers – we have stressed the importance of inventory and asset management over and over again.

Those are the sort of steps we have taken. In conjunction with the spot checks, we think it will provide for a very robust inventory management protocol throughout the coming year.

**J. WALL:** Thank you for that.

I am happy to hear of the quarterly meetings to keep on top of that on a regular basis. It makes it much easier going forward, no doubt.

With respect to the unfunded pension, and specifically with the Uniformed Services Pension Plan, I've had several people reach out to me over the last number of years who are in that pension plan. Without breaching any confidentiality, one, a retired RNC sergeant whose pension is \$9,800 a year. That's his pension from RNC after 26 years of service.

So again, from my notes, 25 to 26 per cent is unfunded status; is that correct? Twenty-five to 26 per cent? You said that you couldn't provide a timeline, but you do have analysis ongoing with respect to that. So what options are being considered to look at that, or to correct that unfunded liability?

**E. LANE:** That's the funded status of the plan –

**J. WALL:** Sorry, yes, thank you.

**E. LANE:** Yes. So we have for this plan as well – it's part of our Pooled Pension Fund, there are three pension plans in that. We have a pension investment committee, and the role of the committee is to advise the trustee on the operation and the investment of the Pooled Pension Fund. So there is certainly oversight with respect to the funding statuses of all the plans involved in the Pooled Pension Fund. It would be part of their role to look at and assess any options moving forward with respect to the funding nature of the plan or any changes.

Obviously as well, when we look historically, there are two other plans back in 2015, the Public Service Pension Plan as well as the Teachers' Pension Plan, that underwent significant reform, landing on a joint trusteeship arrangement with our unions. In terms of the analysis that is being done, it would be certainly premature of me to talk about where that may or may not land, as it is a government decision.

However, there is some history in terms of different options that we can look to, including whether or not it would be – for example what's been done with the previous plans in the past. So that would be included in the options.

**J. WALL:** Thank you, Ms. Lane, I do appreciate that.

I have had several conversations with the Minister of Finance regarding this, and I'm happy to hear that there is ongoing work on that, so thank you for that.

I do have another question with respect to the offshore royalties and carryback of decommissioning costs. Government has yet to determine the impact of carryback of decommissioning costs will have on offshore royalties, and of course these liabilities could be material and appropriate accounting for them would be within the Canadian Public Sector Accounting Standards.

My question would be: What progress has government made on the work with the Department of IET, to determine whether an estimate for decommissioning costs can actually be reached?

**B. HANLON:** I'll just give an overview of what's happened in the last couple of years with respect to decommissioning costs.

The Office of the Comptroller General discloses Offshore Royalty Decommissioning Carryback. Right now it's contingent liability, that's how we report it.

So in 2022, an accounting assessment provided to the Office of the Auditor General support this treatment due to the uncertainty regarding the decommissioning carryback impact on the royalty calculation, liability and status. So due to this sort of uncertainty around the amounts and what the impact would be in the future, our assessment was that we would disclose it as contingent liability.

We completed a review with the Department of IET in 2022, to confirm that existing accounting treatment. So we're continuing to work with IET now to review royalty regulations for its projects to see if any new royalty regulations may impact disclosure requirements. That will help us determine if an estimate can be or should be established. We're going to ascertain how these costs will factor into the royalty calculations and identify any carryback amounts.

We're going to continually ensure that the appropriate accounting treatment is applied according to Canadian Public Sector Accounting Standards. That's the sort of approach we've taken and that's the plan for right now with respect to that.

**J. WALL:** Thank you, Mr. Hanlon, I appreciate that.

Thank you, Chair, that's all for now.

**CHAIR:** Thank you, Member for Cape St. Francis.

Just going through some of the questions here that already have been asked with regard to inventories and that kind of stuff. How accurate is the information you received from the entities regarding – are they incomplete or inaccurate? How accurate is the information that you receive?

**B. HANLON:** You mean in general?

**CHAIR:** In general, yes.

**B. HANLON:** Okay, I'll just sort of explain how it all works and then we can just sort of go from there. The year-end, March 31, there's a one month write back so then we get submissions in from all departments and all government entities, say in May period. What we do is we do sort of a very robust analysis. We have Lisa and her very smart people that work in government accounting, take all those submissions, they do analysis, comparisons to previous years. They do trend analysis. They sort of go back with literally hundreds of questions to departments and entities to add validity to the submissions. I mean, department submissions are accurate but, of course, like everything, we go through all of our process to ensure that the end product that comes out at the end of the day, government's financial statements are as accurate as they can possibly be.

There's a lot of back and forth. Lisa's crowd are literally doing hundreds of entries over the summer, working through all that sort of thing. So a combination of professional accountants in departments working with professional accountants in our office ensure that at the end of the day those financial statements that we produce, are as accurate as they can possibly be – and with the help of the Auditor General, of course.

**CHAIR:** Okay. Thank you.

Receivables of loans – do you have a percentage of the receivables for the recovery of loans with regards to loans and receivables that you get back? Do you have a percentage of what you're getting back with regard to the recovery?

**B. HANLON:** So I guess to say, so our receivable is a really big number, like \$3 billion point something. So 80 per cent of that comes from the federal government so we're going to get 100 per cent of that, most likely. When you look at our accounts receivable that could have any sort of allowance set up at all, it's about \$300 million, primarily income support and fines

receivable. Sort of, as I discussed earlier, there is analysis done on income support and on the fines receivable to set up an appropriate allowance for doubtful accounts.

So that would be such-and-such per cent. So that is, sort of, our estimation of what wouldn't be collected in the future but of our overall receivable, a large chunk of that is not quite 100 per cent guaranteed but as close as you are going to get to 100 per cent guaranteed and allowances set up for the part that, you know, may not be collected in the future.

**CHAIR:** Thank you.

Do you have a cost estimate of the assets to be retired? Do you have a cost estimate of what can be retired there or anything like that?

**B. HANLON:** MHA Forsey, unless Lisa has a better answer, I will certainly get that information for you. I don't have it at my fingertips, what we have set up, as that's a retirement obligation right now, but we have it. We can get it.

**CHAIR:** Okay. Thank you.

Just following up with a couple of more questions. What initiatives are being taken to ensure internal controls and accounting practices?

**B. HANLON:** I'll just go back to some of the things we do during the year. We meet with departmental comptrollers on a quarterly basis to stress the importance of following all internal controls and appropriate accounting practices. We especially meet with them around Public Accounts submission time to make sure all of their submissions are accurate and up to date. We send detailed guidelines out to all entities and all departments on Public Accounts submission. If there are any issues that come up at all, we deal with the departmental executive to ensure that those issues are remedied effectively and quickly.

We're continually working with departments on any issues that come up during the year. But Lisa's staff provide very clear documentation and instructions to all entities and departments with respect to all those submissions, in conjunction with all the analysis they do, of course.

**CHAIR:** Thank you.

The asset retirement obligation of 2023, \$518 million. The stability of the province and the fiscal situation remains a significant concern. What actions are being put in place to control the stability?

**M. JEWER:** I guess I'll point to *Budget 2024*, and there is a five-year fiscal forecast that is released as part of Budget. In that budget you'll see return to balance, return to surplus in '25-'26 of \$58 million and then there are small surpluses throughout the period up to '28-'29.

Of course, part of budget '25, we're currently in the process of starting to develop budget 2025, so we'll have a new five-year forecast when that is released. Certainly that is, from a fiscal stability perspective, you can see getting return to surplus is something that certainly the bonding agencies look to us for, and this is very important.

Also, I'll mention on the debt management side there's a number of things that we've done to deal with the substantial amount of debt that the province has on the books. We did re-establish sinking funds for new debt issuances. So when there's a new debt issuance, there is a sinking fund of no less than 1.5 per cent that has to go against that or has to be put in the sinking fund and invested to repay that debt when the debt becomes due.

Usually our debt could be five, 10, 30 years. The majority of our debt would be 30-year time frame, so that gives us enough time to invest that sinking fund money to be able to repay that debt when it becomes due. We

did make changes to the *Financial Administration Act* to optimize sinking fund performance as well, so we do have the ability to invest in a broader range of securities. That allowed us to do municipal and highly rated corporate bonds, for example, and highly rated equity investments that are publicly listed on S&P 500 or the TSX 60.

We also established a Future Fund. This Future Fund was established in '22-'23, where a portion of the province's non-renewable resource revenues and net proceeds from any sale of capital assets is invested in the Future Fund. We do have, currently to date, about \$390 million in that future fund. So that's another step that government has taken to help stabilize the financial position.

From an investor perspective, we have launched a European borrowing program. So our provincial bonds can now be traded in the European markets. And that's the intention to attract additional investors to purchase our bonds and then, by generating that demand, would hopefully reduce the cost of our debt. So that's another step that's been taken.

**CHAIR:** Okay, thank you.

As of March 31, 2023, the province's Accounts Receivable line item amounts to \$3.3 billion, with an Allowance for Doubtful Accounts totalling \$122.2 million. Of this, a significant portion has been outstanding for several years, with only \$1.5 million written off.

Does the Office of the Comptroller General intend to review the Accounts Receivable, including Doubtful Accounts, to identify outstanding balances and when they can be written off?

**B. HANLON:** I'll just sort of provide a bit of context around the big receivable number; it is a big number, \$3.4 billion. So \$2.8 billion of that is due from the Government of

Canada. We would never write that off for something that is an allowance; that's practically guaranteed money. That's 80 per cent of the receivable.

Taxes Receivable and Offshore Royalties make up about another 10 per cent. So the remaining 10 per cent is mainly Income Support and Accounts Receivable. We have been working with departments to sort of ensure that the allowances set up are the correct amounts. We have been stressing the importance of submitting writeoffs from departments, as required, and we'll be continuing to do so.

You can check the CSSD this afternoon, but I do believe they're also taking a review of their process around setting up their allowance for Doubtful Account amounts to make sure it's up to date and in tune with the current balance that's in their Accounts Receivable portfolio.

So those are the steps we're taken. I'll also add with our quarterly meetings with controllers, we are stressing the importance of focusing on writing off accounts that are no longer collectable, because it's not appropriate to have them on the books any longer.

**CHAIR:** Thank you.

One quick question – decommissioning: Have any decommissioning costs been established?

**B. HANLON:** So Lisa can kick me if I'm wrong, but my understanding is that no, there have been none to date. Lisa is nodding; there have been none to date.

**CHAIR:** All right, seeing my time is up, I'll continue with the Member for Mount Pearl North.

**L. STOYLES:** Thank you, Chair, a couple of more questions.

Groups like the egg farmers who have not provided any financial information, I'm just wondering what measures your office have taken to try and obtain that financial information.

**B. HANLON:** I'm pleased to report, after some compelling, they have submitted their financial statements as requested for 2024. So those were sort of the last outstanding set and they have now submitted them to our office.

**L. STOYLES:** So has everybody else been in compliance as well, besides the egg marketing board? Has everybody else complied? And the other question is: Can your department put any policies in place to force them to give you the information?

**B. HANLON:** As of right now, everyone is compliant with submitting their financial statements to our office as required.

With respect to legal requirements, of course, we're working with entities all the time. We work with departments who sort of oversee entities. So we take whatever steps we need to to work with departments and to work with entities to ensure they have submitted the required financial information to our office.

**L. STOYLES:** So the C-NLOPB consolidation, has that partnership been put in place and what have your department done to make that happen?

**B. HANLON:** I guess there has been a long outstanding question of whether the C-NLOPB should be included in the government reporting entity or not. Analysis done by our office in the past, the issue comes around shared control over the C-NLOPB.

So I'll just explain how it works. The province has three members on the board, the federal government has three members on the board and quorum is four members. There could be an instance where the

federal government has three members at a meeting and the province has one member at a meeting, therefore that wouldn't really be shared control.

All that being said, we are taking another look at this just to make sure we're consistent across all of our entities and consistent across other provinces to see how they deal with the C-NLOPB. So it's not a closed case. We are currently reviewing whether they should be in or not, but that's sort of the circumstances around why a decision was made at this time for them not be included.

**L. STOYLES:** Looking at the whole report, is there anything coming out at you that wasn't looked at in the Auditor General's report that your department should take a high priority on?

**B. HANLON:** Tricky question.

What I will say is that in general, our Internal Audit have their audit plan that they work on all year long. That may be different issues than the Auditor General brings up in their Auditor General's report, and that's sort of the point: For all of us to be looking at different areas to have good coverage in our respective audit plans.

Our Internal Audit group could look at a different issue that hadn't come up, and that's sort of how we operate during the year. So it's possible we could look at things that the Auditor General hasn't looked at, for instance. So I hope that answers your question.

