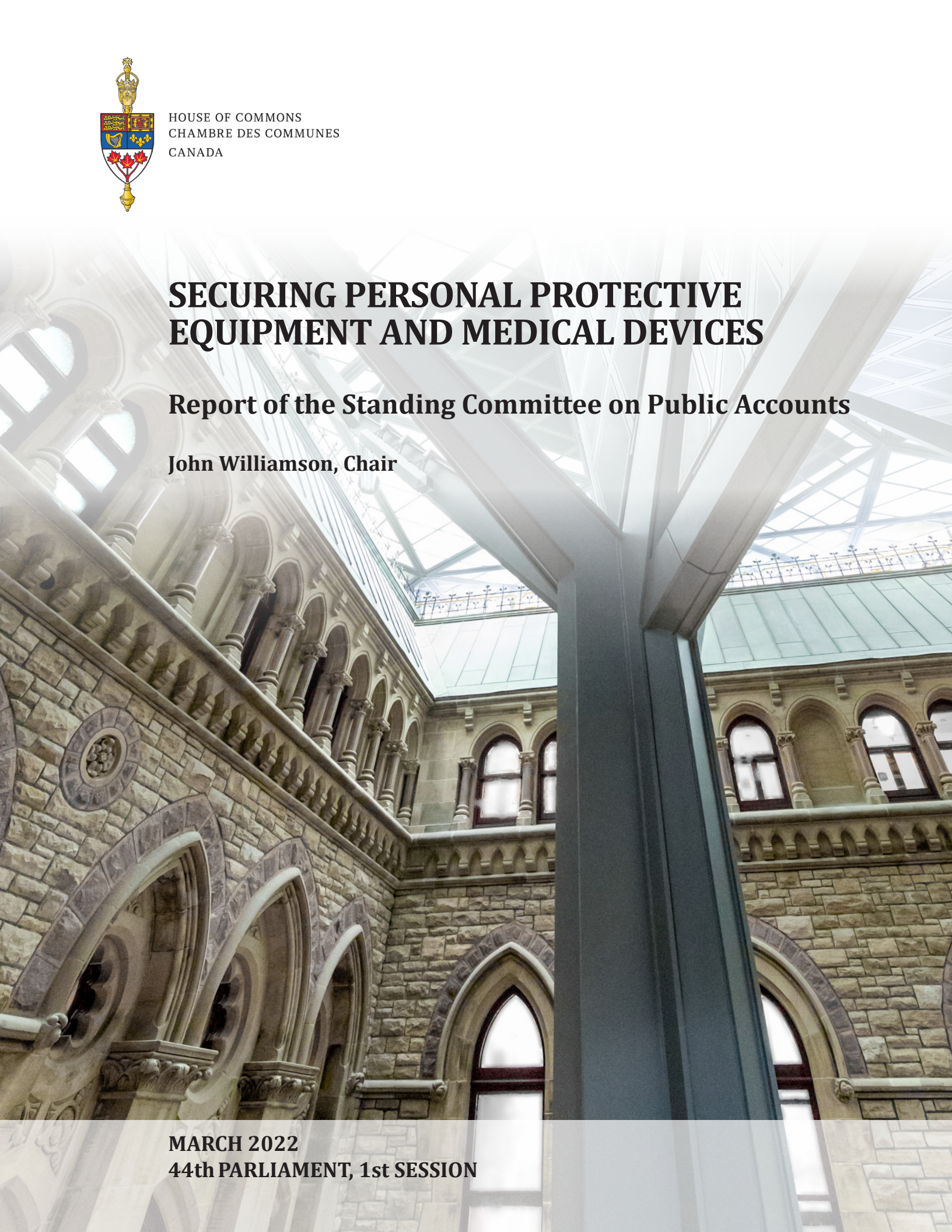

HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

SECURING PERSONAL PROTECTIVE EQUIPMENT AND MEDICAL DEVICES

Report of the Standing Committee on Public Accounts

John Williamson, Chair

MARCH 2022
44th PARLIAMENT, 1st SESSION

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Chair

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NOTICE TO READER

Reports from committees presented to the House of Commons

Presenting a report to the House is the way a committee makes public its findings and recommendations on a particular topic. Substantive reports on a subject-matter study usually contain a synopsis of the testimony heard, the recommendations made by the committee, as well as the reasons for those recommendations.

