

# Chapter 7

## Covid-19 Global Pandemic

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## Covid-19 Global Pandemic

### What Financial Relief Programs Did Government Implement?

***Government implemented financial relief initiatives and incurred incremental spending due to the Covid-19 global pandemic***

**7.1** A State of Emergency was declared in New Brunswick on March 19, 2020 due to the Covid-19 global pandemic. The government implemented initiatives in response to the financial crisis that resulted. These included financial relief programs to citizens and industry, as well as incremental spending in government entities and departments as a result of the pandemic.

**7.2** Through our audit work on the Province's March 31, 2020 financial statements, as well as subsequent work in the fall of 2020, we collected information regarding the following three categories:

- financial relief programs approved by government (Exhibit 7.2);
- revenue from the Federal government for Covid-19 global pandemic relief programs (Exhibit 7.3); and
- incremental spending in government departments and Crown corporations and agencies (Exhibit 7.4).

**7.3** A summary of Exhibits 7.2-7.4 in this Chapter are presented in Exhibit 7.1. Note each exhibit presents unaudited information from differing time periods, please read the related Exhibits 7.2-7.4 for more information.

*Exhibit 7.1 - Summary of Chapter Exhibits Presenting Covid-19 Global Pandemic Spending by Government (Unaudited)*

**Summary of Chapter Exhibits Presenting Covid-19 Global Pandemic Spending by Government (Unaudited)**  
**(\$ millions)**

Chapter Exhibit		Actual Expense (Revenue)	Loans Advanced	Total
7.2	Financial Relief Programs Approved by Government	42.6	21.2	63.8
7.3	Financial Relief Programs Received from the Federal Government	(10.3)	-	(10.3)
7.4	Incremental Government Spending in Departments and Crown Corporations and Agencies	128.7	-	128.7
<b>Total</b>		<b>161.0</b>	<b>21.2</b>	<b>182.2</b>

*Source: Prepared by AGNB*

**7.4** Exhibit 7.2 presents significant Covid-19 financial relief programs implemented by the New Brunswick government. The exhibit presents actual amounts expensed or may impact expense from March 26, 2020 (the date government approved the relief programs) to September 30, 2020, the time of writing this report.

***Information presented in Exhibit 7.2 is unaudited***

**7.5** Financial relief programs listed in Exhibit 7.2 came to our attention as a result of reviewing government decisions in our regular financial audit, therefore only amounts to March 31, 2020 have been audited. Actual amounts at April 1, 2020 and thereafter have not yet been audited, and will be included in our audit of the Province's financial statements at March 31, 2021.

*Exhibit 7.2 - Covid-19 Financial Relief Programs Approved by Government March 26, 2020 to September 30, 2020 (Unaudited)*

**Covid-19 Financial Relief Programs Approved by Government (Unaudited)  
(\$ millions)**

March 26, 2020 – September 30, 2020					
Financial Relief Program	Government Department, Crown Corporation or Agency	Approved by Government	Actual Amount (2020)		
			March 26 - 31	Apr. 1 – Sept. 30	Total
<b>Financial Relief Programs That Impact Expense:</b>					
Labour Force Adjustment Program for Agriculture, Aquaculture and Tourism Industries	Post-Secondary Education, Training, and Labour (PETL)	1.5	-	0.8	0.8
Employment Assistance Program	PETL (Administered by the Canadian Red Cross)	75.0	41.8	-	41.8
<b>Total</b>		<b>76.5</b>	41.8	0.8	<b>42.6</b>
<b>Working Capital Loans to Industry That May Impact Expense:</b>					
Working Capital Loans to Industry	Regional Development Corporation (Administered by Community Business Development Corporations)	25.0	-	16.2	16.2
	Opportunities New Brunswick	25.0	-	5.0	5.0
<b>Total</b>		<b>50.0</b>	-	21.2	<b>21.2</b>
<b>Amendments to Loans Receivable from Industry That May Impact Expense:</b>					
Amendments to Loans Receivable from Industry to Defer Repayment Obligations	Agriculture, Aquaculture, and Fisheries (DAAF)	*	-	-	-
	Opportunities New Brunswick (ONB)	*	-	11 loans receivable deferred 6 months	11 loans receivable deferred 6 months
	Regional Development Corporation (RDC)	*	-	-	-

*\*Approved to amend, on a case-by-case basis, the terms and conditions for certain financial assistance currently exceeding \$2 million (ONB), \$500,000 (DAAF), no set value (RDC) that was previously provided.*

*Source: Prepared by AGNB*

7.6 Significant COVID-19 financial relief program funds received in revenue from the Federal government up to March 31, 2020, are listed in Exhibit 7.3.

*Exhibit 7.3 - Significant COVID-19 Financial Relief Programs Received from the Federal Government*

**Significant Covid-19 Financial Relief Programs  
Received from the Federal Government  
(\$ millions)**

Year Ended March 31, 2020	
Financial Relief Program	Actual Revenue
Increase in the Canada Health Transfer	10.3

*Source: Prepared by AGNB*

7.7 During our regular financial audit of the Province’s financial statements, we requested from the OOC a list of financial relief programs related to the Covid-19 global pandemic implemented near year end as well as Federal assistance received or approved near year end such as transfers of assets.

***OOC is tracking incremental government spending***

7.8 The OOC informed us it was tracking incremental spending by government departments and Crown corporations and agencies related to the Covid-19 global pandemic. This information included expenses related to financial relief programs identified in Exhibit 7.2.