**L. STOYLES:** It does, thank you.

I was going to ask that question then, if you looked at it, your department would make changes and you basically said you could look at making changes without the Auditor General coming forward and suggesting that something is not up to par or up to speed.

**B. HANLON:** Just to comment.

Yeah, we are proactive in working with departments and identifying areas where improvements can be made. We all want to see improvement wherever it can be made. So, yes, our office works with departments continually, through our quarterly meetings and otherwise, to make improvements wherever they can be made.

**L. STOYLES:** Thank you, Chair.

**CHAIR:** Thank you.

We'll ask the Member for Placentia - St. Mary's.

**S. GAMBIN-WALSH:** Thank you, Chair.

I do have some questions, just some clarity required.

Timing of the Consolidated Summary Financial Statements, am I hearing that the Office of the Comptroller General is not considering or has no consideration to probably implement any other business process that would reduce or change the time of the tabling of the Public Accounts?

**B. HANLON:** We have made a number of steps to improve on the timeliness of the Public Accounts. I'm just having a quick look here now. Right now, there are no legislative changes planned. But, of course, our office is always looking for operational improvements to shorten the Public Accounts timeline.

So additional resources were added the past year: an additional Public Accounts analyst, accounting research specialist and an accountant in the Public Accounts group. We provided detailed training to staff to improve efficiency in business processes; review and documentation has been updated. We added more milestones to our internal schedule to assess, monitor and make progress towards goals and take corrective action as required.

We implemented additional quality assurance procedures to ensure the accuracy of the information and working papers provided for audit and to verify the accuracy and completeness. Because, of course, if more accurate and complete information comes in, the less time will be required on the back end. We feel like we've enhanced our communication with the Office of the Auditor General to address audit issues and audit information requests on a timely basis.

So those are steps we have taken, and, of course, we are always looking to improve the timelines on our Public Accounts. I would just like to add that we are meeting our legislative required timeline, which is November 1 every year.

**S. GAMBIN-WALSH:** Okay, thank you very much for that.

So that somewhat answers another question that I had that I just wanted some clarity on. I was going to ask how does the Office of Comptroller General plan to work with the departments to improve the quality of the Public Accounts submissions, because after reading the report, it highlights or it lends to or suggests – I'm not sure of the word to use here – that there appears to be probably not enough capacity in the departments, that information may be entered wrong or it's incomplete when it's received. I mean you did allude to the fact that you analyze it and go back with additional questions, but when reading the report these things do come out, without any information. Can you comment on that?

**B. HANLON:** We're dealing with a large number of departments, so submission quality is going to range across departments for sure. So that's why we're providing additional training. The templates we try to provide as accurate and is really good instructions as we can, clear instructions to departments so that the templates are filled out correctly. Again, we re-emphasize through our quarterly departmental

controller meetings the importance of having accurate information. We have professional accountants that can work with the department's finance divisions to assist them in compiling their information if required as well.

**S. GAMBIN-WALSH:** Okay, thank you very much.

One last question, I'm just wondering, how is government continuing to – just first I want to say that I have noticed that the zero-tolerance culture for fraud is greatly improved over the last four or five years. It's really good. I'm just wondering how are you going to continue to promote this zero-tolerance culture for fraud?

**E. LANE:** You're right, government has a zero-tolerance policy for fraud. It's a fairly robust fraud management program that government has, which includes the policy prevention and detection measures, awareness and education and robust reporting measures outlined for investigations as well as a fraud risk assessment. Government has, in addition to the policy, government has a mandatory fraud prevention and detection training as well. That is mandatory throughout core government. Fraud risk surveys are a tool as well that is completed annually through the Office of the Comptroller General with all departments to identify areas for the OCG to focus on to mitigate the risk of fraud.

There are also – my colleagues can comment more specifically on this – but there are also dedicated professional development days on financial issues, including fraud, so that occurs. Also, the Office of the Comptroller General as well as the Office of the Auditor General are notified of reported cases – all reported cases – of fraud as well.

I'll leave it there for now, unless you have further questions.

**S. GAMBIN-WALSH:** No, that's it. Thank you very much and that is it for me, Chair.

**CHAIR:** Okay, thank you.

We'll move to the Member for Lab West.

**J. BROWN:** Thank you, Chair.

I just have a question here on when it comes to recovery of funds from delinquent accounts, or anything like that, are you keeping track of how much is spent on trying to recover this money, and does it exceed the amount that you're trying to recover?

**B. HANLON:** DGSNL can provide further clarification. The collection unit in government resides with DGSNL, so they could tell you the exact amount of money they spend on, basically, their collection officers. The cost to collect is basically the cost of the collection officers.

But if they put somebody, say for instance in federal set-off, there is no cost. Anything that's recovered from the income tax payment, is 100 per cent returned to government. There's no fee, there's no anything like that. So really the cost to government for collections, are the collection officers.

I was the departmental comptroller with HR (inaudible) years ago, and I can assure you the benefit from collection officers greatly outweighs the cost of the collection officer. Like, many, many times, I would suggest.

**J. BROWN:** Thank you so much for the background on that.

Also, when it comes to information management, I know that in the report the Auditor General talked about gathering information data and accuracy. I was wondering if there were any improvements since the time of this report have been put through to your office to improve the information management and gathering. I

know that the Auditor General did have some concerns in the past about that.

**B. HANLON:** MHA Brown, do you mean IT control type of thing?

**J. BROWN:** Yes, IT control.

**B. HANLON:** The OCIO right now as I understand it – we got an update from OCIO – so they are actively reviewing all policies, are in the process of creating a new policy framework which will include a formal review process. So that work has begun and will continue into 2025 with an OCIO resource dedicated to lead this initiative.

They have taken that recommendation very seriously and have dedicated resources and would be working on developing a whole new policy framework around all the recommended options this year.

**J. BROWN:** I guess one final question on there.

The programming and the systems that are being used by your department for financial tracking, and everything like that – when was the last time all those systems have been reviewed or been updated, especially with security features and things like that? When was the last time that was done?

**B. HANLON:** MHA Brown, we're continually updating our security processes and internal control processes with our financial systems. We have a very, very robust financial system with many, many safeguards in place.

I guess you could just look at the history of upgrades done with our old system and it is sort of evident from how it operates that there are not many issues that come up because of the security that's in place and all the procedures that are currently in place for our financial system. It's very robust.

**J. BROWN:** Thank you.

No further questions, Chair.

**CHAIR:** Thank you.

We'll move to the Member for Lake Melville.

**P. TRIMPER:** Thank you, Chair.

This may be a question later this afternoon for the CEO, Pat Parfrey, but I just wondered what your thoughts on the \$600-million line of credit that has been created by our regional health authorities and whether or not you see a hope for optimism now that we've got all four combined in terms of control.

It has been interesting sitting on this Committee and as we've done other investigations, the tremendous difference between each of the four regional health authorities over the last several years. I'm a big fan of what is happening, and I just wondered if you shared that level of optimism?

**M. JEWER:** Certainly, to your point, Dr. Parfrey probably can speak to this this afternoon. As I mentioned before, the Department of Finance and Treasury Board Secretariat work with the department and NLHS around that line of credit. It is concerning, it is a high number, and we did put money in the budget last year to help address that.

Do you want to repeat part of your question again?

**P. TRIMPER:** I'm just wondering now that we are combining all four regional health authorities into one, that alone should help addressing unanticipated overruns and the need to borrow, that kind of thing.

**M. JEWER:** Yeah, for sure.

I think they're currently in the process of amalgamating to one system. I think that will certainly provide efficiencies. They're not

yet there but that's the plan, to bring them all under the one system, right.

**P. TRIMPER:** Have you been aware of when that financial aspect, the combination, would be completed by?

**M. JEWER:** I don't have time frames, but again, us and Treasury Board Secretariat are working with them on that solution.

**P. TRIMPER:** Thank you.

My next thought, and it's just a thought, I was just doing a little, dare I say, some Google searching there but I'm just looking at well decommissioning and it frustrates me to see us giving up royalties to go back and deal with abandoned wells.

Alberta doesn't really have it any better, but it is a substantial issue in Alberta as well. It's a levy that is applied to the industry. I was just wondering if you have any advice for looking at future offshore deals and, you know, what we might do?

I'm looking around the country to see if there's a better way; I'm not sure I see one right now.

**B. HANLON:** We work with IET on the accounting side of things to see if a liability should be set up for decommissioning and whatnot. I would suggest that IET may be in the best position to outline how that may or may not impact royalty agreements in the future. Because we're involved on the accounting side, we set up contingent liabilities for the future but, other than that, of course, our expertise is not in that sort of realm.

**P. TRIMPER:** My last question – this is back to the timing of financial reporting and the steps you've taken that all sounds positive. I wonder if you could talk a little bit about – this is a kind of set-up question and I don't mean to do that to you, but it's really like, how do we move ourselves up the line in terms of being compared across the

country? Are there big structural changes? And/or my thought is – and back to one of my colleague's questions on the quality of the information that's coming in – maybe some of these other provinces and territories are getting their information in sooner but perhaps it's not to the same quality. I don't know, but it was just something that the AG noted to us.

**B. HANLON:** The structural change that would have to happen, that other provinces do, that's different in Newfoundland and Labrador is that our accounting systems and our budgets are done on a modified cash basis as opposed to an accrual basis. So, as a result, when the year ends, we need to do literally – Lisa and her staff – hundreds of accrual entries to bring the books from a cash basis to an accrual basis. That process takes a long while. We have to get all the information in from departments and entities.

What other jurisdictions do is they may have accrual financials, accrual system set up and accrual budget set up which would cut down on the amount of time required. But right now, as the *Financial Administration Act* is structured, it sort of leads us to this modified cash basis.

The thing that would have to happen, and may or may not happen in the future, would be amendments basically to the *Financial Administration Act* and large changes to our financial systems which, of course, would be costly and time consuming, but it's a project that could be considered in the future. That is the main reason why we're pushing up into September, October and others may get it done a bit sooner.

**P. TRIMPER:** How do we compare? Are other jurisdictions following this same modified cash basis or are we unique in the federation?

**B. HANLON:** Lisa could say if we're unique or not, but a large number do accrual accounting, have an accounting system set

up. We're on the tail end of when Public Accounts get submitted, but they're always within the legislative timeline, which is sort of the most important thing for us, to make sure we meet legislative timelines.

This year, we're going to implement the things I've talked about to reduce our timeline as much as possible.

**P. TRIMPER:** Thank you very much.

Thank you, Chair.

**CHAIR:** Thank you.

We'll move to the Member for Cape St. Francis.

**J. WALL:** Thank you, Chair.

Thanks to my colleague from Lab West, I'm down to one question. Good questions and good answers, thank you.

I don't think this one has been asked. I went back through my notes and I don't think it was but forgive me if it has been. The AG noted some deficiencies in the reporting of the asset retirement obligations, investments, loans receivable and disclosures related to accounts receivable, long-term debt and contractual obligations need to be further assessed, from the AG's office.

So my last question is: How is the Office of the Comptroller General reviewing its disclosure requirements?

**B. HANLON:** Gee, I made it all this way and I just forgot the button once. Well, I got too comfortable.

So the Office of the Comptroller General has completed a detailed review of each of the disclosure areas noted. Assessments were completed to determine if additional disclosure in the Public Accounts were required by the Canadian Public Sector

Accounting Standards.

Disclosure of the 2024 Public Accounts were updated accordingly, as required. So these disclosures included asset retirement obligations, investments, loans receivable and accounts receivable. So those have been updated in the 2024 Public Accounts.

**J. WALL:** Thank you, Mr. Hanlon.

I appreciate that. That's my last question, Chair, and I appreciate the panel's time and answers for today.

Thank you.

**CHAIR:** Okay, thank you.

I do have a couple of more questions, actually. When we asked if there have been any decommissioning costs established, you just said no. Why hasn't any decommissioning costs been done?

**B. HANLON:** Ultimately, I'll just go back to the things we have done. We do disclose decommission carryback as a contingent liability. That's sort of accounting treatment and stance the Office of the Comptroller General has taken on the topic. After discussion with the IET, we feel that it is the appropriate accounting treatment to make.

There is a difference of opinion with the Office of the Auditor General. I mean, we feel the disclosures are a contingent liability and currently the appropriate accounting treatment, and we have an accounting discussion paper provided to the OAG that was provided for feedback in 2022.

We continue to review and monitor with IET for any changes or new information that may change our disclosure position. But as I said, it is a difference of opinion with the Office of the Auditor General at this time.

**CHAIR:** Okay, thank you.

What is being done to ensure spending is controlled and debt load is reduced?