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THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

has the honour to present its

ELEVENTH REPORT

Pursuant to its mandate under Standing Order 108(3)(g), the committee has studied Report 10, Securing Personal Protective Equipment and Medical Devices, of the 2021 Reports of the Auditor General of Canada, and has agreed to report the following:

HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

SECURING PERSONAL PROTECTIVE EQUIPMENT AND MEDICAL DEVICES

INTRODUCTION

In 2020 the coronavirus disease (COVID-19) pandemic created an extraordinary need for personal protective equipment (PPE) and medical devices, which limit the spread of the virus, protect front-line workers, and keep patients severely affected by COVID-19 alive.

During the early stages of the spread of the virus, there was intense international competition for the limited worldwide supply of PPE and medical devices (collectively referred to as "medical equipment" in this report). In response, the federal government implemented measures to help secure the national supply of such equipment. In fact, the "federal government reported that as of 31 December 2020, it had spent more than $7 billion" on medical equipment.[1]

In Canada, the provinces and territories are responsible for providing health care services, which includes managing their own equipment stockpiles. To that end, various federal organizations secure additional equipment for them during public health emergencies. For example, the Public Health Agency of Canada (PHAC or the agency) is primarily responsible for promoting health for Canadians; preventing and controlling chronic diseases; preparing for and responding to public health emergencies; and strengthening intergovernmental collaboration on public health. However, during a health crisis, the agency:

- manages the National Emergency Strategic Stockpile, which includes PPE and medical devices, to respond to a surge in demand for these items when provinces and territories exhaust their own stockpiles and to be the sole provider of items that are rare and difficult to obtain;
- works with provincial and territorial governments to assess needs for equipment;
- conducts quality assurance of the equipment it procures; and

1 Office of the Auditor General of Canada (OAG), Securing Personal Protective Equipment and Medical Devices, Report 10 of the 2021 Reports of the Auditor General of Canada, para. 10.2.

- allocates and distributes equipment to provinces and territories and certain federal government organizations.[2]

Health Canada has a mandate to helps Canadians maintain and improve their health, and in that role it "regulates the import and sale of medical devices and regulates and licenses suppliers of [medical equipment]. It is also responsible for compliance monitoring and enforcement activities related to medical devices to verify that regulatory requirements are being adhered to."[3]

Public Services and Procurement Canada (PSPC) is the federal government's common service organization that purchases its goods and services. At the time of this writing, the department is procuring medical equipment on behalf of the Government of Canada for the provinces and territories.[4]

In health emergencies (such as the COVID-19 pandemic), these three federal organizations collaborate to help meet provincial and territorial needs for medical equipment. It should also be noted that in September 2015, Canada committed to achieving the United Nations' 2030 Agenda for Sustainable Development; this includes helping to meet the needs of provincial and territorial governments for selected medical equipment. Specifically, target 3.d of the Sustainable Development Goals is to:

- Strengthen the capacity of all countries, in particular developing countries, for early warning, risk reduction and management of national and global health risks.[5]

In 2021 the Office of the Auditor General of Canada (OAG) released a performance audit that focused on whether PHAC and Health Canada, "before and during the COVID-19 pandemic, helped to meet the needs of provincial and territorial governments for selected PPE (N95 masks and medical gowns) and medical devices (testing swabs and ventilators). These items were selected because they were considered at risk for the following reasons:

- There was a limited pool of suppliers;

2 Ibid., para. 10.5.

3 Ibid., para. 10.6.

4 Ibid., para. 10.7.

5 Ibid., para. 10.9.

- The items had specific technical requirements;
- There was limited domestic production; and
- There was high worldwide demand."[6]

The audit also focused on whether PSPC provided adequate procurement support to PHAC and examined aspects of the medical equipment needs that were under the control of the agency and the department.[7]

On 10 February 2022, the House of Commons Standing Committee on Public Accounts (the Committee) held a hearing on this audit with the following in attendance:

- OAG – Andrew Hayes, Deputy Auditor General of Canada, and Jean Goulet, Principal
- Health Canada – Dr. Stephen Lucas, Deputy Minister
- PHAC – Dr. Harpreet S. Kochhar, President, and Cindy Evans, Vice-President, Emergency Management
- PSPC – Paul Thompson, Deputy Minister[8]

Table 1 provides a glossary of the key terms used in this report.