7.9 Exhibit 7.4 presents a summarized version of the OOC’s tracking document. The exhibit presents expenses incurred from March 11, 2020, the date the OOC requested departments and Crown corporations and agencies began tracking incremental costs, up to October 2, 2020, the most recent report from the OOC at the time of writing this chapter.

***Information presented in Exhibit 7.4 is unaudited***

7.10 Incremental spending listed in Exhibit 7.4 came to our attention as a result of our regular financial audit and correspondence with the OOC in the fall of 2020, and therefore may not be a fully conclusive list. We also have not audited government classification of these expenses as being related to the Covid-19 global pandemic.

*Exhibit 7.4 - Incremental Covid-19 Related Government Spending in Departments and Crown Corporations and Agencies March 11, 2020 – October 2, 2020 (Unaudited)*

***Incremental Covid-19 Related Government Spending in Departments and Crown Corporations and Agencies (Unaudited)***  
**(\$ millions)**

<b>March 11, 2020 – October 2, 2020</b>			
<b>Government Department, Crown Corporation or Agency</b>	<b>Actual Amount</b>	<b>Total</b>	
<b>Government Departments</b>	Education and Early Childhood Development	24.2	
	Health	26.0	
	Post-Secondary Education and Labour	42.4	
	Public Safety	24.3	
	Social Development	18.5	
	Other Government Departments	2.8	
	<b>Total Government Departments</b>		<b>138.2</b>
<b>Crown Corporations and Agencies</b>	Horizon Health Network	19.3	
	Vitalité	11.3	
	Opportunities New Brunswick	5.0	
	Other Crown Corporations and Agencies	1.7	
	<b>Total Crown Corporations and Agencies</b>		<b>37.3</b>
<b>Total</b>			<b>175.5</b>
Less: Amounts included in Exhibit 7.1			
Post-Secondary Education and Labour (Employment Assistance Program Administered by the Red Cross)	(41.8)		
Opportunities New Brunswick (Working Capital Loans to Industry)	(5.0)		
<b>Net Total</b>			<b>128.7</b>

*Source: Prepared by AGNB using information reported by the Office of the Comptroller modified to fit Exhibit.*

***Tracking of Covid-19  
Global Pandemic  
financial relief  
programs not complete***

**7.11** While we were pleased to find the Office of the Comptroller (OOC) is tracking incremental department and Crown corporation and agency expenditures related to the Covid-19 global pandemic, we noted revenue and other relief programs such as loans to industry and repayment deferrals were not included. For example, the list did not include the \$10.3 million received from the Federal government for the Canada Health Transfer as presented in Exhibit 7.3.

**7.12** The approved amount of any funding, such as amounts approved through government (or supplementary estimates) were also not included in the OOC's tracking of relief programs.

**7.13** As the pandemic is ongoing, in our view the OOC needs to improve its process to include all financial relief programs and incremental revenue and spending by government departments and agencies in order to provide decision makers with complete information.

**7.14** We recommend the Office of the Comptroller continue to work with departments and agencies to improve tracking of the financial impacts relating to the Covid-19 global pandemic on the Province which could include:

- **program funding (funding that has been approved – indication of what could be spent) and what has been spent to date;**
- **other financial relief measures (such as revenue reductions, deferrals, etc.); and**
- **Federal Assistance (such as the Canada Health Transfer).**

**7.15** We recommend the OOC publicly report on their tracking of the financial impacts of the Covid-19 global pandemic.

- Some expenses incurred by March 31, 2020, with most expensed April 1, 2020 and after***
- 7.16** Some of the amounts included in Exhibits 7.2 and 7.4 were expended in the Province’s March 31, 2020 financial statements. In our audit we noted at least \$41.8 million was expended relating to the ‘Employment Assistance Program’ in the Department of Post Secondary Education and Labour as presented in Exhibit 7.2. The majority of the remaining amount is expected to be expensed in the period April 1, 2020 – March 31, 2021.
- Spending not included in government’s original budgets for fiscal years 2020 and 2021***
- 7.17** The Legislative Assembly voted and passed the fiscal 2020 budget on June 4, 2019, and the fiscal 2021 budget on March 13, 2020, with royal assent received shortly thereafter. The additional spending for the Covid-19 global pandemic presented in Exhibits 7.2 and 7.4 was not contemplated, or included, in the government’s original budgets for fiscal years 2020 and 2021.
- No evidence of spending authority***
- 7.18** We were unable to find evidence authority had been obtained from the Legislative Assembly for this additional spending at the time of our work. Under the *Financial Administration Act*, a supplementary estimate or special warrant is to be obtained for unexpected overspending not known when the budget was set. We confirmed with the Department of Finance and Treasury Board these had not yet been obtained.
- 7.19** We are aware of other jurisdictions in Canada that have obtained a supplementary estimate during the Covid-19 global pandemic such as British Columbia, Manitoba, and Prince Edward Island.
- 7.20** Spending not included in original fiscal budgets as presented in Exhibits 7.2 and 7.4 is consistent with circumstances reported in past Auditor General reports where spending occurred prior to receiving approval from the Legislative Assembly, as required by the *Financial Administration Act*.
- Recommendation in Chapter 5 to change Financial Administration Act***
- 7.21** In Chapter 5 of this report we note the *Financial Administration Act* is outdated and have recommended the Office of the Comptroller bring forward legislative changes in 2021.