**M. JEWER:** I'll refer again to *Budget 2024* and the fiscal forecast. So you'll note again return to surplus in '25-'26 is part of *Budget 2024*. From a spend perspective, you can see that coming out of the deficit would be inherent in controlling some of that spend. Some of that, of course, is additional revenue as well coming into the forecast.

With respect to – you had asked about managing the debt, correct?

**CHAIR:** Yes.

**M. JEWER:** I'll mention again the things we've done around managing debt, putting sinking funds against any new issuance of debt. There is a period of time where there were no sinking funds attached to new debt. So I think it's probably in the range of \$16 billion or so that has no sinking funds attached to it.

We did re-establish that. So now that we do issue a debt, then 1.5 per cent of that gets put into a sinking fund. Then that gets invested. Then, by the time the debt becomes due, there should be sinking funds there to pay off that debt. From a fiscal sustainability perspective, that is an important measure that was put in place.

Also with the sinking funds, traditionally the *Financial Administration Act* was pretty strict on what could be invested. So we did make some changes, as I mentioned, to be able to invest in broader things to allow for a greater return.

For our sinking funds, for example, for '23-'24 the approximate return was 5.6 per cent on those funds. Our cost of borrowing is approximately, current year, about 4.5 per cent. So you can see there we are investing more than what the cost of the debt would be.

Then the establishment of the Future Fund, I mentioned as well. So a certain portion of non-renewable resources goes into the Future Fund and then gets invested. For '23-'24, the return on the Future Fund was about 6.7 per cent, just to give you some indications there.

**CHAIR:** Okay, thank you.

What is being done to address the rising debt servicing costs? We're looking at over \$1 billion per year.

**M. JEWER:** Again, I mentioned the expansion into the European borrowing programs in order to increase demand for our bonds would hopefully then lower that cost of debt. Certainly, from the bond-rating agencies, as I mentioned, they're looking forward to return to surplus as an important aspect to how they rate our bonds. So that is a credit positive, we'll call it, when they look at how they rate the province with respect to bond rating.

So those two things, for sure, return to surplus, managing the cost, increasing revenue, obviously, reducing that reliance on having to borrow is important. That would, obviously, reduce the cost of the debt as well.

**CHAIR:** Okay, thank you.

What is the sustainability of reliance on oil revenues and federal transfers?

**M. JEWER:** So, for *Budget 2024*, I believe the percentage of oil royalties to revenue was 15 per cent. Back in 2011-12, it was 32 per cent. So then that's the natural decline of the reliance on oil in the forecast.

From the federal transfers perspective – I'm just going to get the number here. For '23-'24, 20.3 per cent of our revenue was federal revenue. The majority of the revenue is, what we call, own-source revenue. So coming from, as I said, income

taxes, corporate taxes, sales tax, oil royalties, those sorts of things.

**CHAIR:** Okay, thank you.

What is being done to reduce that reliance on the oil revenues?

**M. JEWER:** Again, if you see, as I mentioned, it was 32 per cent and down to 15 per cent as part of *Budget 2024*. So there is that reduction. It's about, I think, diversification of the revenue streams coming in. To have different revenue sources coming in would then reduce that reliance on oil.

For example, I'll just mention the wind hydrogen as an example of a new source of revenue that would be coming into the province.

**CHAIR:** Okay, thank you.

Just a couple of more questions, I guess.

While auditing the Consolidated Summary Financial Statements, the Auditor General noted numerous instances of information that required correction from the Office of the Comptroller General. How is the Office of the Comptroller General working to reduce errors associated with the modified cash basis of accounting?

**B. HANLON:** So we've taken a number of steps, taking the recommendations into account. I mean, we're committed to reducing errors and promoting improvements in financial reporting throughout government – our office is.

Departments are provided detailed instructions for Public Accounts templates and a deadline that allows our office to review the submissions and ensure proper completion. Consolidated entities receive detailed completion instructions and a sufficient deadline for the Office of the Comptroller General review.

The Department of Finance and the Office of the Comptroller General have partnered to provide professional development days. So we've done professional development days where Public Accounts reporting and internal audit are discussed with financial professionals throughout government.

We meet regularly with departmental controllers, with Public Accounts as a standing agenda item and issues are noted and raised with the group. We do our analysis and reasonableness review on all submissions to try and avoid correction errors in the future.

We like to have accurate, timely submissions in from all departments and we're making extra effort and will continue to make extra effort to make sure that those submissions are as accurate as they can in the future.

**CHAIR:** Thank you.

Does the OCG intend to move to accrual accounting?

**B. HANLON:** Ultimately, the financial statements of the province are provided on an accrual accounting basis but the *Financial Administration Act*, as it currently exists, of course, requires modified cash basis of accounting. So that will require legislative changes. There are no legislative changes planned at this time, I can say.

**CHAIR:** All right.

My time is just about close there. I do have a couple of more questions, but I will move on down the line just in case there are any extra questions. I'll follow up with a couple of questions after that.

I'll ask the Member for Mount Pearl North; do you have any more questions?

**L. STOYLES:** No, I don't.

Thank you again for coming this morning.

**CHAIR:** The hon. the Member for Placentia - St. Mary's.

**S. GAMBIN-WALSH:** No more questions for me.

Thank you very much for your contribution.

**CHAIR:** The hon. the Member for Labrador West.

**J. BROWN:** Thank you, Chair.

I have no more questions, but I thank our guests for providing the information today.

**CHAIR:** Thank you.

The hon. the Member for Lake Melville.

**P. TRIMPER:** Thank you, Chair.

It's not a question; it's a comment and it may be a compliment then back to the deputy minister. I was just doing some rough calculations in your investment strategy on the sinking fund. That would represent somewhere between – am I getting this right – \$8 million to \$10 million per billion dollars? Is that what we're actually gaining there through your investment strategy? Did I get that right? I was looking at the percentages and you said 5.8 per cent and then 4.6 per cent. That's about \$10 million per billion. Is that what we're –?

**M. JEWER:** I'd have to do the calculations; I'd have to get back to you to confirm. For sinking funds, for example, the balance is about – so \$1.5 billion is what we have in sinking funds currently, and we have about 5.6 per cent return on that for the year, for '23-'24.

**P. TRIMPER:** Okay.

**M. JEWER:** The Future Fund, there's \$390 million in that.

**P. TRIMPER:** Yes, it's back – but the difference, the way you're investing is actually generating many millions of dollars. I'm thinking it's \$8 million to \$10 million per billion. I'm not sure if I've got that right or not. How do we enter that into the budget? How is that showing up? As a revenue, and how is it labelled?

**M. JEWER:** It would be investment income on the income statement that would show up. The sinking funds actually come off of our borrowings, in our liabilities.

**P. TRIMPER:** On your borrowing costs.

No, I just wanted to say that's good.

Thank you and thanks for the opportunity.

**CHAIR:** Thank you.

The hon. the Member for Cape St. Francis.

**J. WALL:** Thank you, Chair.

I have no further questions. Thank you to all of you for coming up today and providing your answers to us. It's appreciated.

Thank you.

**CHAIR:** Okay, thank you.

I'll follow up with a couple more questions.

The Auditor General noted deficiencies in the reporting of asset retirement obligations, investments and loans receivables. How is the Office of the Comptroller General reviewing disclosure requirements?

**B. HANLON:** So we completed a detailed review of all disclosure areas that were noted by the Auditor General. Disclosures in the 2024 Public Accounts were updated accordingly, as required. So we did update asset requirement obligations, investments, loans receivable and accounts receivable for the 2024 Public Accounts. We took the recommendation under advisement and

updated our disclosure requirements accordingly.

**CHAIR:** Okay, thank you.

During the audit, the Auditor General notes four instances in which it took 60 or more days for the Office of the Comptroller General to complete bank reconciliations. How is the Office of the Comptroller General improving its turnaround time for the preparation of bank reconciliations?

**B. HANLON:** We have a very clear review of all bank reconciliations now. They're all up to date – up to date meaning within 60 days is the requirement of the Auditor General. As you said, there were four instances noted. We've reviewed those four instances and we put processes in place to ensure that going forward, all bank reconciliations are completed in a timely manner.

**CHAIR:** Thank you. I do have one more question, that's it.

The Auditor General Report notes three risks included in government's financial statement discussions and analysis that potentially can have significant effect on the province's economic and fiscal position. How is government using the risk highlighted in financial statement discussion analysis to inform decision making and spending priorities?

**B. HANLON:** Just to be clear, are you talking about rate mitigation and demographic issues?

**CHAIR:** Yes.

**B. HANLON:** Okay.

First, just on rate mitigation, the finalization of the rate mitigation plan with Newfoundland Hydro was announced in May 2024, effective July 2024, whereby domestic residential power rate increases associated with Muskrat Falls cost recovery

are capped at 2.25 per cent per annum. So that's sort of something that has been done with respect to rate mitigation.

With respect to aging demographics, you know, government makes investments in the province to make it a beneficial place to live and raise your family, and we are working on our immigrations policies and IPGS does a very good job of dealing with enhancing immigration within the province. So those are steps that have been taken demographically.

**M. JEWER:** If you look at *Budget 2024* from a demographic perspective and look at population indicators, we do see population growth in the economic forecast. That's the first time we've seen growth in many, many years. But just to give you an example, from 2023 to 2024, the 2023 population was 539,000. We had about 9,800 net migration from immigration international and interprovincial. Then we had a natural change of deaths over births of about 3,500, so a net of 545,300 in a population perspective.

Seeing population growth in the forecast, as Bren has mentioned, there is certainly the demographic of 75-plus does grow in the forecast as well, but that is taken into consideration when you look at the general population and population growth.

**CHAIR:** Okay.

I think, that probably may end the questioning. I'm just taking one quick look around; I have no questions.

I'll ask the entities if there are any closing remarks on their matter.

**E. LANE:** On behalf, I'm sure, of Treasury Board Secretariat, which includes the Office of the Comptroller General and I'm sure the Department of Finance as well, we are very happy to appear and provide the information as requested by the Committee and we

thank you for the questions and the opportunity.

Thank you.

**B. HANLON:** Just briefly, I'd like to thank Lisa and her staff for all the work they do on Public Accounts, excellent job they do every year on Public Accounts, so I just want to thank her and her staff. And I'd like to thank you guys for inviting us here to answer your questions.

**CHAIR:** Okay, thank you.

I'll ask the Deputy Auditor General if there's any closing remarks on her part.

**S. RUSSELL:** I just wanted to thank the Public Accounts Committee for having this hearing that addresses the Public Accounts. There are several jurisdictions that don't get this opportunity. I just think it's such an important part of our work and it's just such a great experience to have these issues addressed in this public forum.

I'm very pleased to see some of the responses on some of the recommendations that we've made and see things that are being addressed and very much looking forward to working with the Office of the Comptroller General in doing whatever we can to make a more timely tabling of the Public Accounts in future.

Just thank you, it's been a great hearing.

**CHAIR:** Okay, thank you.

On behalf of the Public Accounts, I'd certainly like to thank all the entities for appearing before us this morning and answering the questions that we had. It's nice to hear the comments from the Deputy Auditor General that through the Public Accounts she's got some more conclusions to what she's been looking for so that's good to see that.

Other than that, again, thank you for coming. With that we'll take a recess now and we'll return at 1 p.m. to proceed with the hearings.

Thank you.

### Recess

**CHAIR:** Thank you, everyone. Good afternoon.

In this portion of the public hearing, the Committee will hear from the Department of Health and Community Services and Newfoundland and Labrador Health Services. I would like to thank the witnesses for their appearance and welcome the following officials: Patrick Morrissey, Assistant Deputy Minister, Corporate Services; Dr. Pat Parfrey, Chief Executive Officer, Newfoundland and Labrador Health Services; Scott Bishop, Chief Financial Officer, Newfoundland and Labrador Health Services.

I will start with a few reminders for the witnesses and outline how this portion of the hearing will proceed before I call the Clerk to swear in and affirm the witnesses.

Witnesses are reminded that this is a public meeting and your testimony here today will be part of the public record. Witnesses appearing here before the Standing Committee of the House of Assembly are entitled to the same rights granted to Members respecting parliamentary privileges. Witnesses may speak freely and what you say in this parliamentary proceeding may not be used against you in civil proceedings.

Live audio will be streamed on the House of Assembly website and social media channels and an archived version will be available following the hearing. *Hansard* will also be available once finalized.

When called upon, please just activate your microphone, identify yourself by saying your

name first, and please remember to turn off your mic when you're finished speaking.

First, I'll invite the chief executive officer and deputy minister to make opening remarks. Then the Committee Members will pose questions in 10-minute periods. These rounds will continue until Members have exhausted their questions.