Table—Definitions

Coronavirus disease (COVID 19)	the disease caused by severe acute respiratory syndrome coronavirus 2 (SARS CoV 2)
Personal protective equipment (PPE)	items worn to provide a barrier to help prevent potential exposure to infectious disease; e.g., N95 masks and medical gowns
Respirator	a personal protective device that fits tightly around the nose and mouth used to reduce the risk of inhaling hazardous airborne particles and aerosols including dust particles and infectious agents - an N95 mask is a type of respirator

6 Ibid., para. 10.10.

7 Ibid., para. 10.11.

8 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 44th Parliament, 10 February 2022, Meeting No. 5.

Medical devices	instruments or equipment used in the treatment, mitigation, diagnosis, or prevention of a disease or abnormal physical condition; e.g., testing swabs and ventilators
Medical equipment	includes both PPE and medical devices

Source: Office of the Auditor General of Canada, Securing Personal Protective Equipment and Medical Devices, Report 10 of the 2021 Reports of the Auditor General of Canada, Definitions.

FINDINGS AND RECOMMENDATIONS

The Public Health Agency of Canada did not address long-standing federal stockpile deficiencies

The OAG found that PHAC did not fully address significant findings about the National Emergency Strategic Stockpile from the agency's 2010 and 2013 internal audits, despite management's commitment to do so. In fact, there were long-standing unaddressed problems with the systems and practices to manage the Stockpile's inventory dating back to at least 2010.[9]

Prior to the COVID-19 pandemic, there was no rationale to justify the quantities of equipment held in the stockpile; internal documents cited budget limitations as the explanation. According to the agency's 2013 follow-up internal audit, management was developing a more comprehensive needs-based assessment process to justify federal stockpile acquisitions; yet, this had not been implemented for medical equipment, and acquisitions were based on available budget.[10]

Furthermore, issues related to obsolete inventory and disposal raised in the 2010 internal audit report, persisted. Some of the inventory was expired or outdated. Moreover, there was other inventory that was not tracked at all for age or expiry date. Thus, essential information needed to ensure that inventory in the stockpile, including medical equipment, was not obsolete or close to expiring could not be accurately monitored and acted upon.[11]

9 OAG, Securing Personal Protective Equipment and Medical Devices, Report 10 of the 2021 Reports of the Auditor General of Canada, paras. 10.28 and 10.34.

10 Ibid., para. 10.35.

11 Ibid., para. 10.36.

Consequently, the OAG recommended that PHAC "should develop and implement a comprehensive National Emergency Strategic Stockpile management plan with clear timelines that responds to relevant federal stockpile recommendations made in previous internal audits and lessons learned from the COVID-19 pandemic."[12]

In response, the agency stated in its Management Response and Action Plan that it agreed with the recommendation and that "lessons learned form the COVID-19 pandemic will inform how the National Emergency Strategic Stockpile is managed going forward."[13]

Additionally, the agency is "currently working on a comprehensive National Emergency Strategic Stockpile [NESS] management plan with associated performance measures and targets to support responses to future public health emergencies" and committed to do the following:

- Develop a high-level materiel management plan for the National Emergency Strategic Stockpile assets. (estimated completion: December 2021)
- Define the preliminary business requirements for a warehouse management system (estimated completion: September 2021)
- Develop consultation plan (estimation completion: three months after end of pandemic).
- In consultation with key federal and external to Government of Canada health and emergency management stakeholders:
    - Define key lessons learned with respect to readiness for, and response to, the COVID-19 pandemic related to required health assets and priority actions;
    - Define an evidence-based approach to collaboratively determine and prioritize Canada's asset requirements in preparation for future emergencies across all product categories;

12 Ibid., para. 10.38.

13 Public Health Agency of Canada, Management Response and Action Plan, p. 1.

- Confirm federal/provincial/territorial roles and responsibilities, including role and financial accountabilities of the National Emergency Strategic Stockpile;

- Identify additional authorities needed; and

- Develop proposed governance model leveraging existing structures where appropriate

- Develop and consult draft framework for National Emergency Strategic Stockpile management plan, which takes into account previous audit recommendations (estimated completion: 10 months after the end of the pandemic)

- Finalize comprehensive National Emergency Strategic Stockpile management plan with a costed implementation plan with clear timelines, which will include input informed by consultations with stakeholders (estimated completion: one year after the end of the pandemic)."[14]

At the hearing, in response to a question about the plan and preparedness for future pandemics, Harpreet Kochhar, President, PHAC, provided the following:

> [This] is something that we are committed to developing. It includes a very comprehensive management plan with the key indicators in that. As I mentioned earlier, this work has already started. We are focusing right now, being in the middle of the pandemic, on fighting the fight with the pandemic, but we are still continuing to have those robust pieces working with our partners in the federal family, as well with the provinces and territories.
>
> For example, what would be the allocation model should this happen? We've already established that in the current pandemic, and that would be a lesson learned in terms of how we go forward. How much do we retain for which kind of PPE? What do we do with it when there is a certain degree of triggers reached? So we will continue to do that.[15]

14 Ibid., pp. 1-2.

15 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 44th Parliament, 10 February 2022, Meeting No. 5, 1150.

When questioned about what would specifically define the end of the current pandemic, Dr. Kochhar explained that the World Health Organization declares the start and end of a pandemic based on the global epidemiology.[16]

Therefore, the Committee recommends:

Recommendation 1 – Developing a comprehensive plan

That, by 31 December 2022, the Public Health Agency of Canada provide the House of Commons Standing Committee on Public Accounts with its comprehensive National Emergency Strategic Stockpile management plan, in collaboration with provincial, territorial, First Nations, Inuit, and Metis governments. This plan should incorporate relevant recommendations made in previous internal audits—including those regarding an electronic inventory management system—as well as lessons learned from the COVID-19 pandemic. A final report should also be provided 12 months after the end of the pandemic.

NOTABLE FINDING

The OAG found that as the pandemic evolved, PHAC improved how it managed the assessment of provincial and territorial needs for medical equipment and how it helped them to meet those needs. The agency moved from reactive management to informed planning and allocation. An initial shift to a bulk-purchasing strategy allowed the agency to help meet the unprecedented need for equipment across the country. It was also fostered by strengthened consultation and communication among the agency and other federal organizations, provinces, and territories as the pandemic continued.

Additionally, in August 2020 PHAC began to use a new, long-term national supply and demand model, whose development was led by Health Canada during the summer of 2020. This model provided data that helped the agency to make purchasing decisions.

Consequently, the OAG made no recommendations in this area.

Source: Office of the Auditor General of Canada, Securing Personal Protective Equipment and Medical Devices, Report 10 of the 2021 Reports of the Auditor General of Canada, paras. 10.52 and 10.53.

Deficiencies in the agency's oversight of the warehousing and logistical support that it outsourced

During the pandemic, PHAC largely outsourced additional warehousing and logistical support for medical equipment to third-party service providers due to the

16 Ibid., 1200

unprecedented volume of equipment acquired to help meet provincial and territorial needs.[17]

To oversee the support work done by these third-party service providers, it worked with a firm to develop a tool that allowed for the monitoring and reporting of the flow of equipment to provinces and territories. However, there were inventory control challenges, including sometimes being unable to correctly track items. Also, some contracts with third-party service providers did not include service standards to signal when a delay in the flow of goods to territories and provinces required follow-up.[18]

Third-party warehousing and logistics services providers were required to submit specific information for PHAC to include in its electronic inventory management system and its monitoring and reporting tool. However, not all providers could abide by these requirements; for example, incomplete information from suppliers and constraints imposed by the agency's system contributed to its ongoing inventory control challenges (e.g., PHAC was sometimes unable to correctly track items).[19]

Additionally, the agency performed daily monitoring to make sure equipment was distributed to provinces and territories as required. Yet, service standards for delivery were not included in some contracts. It addressed the need for the inclusion of service standards over time; these were part of the long-term contract with a warehousing and logistics service provider signed in September 2020.[20]

In light of all these considerations, the OAG recommended that PHAC "should enforce, as appropriate, the terms and conditions in its contracts with third-party warehousing and logistics service providers—including the long-term contract signed in September 2020—for the provision of timely, accurate, and complete data to help control inventory of personal protective equipment and medical devices."[21]

In its action plan, the agency stated its agreement with the recommendation and that it "continues to work closely with its third-party warehousing and logistics service providers for the provision of timely, accurate and complete data to help control

17 OAG, Securing Personal Protective Equipment and Medical Devices, Report 10 of the 2021 Reports of the Auditor General of Canada, para. 10.39.