I now as the Clerk to administer the oaths to the witnesses.

### **Swearing of Witnesses**

Mr. Patrick Morrissey  
Dr. Patrick Parfrey  
Mr. Scott Bishop

**CHAIR:** Thank you.

I now call upon the CEO of Newfoundland and Labrador Health Services to bring opening remarks.

**P. PARFREY:** As you know, I've only been the CEO of NL Health Services since last Friday, but I have had discussions about the Auditor General's report with Karen Stone, who was the interim CEO, and with Scott Bishop, who will be our spokesperson in responding to the components of the Auditor General's report.

I think that's probably enough from me at the moment.

**CHAIR:** Okay, thank you.

I now call upon the deputy minister of Health and Community Services to bring opening remarks.

**P. MORRISSEY:** John McGrath sends his regrets, of course.

First of all, I just want to thank the Chair and the Committee for giving us the opportunity today to be here and answer any questions you have and just thank you for all the valuable work that you do.

I also want to thank the Auditor General's office, the OCG and staff at NLHS in their efforts in completing this report. I also want to congratulate Dr. Pat Parfrey on his appointment for new CEO.

I won't take up too much time. I just wanted to highlight a couple of the more significant things that are ongoing that touch on some of the recommendations.

Just a couple of things, including the Fixed Asset Register that was noted and Electronic Fund Transfers are primarily due to the limitations of the NLHS's existing finance and information system, Meditech. The department and NLHS are now working closely with the Office of the Chief Information Officer and the Department of Finance on implementing a new enterprise resource planning system, which will effectively modernize finance, human resources and procurement and supply chain technology.

When it comes to the inventory we can get into more details, and Scott can for sure, but in the fall of 2024, a new warehouse management system was approved by government which will modernize inventory control and eliminate that risk of expiry and waste of the product.

It was also noted in the report that there is a lack of an internal audit function. We're happy to say that since that time, the NLHS board of trustees in partnership with HCS approved the establishment of an internal audit office within the health authority. That is ongoing, the recruitment efforts for that team.

There are a few other recommendations, some internal control issues that NLHS has addressed with compensating controls and other areas. So I just wanted to highlight some of the major initiatives that are ongoing.

We are happy to take your questions.

**CHAIR:** Okay, thank you.

With that, we'll start the questioning and I now recognize the Member for Mount Pearl North to proceed with the questions.

**L. STOYLES:** Thank you, Chair, and thank you for coming.

I am the MHA for Mount Pearl North. I'm assuming you know everybody at the table. Thank you for coming and thank you to the Auditor General for doing all the work in her department, and the department for doing all the work that they do for us and for the government.

I have a couple of questions. The health care foundations, there's a bunch of them: the Janeway Foundation, the Bliss centre, the Trinity Conception Placentia Health Foundation, the Burin and the Grenfell Foundation. The government don't have any control over getting financial statements from them. We're just wondering if your department is going to ensure that they do provide those accounts.

I know most of them are self-sufficient and everything and they raise funds and most of the funds they raise, a lot of them are going back to the health care foundation and to the hospitals, but we are just wondering what the protocol is and if you're looking to putting any policies in place in that regard.

**S. BISHOP:** Great question.

I guess to settle the question that has been posed, Ms. Stoyles, it comes down to an element of, as you mentioned, control. The current health authority and legacy health authorities do not actually affect the control of the foundations. Although we partner with them for their fundraising efforts and we certainly appreciate the major component of our work they contribute to, there isn't an element of control within the health authority, therefore they aren't consolidated to our financial statements as deemed appropriate by the Auditor General's Office.

However, our current board bylaws, as passed by our current board of NLHS, does include an element whereby the foundations are required to provide our board with audited financial statements on an annual basis, and that's expected from all foundations. So that is an element of our board bylaws in which the financial statements that are audited by their own auditors are presented to our board in completeness, nine months after its completion and audit for review by our board.

We also have great partnerships with all our foundations in terms of our leadership in NLHS, but also our board itself and their involvement with our individual foundation boards. So there are lots of partnership synergies and governance in terms of the relationship with the boards, but ultimately it comes down to an element of control in which NLHS does not control the boards, therefore, they are not consolidated. But there is an element of our board bylaws that require the foundations to present audited financial statements to our board on an annual basis.

**P. PARFREY:** I just want to confirm that the chair of the board, of the NLHS Board, has created a subcommittee that includes all the CEOs of all the foundations and they're about to meet.

**L. STOYLES:** Okay, so would the Auditor General be able to get a copy of that because I don't think they were able to get a copy. That was my understanding anyway. I'm just wondering if it could be provided. Have you asked for it and is the Auditor General's Office entitled or able to get a copy of that, and if so, when can they get it?

**S. BISHOP:** As NLHS, we certainly have copies of those latest financial statements that are audited and we can certainly work with the foundations and the AG's Office to understand what requirements might be there. But we can work through that and get back to the Committee, if that's the case.

**L. STOYLES:** The other question, because we've been talking, of course, in our Committee meetings about health and different aspects of the AG's Report. One of the questions I had, I don't know if it's actually related, is social workers. This is what I'm told and I deal with a lot of social workers, people calling looking for help in the district. Not only my district; I'd say every MHA is doing what I'm doing, if they get a call for seniors or anybody looking for help and if they need a social worker and that.

What I've been told by a lot of people, especially the past four or five years that social workers – I don't know if the job hasn't changed, but now people don't have an individual social worker. Whoever is available when – if I need a social worker and I call the department, somebody would be assigned to me on that specific case. Everybody doesn't have – I understood back in the day that everybody had their own social worker. I'm just wondering if that has changed.

**P. PARFREY:** I'm not able to answer that question right now, but I can find an answer for it and get back to you about it.

**L. STOYLES:** Okay. I know it's very concerning to me, and it's not really in the Auditor General's report, but I brought it up because it's been a concern to me as an MHA dealing with supervisors. I know one elderly lady had five different. And people trying to get into nursing homes, they've got two or three different social workers before they get in. And then children and that. I'd just like to know if things have changed.

That's it for me for questions right now.

**CHAIR:** Okay, thank you.

The hon. the Member for Placentia - St. Mary's.

**S. GAMBIN-WALSH:** Good afternoon.

You've kind of answered some of my questions in your introduction. Thank you very much for that, but that gave me more questions, specifically around the Meditech system. You indicated that the fall 2024 new system was approved, and we're about to implement a new system for the five entities. Do you have any idea about the timeline for the implementation? Where you are with that as it pertains to moving from Meditech separately to one as a whole?

**P. MORRISSEY:** I just wanted to clarify, so the Meditech, there was nothing approved on that yet. We're working towards implementing a new system for Meditech. I think what I was referring to is the warehouse management system, which is the inventory system within NLHS that was approved. As for timelines, Scott can you maybe detail that a little bit better?

**S. BISHOP:** Thank you for the question.

In terms of timelines, as Patrick identified, the Meditech solution is – we're in active conversations with Health and Community Services, Department of Finance and OCIO in terms of replacement of Meditech in what I'd refer to as the back office functions of that system, which are quite dated and fragmented. Patrick alluded to the fact that we have a new inventory, a warehouse inventory solution that was approved last fall.

It's through a vendor, Tecsys, which we will be implementing in two of our major distribution centres; one here in St. John's – you've probably noticed the new warehouse on East White Hills – is our St. John's distribution centre, and one in Corner Brook that opened last year. We'll be modernizing those two distribution centres to be the main hubs of distribution of medical supplies to all our facilities across the province.

In terms of timelines, we foresee both distribution centres being fully operational by this spring, one likely before the other, the St. John's site actually includes the

vaccine depot for the province so there are some complicating factors in establishing that as it relates to the new software but by June we anticipate both distribution centres to be fully equipped with a modernized warehouse management system at that time. June time frame would be the latest; earliest could be as early as April.

**S. GAMBIN-WALSH:** What infrastructure are you using right now?

**S. BISHOP:** At the moment our warehouses are based on the Meditech platform that Patrick alluded to. It is quite dated. We actually have four instances of Meditech across NLHS from the legacy RHAs that's still in place. As you can appreciate those systems are not consolidated. They don't speak to each other – quote, unquote – and there's a lot of fragmentation and lots of exposure related to that, but it is a Meditech platform that's currently used.

Aside from that there's general manual controls that are in place from an inventory perspective, so this really does modernize our warehouse consumable inventory and put controls in place that Patrick alluded to around proper inventory rotation, expiry and wastage that have been a major concern with an antiquated system that we're currently leveraging through Meditech. It's going to put us quite ahead in terms of modernizing that space for the PHA.

**S. GAMBIN-WALSH:** Okay. Just so that I can be clear, so the warehouse management system was approved in the fall and you have two systems or two areas and that's what you're moving to, okay, all right.

Auditing, you did also speak about the internal auditing but just can you just rehash: How are you auditing internally today?

**S. BISHOP:** Today, we don't have a formal internal audit function. We do have standard internal controls that are implemented in

terms of best practice, when it comes to internal audit in general terms. We also have our audited financial statements performed on an annual basis by the Office of the Auditor General in terms of our financial statement audit.

There are also policies enacted that are in line with Treasury Board and provincial government in terms of things such as travel, hospitality, delegation of signing authority. Those policies also provide a level of internal control. I think the biggest thing for us, as Patrick alluded to, is the implementation and the establishment of a formal internal audit office. An enterprise and an organization of government the size of NLHS certainly needs that function and we foresee that function after being approved by government officials in terms of implementation.

We're, right now, in the state of recruitment of a chief internal audit officer. This is an arm's-length office from the organization, so it's a function that reports, functionally, to the board of trustees directly and not to the organization per se or it's leadership and administratively to the CEO.

So from day-to-day things such as payroll and other administrative functions, it does have a relationship to the CEO but it does have a functional responsibility to the board of trustees. So it is objective in that sense of the word.

That's in the recruitment phases in terms of the chief audit officer and, from there, that individual will form his or her office at that point.

**S. GAMBIN-WALSH:** Okay.

So I'm guessing like the risk assessments –

**P. MORRISSEY:** I just have one thing.

So, similarly, with the Office of the Comptroller General for the departments, they do offer various internal audits for

NLHS as well as the department. So just to add, that's who we use internally now is the Office of the Comptroller General.

**S. GAMBIN-WALSH:** So just based on the internal auditing and the inventory controls and what have you, I'm just trying to wrap my head around the risk assessment component and the quality assurance component. How do you make decisions now to determine what area within a hospital, within health care would need funding? For example, is it cardiac or oncology? We know everyone's pulling for money; every area is looking for investment. How do you make those primary decisions of where the investment needs to go, say, in 2025?

**S. BISHOP:** It's a great question and one that is a constant struggle in terms of understanding where priority areas are but through the implementation of a risk register that we have as an organization, we understand where the primary risks are for the organization in terms of where funding is required. That's both on the operating funding side but also just as important as on a capital operating side or a capital funding side.

We do have active governance structures internally in terms of understanding what priorities need to be met and that comes from active conversations with our clinical partners, our front line in terms of where we see issues in terms of access that might need to be addressed through additional funding or the like.

Dr. Parfrey can speak to this more eloquently likely, is the guide that we have in the Health Accord in terms of guiding our way forward in terms of where we need to prioritize to make that a successful implementation. That does provide us with a good blueprint, if you will, in terms of where our priorities are in the health system and where we should be prioritizing not only our operating funding allotment, but also turning the page to our capital side.

**P. PARFREY:** I will make a comment about that.

I think that the Health Accord has gone through a massive public engagement, involving 128 different groups of people and 10 committees, and has been accepted by government as policy for health care delivery and for action on the social determinants of health and has made fairly substantial investments in both those arenas.

The reality is that the priorities that I have, as the CEO, and what the organization will have is written in the Health Accord so people will know what they are. On top of that, there is a blueprint for the Health Accord that discusses the implementation issues and how you could go forward with implementing each of those actions that were given priority.

It's the role, I suppose, of the NLHS executive to be able to determine what are the best ways to implement each of these actions, and that's ongoing.

I would like to say that of those 57 Calls to Action in the Health Accord, all of them have been acted upon either at a policy level or at an implementation level. But making policy is the easy part. The hard part is implementing it and dealing with the change management. That's really what NL Health Services engage in at the present moment.

**S. GAMBIN-WALSH:** Thank you very much. That's all for me.

**CHAIR:** Okay, thank you.

The Member for Labrador West.

**J. BROWN:** Thank you, Chair.

In the report there the Auditor General had concern about the line of credit that was taken out by, at the time, the individual health authorities and now it's consolidated

into the NLHS. With the \$660 million line of credit, what is the plan right now deal with that amount of additional debt that was taken on by the authority?