18 Ibid., para. 10.40.

19 Ibid., para. 10.49.

20 Ibid., para. 10.50.

21 Ibid., para. 10.51.

personal protective equipment and medical devices and, if required, will take appropriate actions to enforce the terms and conditions in its contracts."[22]

Additionally, the agency stated that once its "contract management protocol and governance is documented" (August 2021) it will "continue to include this type of provision in future contracts of this nature."[23]

At the hearing, Dr. Kochhar explained that PHAC took the lessons learned from early contracts with the third-party warehousing and logistics services provider and included clear service-level expectations in the long-term contract signed in September 2020, including the provision of timely, accurate and complete data.[24]

Therefore, the Committee recommends:

Recommendation 2 – Enforcing contract conditions

That, by 30 September 2022, the Public Health Agency of Canada provide the House of Commons Standing Committee on Public Accounts with a progress report in regard to enforcing the terms and conditions in its contracts with third-party warehousing and logistics service providers, with particular attention given to the provision of timely, accurate, and complete data in order to control the inventory of personal protective equipment and medical devices.

Classification of Class I Medical Devices

As the country's regulator of the import and sale of medical equipment, Health Canada issues 2 types of licences:

- Medical device establishment licences—These licences are issued to Class I PPE and medical device manufacturers, as well as importers or distributors of all 4 classes of PPE and medical devices.[25] They are issued on the basis of an attestation about requirements related to documented

22 Public Health Agency of Canada, Management Response and Action Plan, p. 2.

23 Ibid.

24 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 44th Parliament, 10 February 2022, Meeting No. 5, 1125.

25 For further information, refer to Health Canada About medical devices.

procedures for complaint handling, distribution records, recalls, and problem reporting.

- Medical device licences—These licences are issued for specific Class II, III, and IV PPE and medical devices and are issued to the manufacturers of those devices. They are issued on the basis of a review to ensure the device meets regulatory requirements, including requirements for safety and effectiveness. The level of review required increases as the medical device risk classification increases. The manufacturer may sell the licensed device directly or through a holder of a medical device establishment licence.[26]

To address the increased demand for licences, in April 2020 the department issued temporary medical device establishment licence submission numbers to applicants that provided contact and medical device information in their applications. These were valid until Health Canada could conduct a comprehensive review of the applications and make a licensing decision. While waiting for a decision, "applicants were allowed to import and sell medical devices in Canada. The temporary submission number process was put in place to try to achieve a 24-hour turnaround time during a period of high demand for licences. Before the pandemic, the average processing time for new establishment licence applications was 39 days."[27]

The department indicated that enforcement discretion was applied in relation to the licensing requirements for the importation and sale of medical devices. Although the department's approach was practical in the circumstances, the OAG concluded that the "more appropriate measure would have been for the Minister of Health to issue an interim order under section 30.1 of the Food and Drugs Act to temporarily waive and change mandatory regulatory requirements. This statutory process provides transparency and clarity because the interim orders are required to be tabled in Parliament."[28]

The OAG noted that as a Class I medical device, respirators could be sold in Canada under a medical device establishment licence. This meant that although a company was

26 OAG, Securing Personal Protective Equipment and Medical Devices, Report 10 of the 2021 Reports of the Auditor General of Canada, para. 10.71.

27 Ibid., para. 10.74.

28 Ibid., para. 10.75. Also, see the *Food and Drugs Act*.

licensed to sell the respirators, the respirators themselves were not licensed and therefore were not subject to a review by Health Canada for safety and effectiveness.

In May 2020 the United States Food and Drug Administration issued revised guidance to stakeholders indicating that certain respirators may not provide adequate protection. The OAG found that Health Canada took appropriate action to determine and address the impact of these products in Canada. In particular, the department issued a public recall notice listing the respirator products that did not meet performance standards. The department also regularly updated this list and asked suppliers to conduct a voluntary recall of the products listed; by the end of the audit period, the list included 165 respirator products.[29]

Moreover, Health Canada also searched its database of suppliers and informed them that they may have been selling recalled respirators and directed them to take appropriate action. The department also added measures in order to mitigate the risk of other suppliers selling recalled products, including "communicating recall information to all suppliers and conducting continual screening of its supplier database for recalled products."[30]

Notwithstanding this, the OAG concluded that a review of whether respirators are appropriately classified is warranted given:

- the importance of respirators when responding to infectious diseases such as COVID-19;
- the demonstrated lack of effectiveness of a large number of these products; and
- the fact that as a Class I device, respirators are not subject to a Health Canada review for safety and effectiveness.[31]

Consequently, the OAG recommended that "Health Canada should determine whether respirators are appropriately classified given that Class I medical devices are not subject to a Health Canada review for safety and effectiveness."[32]

29 Ibid., para. 10.79.

30 Ibid., para. 10.80.

31 Ibid., para. 10.81.

32 Ibid., para. 10.82.

In its Management Response and Action Plan, the department stated its agreement with the recommendation and acknowledged that although it "currently regulates medical devices in accordance with a risk-based classification system, consideration could be given to providing greater pre-market oversight over some lower risk devices. Health Canada acknowledges the challenges associated with ensuring that the safety, effectiveness and quality requirements for respirators are met in situations such as the COVID-19 pandemic."[33]

The department further stated that it will "specifically review the classification of lower risk devices, including respirators, in the context of the development of Agile Regulations for Medical Devices. While in its infancy, this initiative is underway and will provide an opportunity to determine whether respirators are appropriately classified. Health Canada is committed to exploring options to evaluate the appropriate level of pre-market oversight of these devices. An analysis will be conducted within the year following the end of the pandemic."[34]

At the hearing, Stephen Lucas, Deputy Minister, Health Canada, testified that in response to the audit, "Health Canada has been conducting premarket evaluations of all applications for Canadian respirators received under the medical device interim orders, even though they are [Class] I" and will continue "to do so as long as this alternative regulatory pathway remains in effect;" additionally, the department "has already convened a team to begin assessing the classification rules associated with lower risk devices, including respirators"[35]

Therefore, the Committee recommends:

Recommendation 3 – Classification of devices

That, by 31 December 2022, Health Canada provide the House of Commons Standing Committee on Public Accounts with a report regarding the classification of respirators including the justification of whether or not they should remain a Class 1 device.

33 Health Canada, Management Response and Action Plan, p. 1.

34 Ibid., pp. 1-2.

35 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 44th Parliament, 10 February 2022, Meeting No. 5, 1120.

NOTABLE FINDING

The OAG found that PSPC could not always demonstrate that its officials properly followed the new emergency delegation of authority. In 41% of the original contracts examined (16 out of 39), the documentation did not show whether approval was given at the appropriate level of authority. However, the OAG noted significant improvement in the way contract approvals were documented between May and August 2020 compared with those prepared between March and April 2020.

Additionally, PSPC undertook an integrity verification of each contract recipient according to the Government of Canada's Integrity Regime, including a review of databases, open source information, and corporate information. However, the OAG found that in 59% of the cases (23 out of 39), it was only done after the contract was awarded. To mitigate the risk posed by this timing of the verification, PSPC established terms and conditions to ensure that it could terminate a contract if the supplier did not comply with the integrity regime.

Source: Office of the Auditor General of Canada, Securing Personal Protective Equipment and Medical Devices, Report 10 of the 2021 Reports of the Auditor General of Canada, paras. 10.98 and 10.99.

Assessing the Financial Viability of Suppliers

PSPC quickly modified its procurement processes at an early stage of the pandemic to allow for the use of its emergency contracting authority. Specific changes included the following:

- The National Security Exception was invoked, effective until the end of the pandemic, to allow Canada to exclude its procurement from some or all of the obligations under specific trade agreements; thus, PSPC did not have to follow specific procedural and market access obligations.

- The department exercised its emergency contracting authority to acquire goods using non-competitive processes.

- The Treasury Board increased PSPC's departmental limit for emergency contracting from $15 million to $500 million, to improve the department's ability to secure pandemic supplies, including medical equipment, faster without having to get Treasury Board approval.

- The department approved a new internal exceptional emergency delegation of authority, which executives below the assistant deputy minister level to approve COVID-19–related contracts.[36]

In April 2020 PSPC identified some new risks, such as reduced oversight of the procurement process, which could result in errors being made or decisions being insufficiently documented. However, these risks were not offset by any planned mitigation strategy. Hence, while the department was able to speed up the procurement process, it could not always demonstrate that it exercised proper oversight.