**S. BISHOP:** Thank you for the question, MHA Brown.

I think first and foremost NLHS, in partnership with the Department of Health and Community Services and the Department of Finance, acknowledges that that level of borrowing is not fiscally sustainable. And there have been active conversations in the past two years in partnership around a vision or a way forward in terms of what we do to reduce that borrowing capacity in that light.

I think there are a number of things that has led to that borrowing limit, and it's occurred over a number of years and it'll likely take multiple years to get it back to something that is fiscally sustainable. But there are a number of pointed strategies that have been enacted in the past couple of years as NLHS formed as a new provincial health authority to sort of addressing that.

One, I think in partnership with the Department of Health and Community Services, is addressing the structural deficit that was in legacy RHAs that had played a prominent role in where the line of credit has become. That's been addressed in fiscal '24-'25 with partnership from Patrick, the deputy, and others within the Department of Health.

I think just as important, though, is what part NLHS plays in that sustainable vision going forward around borrowing. One element that we have been seized with as an executive and a board over the past couple of years has been, as the RHA or PHA forms and evolves, where are the efficiencies that can be harvested to help with that borrowing and being able to reduce the reliance on that borrowing capacity.

So we have established a multi-year sustainability plan that we monitor quite regularly with the department and with our board of trustees to enable efficiencies to be harvested and used in a way in which we can leverage and reduce our reliance on that borrowing capacity.

The other piece of that is the reduction of agency resources that has been a big play in recent years and requirement for us to be successful in the delivery of service in the health sector. But a plan to reduce that agency reliance is also enacted and we're monitoring and reporting that quite regularly in terms of another big area in terms of efficiency finding and being cognizant of our responsibility around that.

So I think, in partnership, there are a number of levers that are being enacted to be able to reduce that line of credit over the coming years, to be successful in that in partnership with folks within the department and the Department of Finance.

**P. MORRISSEY:** Thanks, Scott.

I think as well, I just wanted to add as part of the previous budget, you mentioned the \$616-million line of credit. We obviously want to get that down to, frankly, a pre-pandemic level. In budget, there was \$550 million approved over two years to pay down the line of credit to get us to a line of credit that is just used for operational emergency purposes.

So just to add to Scott's comments there. And I think in partnership with health transformation and NLHS, you know, it worked pretty closely on making sure there is accountability and value for money in every spend, so that's a big part of us going forward and working towards that.

**J. BROWN:** Thank you both for that – oh, sorry, Pat.

**P. PARFREY:** I would like to make a comment.

The idea that we have a line of credit and borrowing facility would imply that we might have profligate spending. I don't actually think that's the case. I think that the structure deficit is really important and the addition of having to pay for agency nurses, actions that are requested to take place that are unfunded and wage increases on top of that, are the things that are driving this, not profligate spending.

That necessity to have the borrowing capacity to keep the organization going is really important. But I think that the idea that you have one line of credit that you look after for the five zones is pretty important as well. But that requires a degree of planning that's challenging.

**J. BROWN:** Thank you so much for that.

What is the interest rate paid on the current line of credit right now?

**S. BISHOP:** As the evolution of the PHA, as NLHS continues, we still have legacy bank authorities within previously existing bank institutions. So we actually have three institutions that we work with across the legacy RHAs as NLHS. So we do have a borrowing capacity amongst three institutions, all of which have a similar interest rate on our borrowing. Two of which is prime minus 0.5 basis points, and one is which is prime minus 0.8 basis points. So all in relative space.

Nonetheless, as Dr. Parfrey alluded to, the ultimate game in terms of our standardization and evolution as a PHA is to standardize not only our systems, but our things like our banking institutions. That's part of our work plan over multiple years that will get us there. But, at this point in time, we're dealing with three particular banking institutions with varying rates of interest, but relatively in similar terms.

**J. BROWN:** Thank you so much.

Also with this right now, I guess the ultimate goal is to consolidate everything into this. What is the time frame right now for consolidating the finances of the legacy RHAs and NLCHI all into one? What is the current timeline for seeing that progression done?

**S. BISHOP:** We have actually consolidated. While the systems remain unconsolidated and very fragmented, which is a problem in another sense of the word when it comes to reporting, but for all intents and purposes, for presentation to government and its official financial statements, presentation to government officials in terms of the Comptroller General and for audit purposes with the Auditor General, our statements are consolidated at this point and this will be the second year for our consolidated efforts in terms of consolidating our financial reporting.

It's the systems behind that that's the segmented and fragmented part. But for consolidated reporting purposes, we are consolidated for all intents and purposes, for reporting purposes, whether it be for the Auditor General for audit or for other reporting mechanisms up through the Department of Health for accountability reporting and general conversations.

**J. BROWN:** Okay, thank you.

For the consolidating of the systems, I guess, is the bigger picture here, too, as well as what needs to be done. When is the time frame for your consolidation of the systems? I know you mentioned a few things there with Meditech and that. What is the time frame you're working with now to try to get that all in-house?

**S. BISHOP:** Another great question and another piece of work that's evolving over time. We spoke earlier about our warehouse systems, which is a major step forward for us. I guess the second piece of that would be the consolidation and modernization, better yet, of our antiquated Meditech

system, which is what we're using at the moment.

There hasn't been a defined timeline for that system integration and consolidation. We are in active conversations with department officials, OCIO, as Patrick talked about earlier, and the Department of Finance to leverage capacity around what a consolidation system could look like and what system that might be.

But again, we're in the very early stages of that work plan, but I'm sure that will come to light sooner than later and will be a major benefit for us all.

**J. BROWN:** Thank you so much.

I guess with the consolidation and everything like that, we've had these discussions with the Comptroller General and stuff like that, but just for the record and for public knowledge of this, are you guys operating on accrual-based accounting system?

**S. BISHOP:** Yes, we are.

**J. BROWN:** All right, thank you. That's my final question.

**CHAIR:** Okay, we'll move to the Member for Lake Melville.

**P. TRIMPER:** Thank you, Chair.

My colleagues have grabbed a lot of my thunder. And it wasn't thunderous.

I'd like to explore a little bit more on the same line of thinking as Jordan was just doing now, around the collapse of the RHAs. I think you've got most of the elements, but I wonder if you could just summarize the disparity.

You know, it's been interesting serving on this Committee, watching, and as we've looked at different topics in the Public Accounts Committee and different aspects,

it's been enlightening, I guess is one word, to see the differences in the four RHAs. I've become such a fan of this guy and Sister Elizabeth and the Health Accord, and I've just been welcoming it. Back home in Labrador everybody is saying you need to be getting our Labrador system back, and I have so many arguments to push back on them.

I wonder if you could summarize maybe some of our questions, your thoughts, just on where we are now in terms of getting a good handle on spending, attacking that debt that we have that we need to work on, and just a bit more on timelines. I think you've got most of it, but I just wonder if you had a general comment on that.

**P. PARFREY:** Maybe I'll start.

So the intent of the reorganization, I suppose, you'd have is that the provincial health authority had responsibility for evolving plans on a province-wide level, such that there was equity for every resident of this province with access to services. But the innovative part of it was that the regions needed to have input into how care was delivered in their regions.

So the challenge was to ensure that the collaboration between the provincial approach and the regional roll out of services, consistent with what the people wanted within their regions, was going to happen and that requires a kind of a matrix approach of organization and requires a collaboration between the various people there to make it effective.

I would say that's a challenge and I think it's evolving, and I think that the capacity of the provincial approach to influencing what happens in regions is going to get better. So that's a challenge for me, kind of coming into the job as a new person. I think the consolidation of the finances is really going to be dependent on that system that Scott was talking about, to ensure that the services that are present in each of those

regions are done to the best of our capacity, and that involves a certain number of ways of doing so.

There are a set of services that need to be availed of for the region itself around the areas that they believe to be the most important: family care, internal medicine, surgery and obstetrics and the pieces that go with it and their capacity to recruit to be able to provide those services, which is a challenge. That's kind of that basic suite of services that are necessary for a particular region and a particular district.

Then there's the issue of, for regions, that they're able to get access to tertiary level services. The idea there is that we need to be able to get tertiary-level consultants to be able to travel to the people and to be able to treat the people in their own environment. That's actually happening. In Happy Valley-Goose Bay, cardiology has visited there twice in the past few months. General surgeons have gone there several times to do endoscopy.

So the idea of bringing the care to the people is getting traction. Then virtual care is improving. It is a priority, I think, but it's feasible to balance the virtual care with the in-person care that's necessary to be able to provide good care to a patient.

An example I'd give would be if you're living in Happy Valley-Goose Bay and a woman had a breast lump, she currently might go St. John's for imaging and then go back for the surgery and go back for the follow-up visit and go back for the next follow-up visit. Whereas the initial visit that's necessary could take place virtually and the last two visits could take place virtually and the last two visits could take place virtually and the provision of the imaging that's necessary could be provided in the region.

What I'm saying there is that balanced approach to virtual care, as against in-person care can evolve in such a way that the patient who's living far away can get

good service, as good as you get in St. John's. So that's the idea of bringing the care to the people.

Then the second idea is bringing the people to the care that's specialized. Examples of that would be somebody who's in Happy Valley-Goose Bay with a myocardial infarction and needs a cardiac cath. Previously, there were delays in that transfer happening but now with Heart Force One that transfer is happening much faster and what the data demonstrates is that for every 100 patients that are transferred using Heart Force One for their cardiac cath, 25 per cent stay in the hospital in St. John's and the rest of them go home; they don't go back to their facility. So that's an example of bringing the people to the care.

Clearly we need to be as efficient as we possibly can. I think the other element of that is around the air and ground ambulance system; that the ground has been integrated and the paramedics are now publicly paid workers and the air is imminently being integrated and the planning around getting helicopters to be able to be part of our system and the planning around getting emergency care presented by professionals who are full time in the job so they look after the patient who's in the isolated area, initially, all the way through to coming to the place that they're meant to come to. That's evolving as well and that integrated air and ground ambulance system will occur this year. So that's a good example of bringing the patient to the care.

I think that the benefit of the provincial health authority is thinking in a holistic sense about how every person in this province can get optimal care, despite their isolation or despite the lack of services in their own particular area. That's developing. Now the piece that this organization, what you guys are interested in, is to ensure that we'd live within our budget and that we consolidate our spending and that we get this electronic solution to allow us to be able

to provide a provincial picture of what's happening in all the regions. That would happen in the next, we hope, year, if people respond fast.

I don't know if that answered your question or not.

**P. TRIMPER:** I think it was an excellent answer.

Thank you.

I have two more thoughts. Where do you feel you are on your 10-year horizon? It was always the Health Accord. Are we on track? Do you feel that – I'm sure some aspects are moving well; others not so much, do you feel that 10 years is still achievable?

**P. PARFREY:** I definitely do. Whether you get the health outcomes commensurate with the investment is another matter because improvement of the health outcomes are going to be dependent on action of the social detriments of health, not on how good the health system is. We have the highest spending in the country for health care. We have the worst health outcomes, and we have the worst health system performance.

Our capacity to be able to change that health system in such a way that performance gets better, and health outcomes get better is paramount and clearly we'll be trying to ensure that we evaluate every action that we take to see where we're getting to.

In terms of all those actions that we recommend, and they are very substantial and they involve an enormous amount of change and they're hard to implement. So people in the system feel under pressure, particularly at the senior level, because they're responsible for multiple portfolios. But the reality is that the government has made decisions consistent with the Health Accord to provide the money for major things. Like the health information system is I said a \$700 million investment decision

was made to do that. Family Care Teams requires money and there's been already an agreement that \$30 million has already been allocated in the budget to ensure they happen. The integration of the air-ground ambulance system is another large financial outlay which has been generally improved.

I think that the policy part of this is moving forward. The implementation part of it is where the challenges lie to ensure that we get the performance in these multiple areas where change is difficult and how we manage the change to be able to get the type of programs that we're looking for. That's the area that I'm kind of most interested, that we're actually able to manage the change. That we're actually able to engage with the public and engage with the providers in such a way that they understand what we're trying to achieve, support it and understand that when you put something into effect, it takes a long time for it to be implemented properly.

So just an example of the personal care teams, you fund five of them and they get moving and you find out the problems that exist in trying to deliver team-based care in an arena that's not used to team-based care and you introduce another five and you learn more things. It's a process and it definitely does not happen instantaneously.

To answer your question – I'll finally answer your question – in terms of the implementation of the actions that are necessary, I think that within five years all of them will be implemented and all of them will be in some way of being able to influence the frustrations that exist for people around access and quality, et cetera.

I think that within 10 years, we'll probably see improvement in particular health outcomes, but in terms of how we affect the life expectancy of the population, that's going to take longer than 10 years, because it's going to be driven by social factors that influence health.

**P. TRIMPER:** Thank you.

My time has expired. I'll come back with one later.

**CHAIR:** Thank you.

We'll move to the Member for Cape St. Francis.

**J. WALL:** Good afternoon, gentlemen.

I have a couple of questions. As my colleague just said, several questions have been asked and answers have been given; thank you for that. I do want to go back to the debt, and my colleague from Lab West spoke specifically about the line of credit and the additional debt incurred.

Mr. Bishop did say it's not fiscally sustainable, they have to address the structural deficit with a multi-year sustainability plan, if I've got that correctly. And Dr. Parfrey, you just said that Newfoundland and Labrador has the highest spending on health care in the country.

So my first question is, why has NLHS experienced such substantial increases in debt? I know you touched on it on a question from my colleague from Lab West a little earlier; I had difficulty in hearing part of your response – my fault, not yours, I'll say to that – however, experience a substantial increase in debt. Why is NLHS at this point today? In your words.

**S. BISHOP:** Thank you for the question, MHA Wall.

As I mentioned earlier, I think it's a multi-year, multifactorial issue that the longevity of it spans multiple years across multiple legacy RHAs and entities that NLHS as a new entity certainly acknowledges is not sustainable, as I said earlier.

**J. WALL:** Mm-hmm.

**S. BISHOP:** I think the factors that are at play here, one of which I mentioned is probably the largest, has been the structural deficit that has been carried for multiple years across all the legacy RHAs. So in terms of structural deficit there are a number of elements that roll out during any given fiscal period that adds or can add upward pressure on an approved spending model or approved expenditure profile, and health is certainly no different in that.

We're actually probably more prone for upward pressure than any other industry, with lots of complicating factors. One of which – and certainly we're all familiar with – is the two years we had a COVID-19 pandemic, which had put a tremendous amount of pressure on the system, which added to an already structural deficit across a number of elements that had been existing in the RHAs.

So that piece also played on that. Of course, as we mentioned earlier, there is also the element as a factor at play here is the, I'll say, recent upward pressure on the requirement of us leveraging agency resources from the private sector. That is something that we have been pressurized with in the past couple of years in particular that we've been relying on those resources to deliver services across all of our zones and, no doubt, has placed an upward pressure again on that borrowing capacity.

I think, all in all, there are multiple factors, of which that might be the biggest of those. In terms of why we're here, I would suspect it is multifactorial: one being our structural deficit that has a continued upward pressure for lots of reasons; the other one would be the play on COVID-19 and what pressurized the health system as it relates to COVID-19 and the response for that; and, thirdly, would be the agency pressure point that we're currently experiencing and trying to wrangle a way forward in terms of what that means for us in terms of a more sustainable level of agency resources and, as Patrick eluded to, around prepandemic levels.

There might not always be a need for some sort of agency resources for remote areas but something much more manageable and sustainable than we're in current state.

**P. PARFREY:** I would just like to add to that, if you do not mind.

Clearly, the amount of money we're spending is high and, clearly, NL Health Services needs to be able to identify ways that they spend less money, and some of that might not be savings. Some of it might be transferring in money to services that are not working well enough because they are underfunded.

Having said that, with the changes that have been made, it is likely that there would be actual savings in due course, particularly around the health information system that will happen, particularly in back-office functions that would come with using our ECHO and those savings would happen as well. I think that there are issues around efficiency that we can do better with matching the number of providers that are necessary to deliver a care that is actually being delivered. Again, using electronic capacity to do that would occur.

You got to remember as well that we're interested in trying to transfer as much of our care to the community as we possibly can and out of hospitals. So that piece is also going to be a financial challenge. Particularly, if you take elderly, we are dependent on having a strong home support system that would allow people to stay at home for longer than they are and we would probably prefer to use personal care homes more frequently than long-term care facilities. All that stuff requires action, I suppose. If we got that, it might actually save us money because long-term care facilities are so expensive.

So I think there will be a focus on where NLHS finds savings from the multiple things that they're actually doing.

**J. WALL:** Thank you both for that.

You just answered my next question with respect to what's your plan to reduce health sector cost. So that gives me a good idea on that. Thank you, Dr. Parfrey.

Dr. Parfrey, in your opening statement, you said you were CEO since last Friday. We appreciate that; we do. But, later on, you made a comment about your priorities for NL Health Services. So I'm just wondering with respect to the outgoing Ms. Stone, CEO, have you discussed priorities with the outgoing CEO and what you have now or do you have a new – with respect to financial priorities, what are your priorities financially for NLH Services going forward? Again, to answer all the questions we hear with respect to debt and what have you, what are your priorities? You did allude to that and I'd like to expand on it if you would, Sir.

**P. PARFREY:** Well, I think that Karen Stone, who was the interim CEO, would be very much aligned with the Health Accord and very much aligned with how we would go forward. Obviously, we're different people, so we do things in a different way, but the objective that we would have would be very similar.

I think that's there been a very substantial thought process given around finances, where and how we can find savings and at what kind of a speed. Then how do we match that with the clinical priorities that we have that are related to the things that I mentioned: better community care, decrease in surgical backlog, better access to a family doctor, better access to emergency rooms, more surgery, more imaging and more access to that, all of which costs money and all of which the public demand.

So you've got this extraordinary demand that will never go away, which means that the health system will always be under stress and always be a political issue. Because it is a publicly funded system, the

public are demanding and they're going to keep demanding. So our challenge is managing our resources to be able to provide what we're able to provide.

**J. WALL:** Thank you for that.

I do have one last question and it came up from a comment that Mr. Bishop made with respect to the chief internal audit officer. Do you have a timeline on that recruitment for that important position? Because I'm sure that will indeed make a huge difference to NL Health Services overall?

**S. BISHOP:** Thank you for the question; it's a good one.

The job has actually been posted since last fall. So it's been through a number of cycles of recruitment and we have not yet – or I should say the board has not yet been successful in their recruitment efforts.

That has been reposted, as I understand, for recruitment, but to your point, it is a major element of control for the organization and one that not only the executive, but the board is looking forward to in terms of understanding what the role of that position will play in our financial sustainability.

So it's a long-winded answer to say I don't, unfortunately, have a timeline. The sooner the better for us and the board. I think that should roll out relatively quickly once we hire that chief internal audit officer and he or she will then prepare themselves for a small audit office that will be functioning relatively quickly upon his or her recruitment.

**J. WALL:** Thank you for that.

Is it an option to contract out the position or are you looking for someone internal? Is a contract-out option available for that?

**S. BISHOP:** The posting as it sits right now is not an internal hire but a publicly funded hire under the hospice umbrella of the NLHS funding envelope.

So it wouldn't be a contracted provider, per se; it would be an internal position reporting, as I mentioned earlier, functionally to the board of trustees but administratively to the CEO.

**J. WALL:** Thank you very much for your answers. It is much appreciated.

That's it for me, Chair.

Thank you.

**CHAIR:** Thank you.

There was a couple of times you mentioned care to community. How do you anticipate implementing this and anticipate a cost?

**P. PARFREY:** Community care is obviously widespread; it's got different elements to it. So I'll talk about the primary care delivery thought processes, which revolve around a fact that we have a deficit of family doctors and we have part of our population that doesn't have access to a family doctor.

Now, the facts around that are that, at our peak, the number of people looking for a family doctor through Patient Connect was 96,000. It is now 48,000 and it's diminishing and it will diminish another few thousand this month. It is related to access to Family Care Teams. Family Care Teams are driven by the idea that if we've got a deficit of doctors, we've got to think of other ways to be able to provide those services, preferably, by providers in whom the scope of practice exists for them to be able to provide some of that.

So these Family Care Teams have not only doctors but they have nurse practitioners and nurses and allied health professionals and they're then considered to be able to contact with those resources that are in the community like community care, care of the elderly, et cetera. That's the vision for them and they have started. They were provided about \$2 million of new funding to be able to make them work. I think, in the budget

there's approximately \$30 million that's already been allocated towards Family Care Teams.

The second piece is of community care, now as it reflects on family practice, is around virtual care. Virtual care has allowed us to keep emergency rooms open where you don't have a doctor; it's open, you can come into a nurse and they can use virtual care to access a doctor. So that's a solution to not having a doctor.

Then the third one is, the one I mentioned which is the big one, which is if you get a heart attack or a stroke in an isolated area, can you have access to the best care and that's driven by having an integrated air and ground ambulance system and a better emergency service from the doctors attached to that air and ground ambulance system.

There are costs that exist to all of those and clearly you'd like to think that that massive amount of money that NLHS gets, that they're able to provide these services within that envelope, but nonetheless at the beginning it's a challenge because it's a new amount of money that you're – in some instance a new amount of money. In other instances, it's not; Family Care Teams have been funded in the budget. The air-ground ambulance system, the likelihood is it will be funded in the budget. So that part of it is probably reasonable but it's an increase in spending.

Then you've got the other part I mentioned, which is around – the big challenge for us – care of the elderly and home support and letting people age at home. That is driven by the home support industry, which is fragmented, and the workers are not paid very well. It's hard to recruit as a consequence of that, but we need to be able to improve community care for the elderly in such a way that they're actually able to stay at home.

I think, they're the two big things, but they're two big changes.

**CHAIR:** Okay, thank you.

NLHS total tangible capital assets is around \$2 billion. Currently, there is no fixed asset to support that balance. You mentioned a new system is being planned which should address this deficiency. When do you anticipate this be in place?

**S. BISHOP:** Great question, MHA Forsey.

I think, as I mentioned earlier, there is no confirmed timeline for the replacement of the antiquated Meditech system. But I guess in response to where we are now, while we don't have an official systematic fixed asset register, we do have mechanisms in which we control our fixed assets. While that's quite manual at this time, there are controls in place for that in terms of how assets are properly categorized in terms of amortization for audit purposes and other.

In terms of timelines, in terms of where we would be, Dr. Parfrey alluded to, the enterprise resource planning tool, which is our ultimate modernized solution that we would be aiming for. I suspect it will be in the next 12-plus months before we get there. But it will be a game changer for not only our fixed asset tracking but also for our general day-to-day things, such as payroll and other accounting functions that right now are quite fragmented.

**CHAIR:** Thank you.

Government has a formal fraud management system. The report noted that money going into this does not have such systems in place. Can NLHS discuss your fraud management system?

**S. BISHOP:** Yeah, thanks for the question.

I think in terms of fraud management that the report from the Auditor General speaks

about fraud management policy and strategy. NLHS does have a fraud management policy in line with government policy. We do run a fraud management campaign annually from an awareness perspective across the organization in ensuring that people have a legitimate mechanism in which they, for most importantly, report fraud, and then what happens when fraud is reported. That would include escalation to the executive, to our board, to our department and ultimately to the Auditor General upon audit of the organization. There is a fraud management and related policy in place of NLHS, and that's in line with government's fraud management policy.

**CHAIR:** Thank you.

As do other government entities, NLHS uses credit facilities, a form of debt-like line of credit, as part of its cash management strategy. What efforts are being undertaken to reducing NLHS's reliance on credit facility to fund its operating expenses?

**S. BISHOP:** Once again, thanks for the question.

I think this one maybe alludes to a previous response provided, but I think the line of credit has gotten here over multiple years, and it will likely take multiple years to have that reduced to a balance which is more financially sustainable, and there are a number of factors that has led to that balance and likely multiple factors that will lead to its reduction.

One of which I talked about earlier was a multi-year sustainability plan that we've established over the next three years, which has a fairly sizable quantum of savings. As Dr. Parfrey alluded to, as the system continues to evolve and efficiencies are gained through system wins. We are currently implementing an HIS, health information system, Epic, which will lead to significant efficiencies. Likewise, when we get to the back office or business operations

of the organization with a modernized ERP system it will also further enhance the ability to find efficiencies in that regard.

The other big lever in this will be the conversation around the reduction of agency or the reliance of agency resources that is a big play right now in terms of our spend and we're looking to curtail that over time. Of course, in partnership with the department in terms of understanding the creep that we often see in structural deficits, making sure that that's addressed so that we don't have to turn to borrowing capacity to be able to facilitate that in terms of funding.

**CHAIR:** Okay. Thank you.

I will continue now with the Member for Mount Pearl North.

**L. STOYLES:** Thank you, again.

You talk about pressure points and savings in health. I'm just wondering if the commuted value has played a big part, people taking commuted value. I don't know if you can answer that but is there more people taking advantage of the commuted value and is that a hardship or burden on the system?