Additionally, to acquire goods during situations in which supply was limited, PSPC often had to pay suppliers in advance. Per the Treasury Board's Directive on Payments, advance payments are to be issued in exceptional circumstances only. Because of the pandemic, advance payment was made in 36% of the contracts we examined (14 out of 39)."[37] Such contracts are considered riskier since the government might pay for goods that it does not receive. The OAG found that the value of the advance payments made in the contracts it examined ranged from 20% to 80% of the original contract value, totalling $618 million. However, the department took steps to recover amounts that were paid in advance when no goods were received.[38]

The OAG also found that the department could not always demonstrate that it conducted specific assessments for contracts subject to advance payment, to ensure, for example, the suppliers' financial viability. A financial evaluation of suppliers was done in 50% (7 out of 14) of the contracts we examined where payment was issued in advance. The Treasury Board of Canada Secretariat's Guide to Advance Payments states that before including an advance payment clause in a contract, a risk assessment should be conducted," which "would provide the department with information on, for example, the supplier's viability and the risk of the contract not being fulfilled."[39]

Consequently, the OAG recommended that PSPC, "while addressing urgent needs and accepting procurement risks, should conduct checks of the financial strength of suppliers before awarding contracts that involve advance payment."[40]

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36 OAG, Securing Personal Protective Equipment and Medical Devices, Report 10 of the 2021 Reports of the Auditor General of Canada, para. 10.91.

37 Ibid., para. 10.100.

38 Ibid.

39 Ibid., para. 10.101.

40 Ibid., para. 10.102.

In its Management Action Plan, the department stated that although it was working under very challenging circumstances related to the early stages of the COVID-19 pandemic, it acknowledged that "procurement processes can be improved, and in the context of advance payments this includes undertaking financial checks. Over the course of the last year, PSPC has continuously evolved its approaches. Going forward, [it] will further update its processes related to emergency procurements to address lessons learned, while continuing to deliver on its mandates and prioritize the health and safety of Canadians."[41]

Additionally, the department committed to "update tools and processes to reflect direct experiences from the COVID-19 pandemic, including working remotely, with respect to managing and mitigating risk, particularly as relates to the process of validating suppliers' financial capability in an emergency situation" as well as the following:

- Development of an emergency procurement checklist to support contracting officers in appropriately documenting decision-making and risk mitigation when awarding contracts using emergency contracting limits;

- Guidelines/considerations around risks in emergency contracting will be developed and communicated to procurement officers;

- Communique to be developed and issued to procurement officers to remind them of when they must engage a PSPC cost analyst to mitigate associated financial risks.[42]

At the hearing, when asked if the federal government would have procurement options that would both protect the public interest and integrity of the system, but also ensure that products are procured quickly (if faced with another pandemic), Paul Thompson (Deputy Minister, PSPC) responded as follows:

> That is certainly one of the lessons learned, and the Auditor General's report is helpful in this regard as to how we can institutionalize some of these practices and make sure that we approach it more systematically.
>
> We have a checklist, as was alluded to earlier, so that we know when we're in a situation like this we can follow a set of predetermined procedures. We have

41 Public Services and Procurement Canada, Management Action Plan, p. 1.

42 Ibid.

> procedures in place to rely on financial experts, for example, on this issue of financial viability of the suppliers.
>
> Compared to the beginning of the pandemic, it has been a lot more systematized for if and when we face similar situations going forward. We still are facing challenges, for example, with procuring rapid tests, which is one of the key areas where we continue to push.[43]

Therefore, the Committee recommends:

Recommendation 4 – Due diligence for urgent procurements

That, by 30 September 2022, Public Services and Procurement Canada provide the House of Commons Standing Committee on Public Accounts with a report explaining how its internal processes for conducting checks verify the financial strength of suppliers before awarding contracts that involve advance payment, while allowing for flexibility to address urgent needs and accepting procurement risks during crises.

CONCLUSION

The Committee concludes that the Public Health Agency of Canada, Health Canada, and Public Services and Procurement Canada helped meet the needs of provincial and territorial governments to obtain selected personal protective equipment and medical devices during the pandemic. However, due to long-standing unaddressed problems with its systems and practices, PHAC in particular was not as prepared as it could have been to respond to a global pandemic and the subsequent surge in demand for medical equipment.

The Committee acknowledges that during the pandemic PHAC improved how it assessed, allocated, and distributed PPE and medical devices; also, Health Canada and the agency improved licensing application and testing processes, respectively, to better respond to the increased demand for medical equipment.