**S. BISHOP:** That might be one that I can't answer and one that's likely more prominently asked to the pension administrator, which will be Provident. They might be more prone to talk about the impact on that.

**L. STOYLES:** That's if for me for questions.

**CHAIR:** Okay. Thank you.

We'll move to the Member for Placentia – St. Mary's.

**S. GAMBIN-WALSH:** No further questions from me.

Thank you very much for being here this afternoon.

**CHAIR:** Okay. Thank you.

The Member for Lab West.

**J. BROWN:** Thank you.

You know, this is a bit off topic – I'm asking for Perry – off the scope of the hearing, however, because –okey-doke, Perry's going to ask. You get two minutes.

**P. TRIMPER:** Thank you.

I apologize, I have to run to another event, but I had two points I want to make. One is that this morning we had a great discussion on the strategic investing that is occurring province wide, handling sinking funds and just that fractions of a percentage in what it's resulting for the Provincial Treasury. I'm assuming your team is doing the same thing with that \$600-plus million. I just wanted to put that thought out there.

**S. BISHOP:** That might be a better question for the Department of Finance.

**P. TRIMPER:** I suspect they're all over it, but it was an interesting topic and then they came with some additional information this morning. For example, I think last year they said they were able to – in handling their debt in a very proactive, aggressive, strategic way – they were able to result in a windfall of some \$70 million just to handle the \$1.5 billion, whatever it is, on the borrowing costs. It was just an interesting revelation.

My final point – I apologize, I've got to run again – I sit in on the All-Party Committee on Mental Health, Substance Abuse, and Addictions and I was very excited about the reviews from the pilot studies on the Family Care Teams and what's going on there, and I just encourage you, as soon as you can, to get some messages out about it, because it really is exciting news and it's cutting down

access to doctors and the sooner we can get that out the better.

Thank you so much.

**CHAIR:** Okay, thank you.

I didn't realize we had a new Member for Lab West so we'll see if the original Member for Lab West has got a question.

**J. BROWN:** No, I was doing that on behalf of MHA Trimper as he was on his way out the door. That's fine.

Thank you.

**CHAIR:** Thank you.

The hon. the Member for Cape St. Francis.

**J. WALL:** Thank you, Chair.

Nothing else from me. Gentlemen, thanks for your responses today; they are appreciated.

Thank you.

**CHAIR:** Okay, I think that's just about ends the line of questioning. Again, we do thank you for being here, and I'll ask the deputy minister and the interim CEO if there are any closing remarks.

**P. PARFREY:** I'll just say that the whole issue of spending and how we spend and how we match our priorities with the money that's available to us is important, and I think that we want to be able to address the needs of the population within the funding envelope of the province. That is central to what we're trying to achieve.

The Health Accord made that statement. It said that the primary things for us are: to increase awareness and intervention in the social factors that influence health, and to rebalance the health system across the acute care, long-term care and the

community within the fiscal envelope of the province.

**CHAIR:** Thank you.

I'll ask the Deputy Auditor General if she has any closing remarks.

**S. RUSSELL:** I just want to thank the officials from the Department of Health and Community Services and NLHS for their time here today. I thought it was a very good discussion on some of the topics that came out of our February 2024 report. I just thought it was really good.

Thanks.

**CHAIR:** Okay, thank you, Deputy Auditor General.

It's always good to know that we're doing our job on behalf of the Public Accounts and the Auditor General's office to maintain that government efficiencies are being maintained. That's our role.

Again, we do thank the departments and the department officials for being here and now we'll recess for the next entity.

Thank you.

### Recess

**CHAIR:** Okay, thank you. I think we're ready to start.

In this portion of the public hearing, the Committee will be hearing from the Department of Children, Seniors and Social Development. I would like to thank the witness for their appearance and then welcome the following official: Alan Doody, Deputy Minister.

I will start with a few reminders for the witness, an outline of how the hearing will proceed, before I call the Clerk to swear and affirm the witness.

Witnesses are reminded that this is a public meeting and the testimonies here today will be on public record. Witnesses appearing before the Standing Committee of the House of Assembly are entitled to the same rights granted to Members respecting parliamentary privilege. Witnesses may speak freely and what you say in this parliamentary proceeding may not be used against you in a civil proceeding.

Live audio will be streamed on the House of Assembly social media channels and archived versions will be available following the hearing. *Hansard* will also be available, once finalized.

When called upon to speak, activate your microphone, identify yourself saying your first name, and please remember to turn off your mic once you're finished speaking.

First, I'll ask the deputy minister to make opening remarks, then the Committee Members will pose questions in turn of 10-minute periods, and these rounds will continue until the Members have exhausted their questions.

I'll now ask the Clerk to administer the oath to the witness.

### Swearing of Witnesses

Mr. Alan Doody

**CHAIR:** Thank you.

I'll call upon the deputy minister now to bring opening remarks.

**A. DOODY:** Good afternoon, everybody.

It's a pleasure to be here to answer your questions this afternoon. I'm not going to be lengthy with opening remarks; I'm just going to give some general review of the Income Support Program so everybody has a shared understanding.

So the Income Support Program is designed to support clients from the age of 18 to 64. There are approximately 21,000 households, which equates to 22,150 adults receiving income support. The annual budget for Income Support is \$225.6 million. The program is designed as a program of last resort. So when people come to receive Income Support benefits, they are at the point where they've exhausted all of their other financial means.

The department has several integrity measures for the program, through application process and when people are involved with the program. But relevant to the proceeding today, the integrity measures are largely related to data matching with federal programs and other provincial programs where people may receive funds and income. We often receive reports from the public on relation to people receiving income support, and all those are investigated.

Specifically relevant to today's hearing on overpayments, the reasons for overpayments vary across. So depending on personal circumstance and sometimes individual circumstance will change while people are on the program. For the most part, the largest items which contribute to Income Support overpayments are advanced payments before people receive other benefits such as CPP, EI and things of that nature. That also includes things like supplementary death benefits and things as well.

The other piece that contributes to that significantly – I have it here in my notes, I apologize – is family relationships. So how people report family relationships and income earnings.

Those are the three major contributors prior to CERB. Since the COVID pandemic and CERB, CERB accounts for almost 62 per cent of what we're recording as overpayments.

It's also important to acknowledge that funds that are advanced to help people – so while they're waiting to bridge the gap between other benefits like CPP, EI and OAS overlap – are automatically collected back. They show up on the books, but they're actually automatically collected back through the federal government and sometimes it takes time for that to reconcile by the time that payment is received. So, at any moment in time, those will be on the books showing as an overpayment but they are always recovered.

For individual circumstances for most folks, some of these items are related to, you know, people work part-time, sometimes they may not always report their earnings and, again, back to declaring family relationships, which ends up being historically the largest reason why we have those recorded. What I can tell you is that over the last two years, in particular, there has been a review, the five-year review of the Income Support Program. Coming out of that are changes to Income Support policies, significant changes to the program itself and it is part of the Poverty Reduction Plan which has been announced.

So the program is moving over the last two or three years, the final changes will be in this fiscal year coming, but it's moving from 23 basic benefits down to four basic benefits and they're some additional benefits that people may be able to apply for such as special dietary, things of that nature.

The changes are really focused on not being so interested on where people live or who they live with but actually supporting them. So right now, this change will significantly reduce the family relationship piece where, really, we're not forcing those that are living in poverty to have to lie so that they can come up with relevant means that they need to live.

So there are going to be changes to those. The basic benefits for individuals, the big

change will be that their basic benefit will relatively stay the same for all folks and then their rental amounts will be topped up to reflect that there are one or two adults living in those households.

That's kind of my overarching introductory remarks and I'm happy to answer questions.

**CHAIR:** Thank you and, with that, we'll continue with the questioning.

I'll now recognize the Member for Mount Pearl North to proceed with questions.

**L. STOYLES:** Thank you and thank you so much for your staff and all the work they do in the department with income support.

One of the questions I had, you basically answered it. It was the high overpayments and the large increase in the overpayments and you basically answered my question. You said 62 per cent is because of COVID, because people took the COVID money and they were on income support and now they are forced to pay it back. Of course, we get the calls on a regular basis, especially when they started getting the repay back. So that was one of the questions I had.

But I'm just wondering, you're only allowed then to take 5 per cent of – is it 5 per cent of the money for payback? Like, I know seniors who are getting their old age pension and guaranteed income subsidy, and I know you work very closely with CRA and Revenue Canada and that to clawback the money when people get overpayment and stuff like that. I basically got that question. Anyway, go ahead and answer that one first.

**A. DOODY:** Thank you for the question.

If they are an existing Income Support client and we're collecting overpayments, we do collect 5 per cent, which creates for most clients to be about \$28 a month. So that's the amount which we – because this is recognizing that Income Support is really

the safety net, so it is the program of last resort so we do only clawback at a 5 per cent rate for those individuals.

Then individuals that are no longer active on the income support program, those files are passed to DGSNL because they do the collections for folks that are not active on the income support program. So I couldn't speak to their policies specifically, but those would be handed off to those individuals, to the collection team at DGSNL.

**L. STOYLES:** Sorry, I think I turned it on and turned it back off again.

When someone puts a complaint in against somebody on income support, if it's a family member, is that taken as serious as somebody – because we look at all the different overpayments and I know you have a review when a complaint comes in and they can appeal and go through the process.

After all that's done, the question I have is: Is there another process for them? If they said no, no, no, I don't owe that money, I was wrongly accused, is there any other avenue? I mean, they have no money, obviously, to go to court to fight to say I didn't do it. But especially when it's a family member that complained about somebody. I'm just wondering what the process is.

**A. DOODY:** Yeah, so regardless of the source of a complaint, there's a due diligence to validate whether or not it's true. It starts with questioning of the client and whatever documents they may provide. I don't necessarily have a statistic on how many of those are founded and unfounded. From that perspective, the same process is followed regardless of the source of the complaint. If there's any dispute regards to their income support, there is an appeals board that will assume to those and render a decision. It does remove it then from the staff that are involved in that process; that's an independent body that would review that

information and make a decision on the income support.

**L. STOYLES:** Thank you very much.

That's it for me, for now.

**CHAIR:** Okay, thank you.

We'll continue with the Member for Placentia - St. Mary's.

**S. GAMBIN-WALSH:** I have a little bit of a different question. You're alluding to the changes in the Income Support Program and that there's going to be a little bit of a different focus on it. I really like to hear the fact that you indicated that there will be a basic benefit that will stay the same and then the rent will be based on the number of people who reside in the dwelling; that's a really good change. I'm just wondering right now, and I know there's been some changes to this also, but I'm just wondering what the policies and how you're doing this right now. So individuals who are actually receiving income support, initially there was like a yearly financial review of that particular individual done by the social workers.

What is the policy around that financial review and who actually is doing it now?

**A. DOODY:** This is one of the items that we're also in the process of changing from an operational perspective. The system is not designed currently the way the program has been designed to support a more hands-on case management. Those changes are coming now in this fiscal year; we're going to move to a case management model to assist clients. It's twofold, it's part of an integrity measure but it's also ensuring that we're providing clients with the right supports to help connect them with the labour force and things of that nature, to help them be able to live their best possible life. So those things are coming.

The review, every file is reviewed every two years, minimum. It's not annual, it's every two years based on the current system but that's one of the things, items, that we're going to be changing with the case management. The reduction of the administrative burden and the changes that are coming to the Income Support Program are going to provide the capacity for that change within the staff so that's where that's headed. Those are conducted, those reviews, can be either client service officers or social workers depending on the needs when we do them, but most of the financial reviews are done within the Income Support staff themselves, like the client services and individuals of that group.

There is a specific investigative unit that deals with investigations of Income Support clients.

**S. GAMBIN-WALSH:** Okay, so I just want clarity, every two years there's a financial assessment done on the individual. Who actually gathers the information from the families or the individuals?

**A. DOODY:** Income Support case management staff will be reaching out to clients to do the follow up with them and collect that information.

**S. GAMBIN-WALSH:** Okay.

**A. DOODY:** It's broader than that as well, because we are doing, of course, all of the data sharing across the federal government and other provincial programs, so this may initiate that. So that's done regularly; that's done more frequently. So some of those clients may be flagged and may be engaged with earlier than the two years based on that work, but every file is looked at every two years.

**S. GAMBIN-WALSH:** So there is data sharing with the federal government, yes?

**A. DOODY:** Yes.

**S. GAMBIN-WALSH:** You're after answering a good many questions.

Preventative measures within the department that are put in place to limit the number of overpayments made. What types of active preventative measures are in place today?

**A. DOODY:** So there have been a couple of activities that have been implemented over the last two years to address some of those items, and others already existed, especially the data sharing pieces and things of that nature. Of course, the volume of client data being provided because of the CERB initiative has been really onerous on staff to get through that so we still haven't completed all that data validation related to CERB but we're on track to have that done by March this year, March 2025.

Previously the program, at one time, had eliminated the requirement for clients to file tax returns; we have since changed that requirement and implemented the requirement for clients to file tax returns. I want to be clear too, that is really supporting clients as well. Depending on the capacity of the client and their needs, they need support for that. That's also a two-fold reason why we are making that change.

The first is the integrity of the program is very important and that helps with the data sharing with the federal government, and then it helps target those individuals that are getting income from other sources, which prior to CERB was probably a third of the overpayment collection. But also from a social policy perspective, is that folks who don't file income tax miss out on benefits. They miss out on benefits from the federal government and also from the provincial government that are tied to tax filing, which will also help enhance their life.

We are really pushing on that as well so that they're maximizing all the programs that are available to them. Over the last couple of years, there's been money, both provincially

and federally, that have been issued based on income and folks are missing out on that, that are outside of regular programs, if they haven't filed their taxes.

**S. GAMBIN-WALSH:** Can you share any of the other changes that are coming? You said we're going down to five? Did you allude to there? Could you just elaborate on that?

**A. DOODY:** Absolutely.

Currently, the system has 23 basic benefits, and it's actually pretty complex. Some of it's based on age category and parents and things of that nature, but we're reducing it down to four basic benefits, and there'll be five additional benefits which will include the single parent supplement, coastal Labrador allowance, there's a blind person's supplement, special diet supplement, and dietary food allowance.

Individual benefits will be standardized for everybody, then a single accommodation benefit and there'll be a shared benefit and then a household expense benefit. So those will be the benefits that it'll be reduced to.

I'm happy to share a document with the Committee so they can actually see it at the high-level changes instead of going through them all vertically.

**S. GAMBIN-WALSH:** That'd be perfect, because I'm here scribbling it all down right fast.

Thank you very much, that's all the questions from me.

**A. DOODY:** Thank you.

**CHAIR:** Okay, thank you.

We'll move to the Member for Lab West.

**J. BROWN:** Thank you, Chair.

Just going back to the overpayments, you mentioned that CERB was about 60 per cent of the current files for overpayments. How much was spent on resources to deal with these overpayments and collection and did it outweigh what the individuals did receive in CERB? Was there a cost analysis done on the benefit of actually trying to recapture this money, or is the department utilizing a lot of resources which probably would outweigh the benefit of trying to recapture this money?

So was there any cost analysis done in that sense?

**A. DOODY:** Thank you, it's an excellent question.

I think if we just go back even pre-CERB. So the department recuperates roughly about \$3.5 million a year on overpayments and overpayments pre-CERB were in the realm of \$6 million to \$8 million. So from a cost-benefit perspective, it actually does – we didn't grow staff to deal with the CERB issue and this is why we're now in 2025 and the same staff are doing that data matching. So we haven't grown resources; it's just late being added – so you'll see over the last three years now, this year as well, a larger increase in overpayment. So the cost-benefit analysis, we are recruiting more than it cost – significantly more, I suggest, the cost than to actually have staff to go through that process.

**J. BROWN:** Out of all your overpayments and that, how much has been declared as unretrievable? Have any individuals passed or you're just not going to get it back? There's no way to get it back. How much of it has been declared that so far?

**A. DOODY:** From the way it works currently is that if you're a client of CSSD, we are collecting. So CSSD, per se, isn't writing off because we're collecting from clients, at a very small amount, but we're collecting from clients. The other portion of that, it moves to DGSNL collections for collection, and they

would have to actually respond to that. I don't actually have that number in front of me. I can get it for you, but I don't have it here with me.

**J. BROWN:** No, that's fine.

I guess this leads to my next question between DGS and yourselves. We know, and as has been pointed through the Auditor General's Office, there are some clients that bounce back and forth between collections with you and collections with DGS and they become a client again and go back and forth. This probably muddies the waters of what's owed and what's not, but what is the communication between the two when it comes to collections? Is it very frequent or is it just more or less a file transfer? Because, from what the Auditor General pointed out, it could be a potential issue, with the clients going back and forth between the two.

**A. DOODY:** Yes, we have a memorandum of understanding with DGSNL on that. At the operational level, the director responsible for Income Support and the director responsible for Collections are in – I won't say constant, but they speak frequently on specific cases. So there is information sharing and data sharing in relation to that to ensure that there are no gaps.

**J. BROWN:** All right.

You said 60 per cent currently of the workload is CERB-related when it comes to overpayments. Can you give a better breakdown of the remaining workload, on where these overpayments come from?

**A. DOODY:** Absolutely, and my pleasure to do so.

So I'll use '23-'24 data. Overlap payments like CPP, EI and OAS – which we 100 per cent recoup back, it's just there is always a portion on the book based on time delay. So in '23-'24 that accounted for 5 per cent of

the overpayment data but, prior to COVID, that was 15 per cent.

Security deposits – which is really us helping folks make their damage deposit to landlords, that's what that equates to – in '23-'24, that was 3 per cent. The reason why those numbers are lower is because you have that balloon number related to CERB so it just lowers the percentage. But it's important to note, over the year, they're probably plus or minus a couple of hundred thousand dollars between each of them so they have almost stayed pretty close to the same. So that was 8 per cent prior to COVID.

CPP death benefits is 1 per cent in '23-'24 and, prior to COVID, that was about 3 per cent. Change in living arrangements, so when people move in together or they move out and they do not advise, that's 6 per cent before COVID and 3 per cent in '23-'24. Folks who are involved with the justice system and incarcerated, in '23-'24, 1 per cent and, prior to COVID, they equated to about 3 per cent of the overpayments.

Income earnings in '23-'24 is 12 per cent and, prior to COVID, was 36 per cent. And what we call false pretences as a title within CSSD – which is really about individual's family situations and things of that nature that people haven't declared – it is 11 per cent in '23-'24 and it was 22 per cent pre-COVID.

**J. BROWN:** Thank you so much.

The total value currently that is sitting on the books of overpayments that are being recouped, what is the total value right now that is trying to be recouped?

**A. DOODY:** In this report, I believe it was \$95 million. That is accumulated from the beginning of the program but in '23-'24, I think overpayments were at approximately \$21 million.

**J. BROWN:** So it was \$21 million at this point, but as of today's numbers – do you have today's numbers of what you're trying to recoup?

**A. DOODY:** I don't have that number in front of me. I do know that it has increased in total, so it would be approximate. I do believe it is around \$113 million.

**J. BROWN:** Perfect.

That's the end of my questions.

Thank you.

**CHAIR:** Okay, thank you.

We'll move now to the Member for Cape St. Francis.

**J. WALL:** Thank you, Chair, and thank you for being here today.

Thanks to my learned colleagues, I'm down to two questions but all good questions and all good answers.

With respect to overpayments, what's the number of investigations annually that the department would have to complete with respect to overpayments?

**A. DOODY:** I don't have the exact number of how many investigations are done by staff. I can get that. They'll provide it to the Committee.

So the straight data transfer pieces are not investigated. Like this is a reconciliation of our data versus this other data, those processes are automated. The other investigation types, I can get you that number. I don't have it here with me.

**J. WALL:** Okay, thank you.

I know my colleague from Lab West asked the amount that was recouped. Am I correct, in my notes, \$3.5 million? Is that correct?

**A. DOODY:** That's what CSSD collects.

**J. WALL:** Okay.

**A. DOODY:** Just on folks who are within our system.

**J. WALL:** Within your purview.

**A. DOODY:** Yes.

**J. WALL:** Okay.

**A. DOODY:** On average. That's an average per year.

**J. WALL:** Okay, thank you for that.

And I have one more. It's been said with respect to DGSNL, with their collection team, when an individual comes off income support, it goes to that department. I know my colleague from Lab West mentioned about the communication between the departments and you said about the director. Annually, what's the number of files that come from your department to DGSNL that have to be followed up by their staff with respect to collections?

**A. DOODY:** Yes.

**J. WALL:** Sorry –

**A. DOODY:** That's fine. I do apologize because I actually don't have that number with me, but I can get that number. I think we've seen significant reduction in caseloads over the last decade. I'll get you the exact number because I don't want to state a number that's false.

**J. WALL:** Understood, I appreciate that. This, again, comes from conversations we're having and whatnot.

Anyway, that's all my questions, Chair, and thank you for your answers.

Thank you.

**CHAIR:** Okay, thank you.

I do have a couple of questions. I know now, going down the line, that most of the questions are being taken up, but I do have a couple of questions anyway. What portions of the overpayments are occurring due to fraudulent activity?

**A. DOODY:** Yes, an excellent question.

The terminology used in the department for a long period of time has been false pretenses. So it's complex to answer because once staff investigate, they are trying to determine the willingness of people who are trying to willingly defraud government, or if this is just a circumstance which there are some cases where folks may not have realized the rules and we're not following up with them frequently enough, that type of thing.

So it is complex. There are cases which we do deem to be fraudulent, where we know that people were not necessarily required to be in receipt of income support and may have provided false documentation and things of that nature, which are investigated or referred to the police for investigation. I don't have that exact number for you, for today, but I can certainly also get that.

**CHAIR:** Thank you.

How often do you review accounts to identify amounts with no expected time of collections?

**A. DOODY:** Yes, that an ongoing –

**CHAIR:** No expectation of collection, sorry.

**A. DOODY:** Thank you for the question.

That's an ongoing process within the Corporate Services division for those that are active files. For example, we may have an individual who's a 62-year-old, who may owe us a certain amount of money and we know that they're on income support and

the likelihood of us collecting that from them is doubtful. We may reduce the amount that we expect, from a reporting perspective.

So it is ongoing, I would suggest. It's not like done once a year. It's a regular occurrence for those files to be reviewed. Once they're off the income support, again this goes to DGSNL. I'm not personally certain what their process is on how they determine when they can collect or not collect money. I'd have to refer to them.

**CHAIR:** So are any of those amounts being written off?

**A. DOODY:** Traditionally, within CSSD we do not write them off because we're still collecting from clients, even though we inventory as a portion of that being doubtful. However, almost all writeoffs that are done, which I still sign off as deputy, come from DGSNL, recommended by the collections group or recommended to CSSD for writeoff through their collections process.

**CHAIR:** Okay, thank you.

I have no further questions on that right now, but I will go down the line. If I do see a light on, on either one of the Members, I'll move to them. Does anybody have a question?

**L. STOYLES:** I just wanted to say thank you. But in the observation, it's 62 per cent of the 65 per cent, 62 per cent is COVID related. So basically, it's a good program when you look at 3 per cent whether it's fraudulent or whatever reason; it could be EI or could be any reason. So really, at the end of the day, prior to COVID and the CERB money, I mean, you're doing a good job.

I just wanted, again, to say thank you for coming today and for the information.

**A. DOODY:** Thank you for that.

I'm sure staff would appreciate that sentiment, so thank you..

**CHAIR:** Okay, not seeing any more questions, I'll say that we've exhausted our questioning. I do thank the deputy minister for being with us today and answering those questions.

I'll ask the deputy minister if there are any closing remarks on this matter.

**A. DOODY:** First of all, again, thank you for the opportunity to be here and to answer your questions. I just wanted to reiterate if there are ever any questions related to the program, please do not hesitate to reach out to our office, and I'll follow up with the questions that I didn't have the data for you here today.

Thank you very much.

**CHAIR:** Okay, thank you.

I'll ask the deputy Auditor General if there are any closing remarks on her part.

**S. RUSSELL:** I'd just like to thank the deputy minister for his time and the opportunity for the Public Accounts Committee to discuss some of the items that were raised in our report from February 2024 that involved CSSD.

Thank you.

**CHAIR:** Okay, thank you.

Again, thank you to the deputy minister of the Department of Children, Seniors and Social Development for his attendance and testimony today.

We are now at the end of today's proceedings. Before we clue up, I would like to extend, on behalf of the Committee, thanks to the officials from the Office of the Auditor General for their support and attendance today as well.

I'll also extend my thanks as Chair to all the Members of the Public Accounts Committee for your dedication and commitment to do

this important work. Also, thank you to our Broadcast technician, Dan Warren, for being here today.

With no further business, I will now call for a motion to adjourn the Public Accounts hearing.

**L. STOYLES:** So moved.

**CHAIR:** Okay, the Member for Mount Pearl North.

All those in favour, 'aye.'

**SOME HON. MEMBERS:** Aye.

**CHAIR:** All those against, 'nay.'

This public hearing now stands adjourned.

On motion, the Committee adjourned.