Lastly, in a highly dynamic market wherein supply could not always meet demand, PSPC was able to procure large quantities of medical equipment by mobilizing resources and modifying processes; however, in order to expedite these acquisitions, the department accepted some procurement risks.

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43 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 44th Parliament, 10 February 2022, Meeting No. 5, 1225.

In this report the Committee has made four recommendations to help the Government of Canada improve its administration of medical equipment in order to respond effectively to future emergencies.

APPENDIX A – SUMMARY OF RECOMMENDATIONS AND TIMELINES

Recommendation	Recommended Measure	Timeline
Recommendation 1	The Public Health Agency of Canada should provide the House of Commons Standing Committee on Public Accounts with its comprehensive National Emergency Strategic Stockpile management plan, in collaboration with provincial, territorial, First Nations, Inuit, and Metis governments. This plan should incorporate relevant recommendations made in previous internal audits—including those regarding an electronic inventory management system—as well as lessons learned from the COVID-19 pandemic. A final report should also be provided.	31 December 2022 and 12 months after the end of the pandemic
Recommendation 2	PHAC should provide the Committee with a progress report in regard to enforcing the terms and conditions in its contracts with third-party warehousing and logistics service providers, with particular attention given to the provision of timely, accurate, and complete data in order to control the inventory of personal protective equipment and medical devices.	30 September 2022
Recommendation 3	Health Canada should provide the Committee with a report regarding the classification of respirators including the justification of whether or not they should remain a Class 1 device.	31 December 2022

Recommendation	Recommended Measure	Timeline
Recommendation 4	Public Services and Procurement Canada should provide the Committee with a report explaining how its internal processes for conducting checks verify the financial strength of suppliers before awarding contracts that involve advance payment, while allowing for flexibility to address urgent needs and accepting procurement risks during crises.	30 September 2022

APPENDIX B – SUPPLEMENTAL INFORMATION ABOUT THE NATIONAL EMERGENCY STRATEGIC STOCKPILE OF PERSONAL PROTECTIVE EQUIPMENT

In response to questions about the National Emergency Strategic Stockpile of personal protective equipment, the Public Health Agency of Canada provided the following information in a written submission after the hearing.[44]

Metrics on PPE Stocks in the NESS

The mandate of the Public Health Agency of Canada (PHAC) and its National Emergency Strategic Stockpile (NESS) is to provide surge capacity for provinces and territories for the provision of medical equipment and supplies, such as personal protective equipment (PPE), to support their response to emergency events when their own supplies are exhausted.

Throughout the pandemic, the Government of Canada worked with provinces and territories to model pan-Canadian supply and demand for medical equipment and supplies (such as PPE) taking into account epidemiology curves of COVID-19, and PPE usage protocols and rates in Canada's healthcare sector.

This modelling informed the NESS establishment of an 8-week supply of key PPE commodities and its overall procurement posture.

Provinces and territories also maintain their own respective stockpiles and provide the NESS with general feedback in terms of their respective healthcare systems (e.g., technical specifications and end-user preferences).

Domestically manufactured PPE stock in the NESS

Approximately 70% of N95 respirators procured by PHAC are domestically manufactured. This percentage accounts for the 2 multi-year contracts with AMD Medicom and 3M Canada.

50% of the surgical masks procured by PHAC are domestically manufactured. This percentage accounts for the multi-year contract with AMD Medicom.

44 Public Health Agency of Canada, "Written Information from PACP meeting on Report 10, Securing Personal Protective Equipment and Medical Devices," 10 February 2022.

100% of the face shields procured by PHAC have been domestically manufactured.

25% of the disposable gowns procured by PHAC have been domestically manufactured.

APPENDIX C
LIST OF WITNESSES

The following table lists the witnesses who appeared before the committee at its meetings related to this report. Transcripts of all public meetings related to this report are available on the committee's webpage for this study.

Organizations and Individuals	Date	Meeting
Department of Health	2022/02/10	5
Dr. Stephen Lucas, Deputy Minister		
Department of Public Works and Government Services	2022/02/10	5
Paul Thompson, Deputy Minister, Public Services and Procurement Canada		
Office of the Auditor General	2022/02/10	5
Milan Duvnjak, Director		
Jean Goulet, Principal		
Andrew Hayes, Deputy Auditor General		
Public Health Agency of Canada	2022/02/10	5
Cindy Evans, Vice-President, Emergency Management Branch		
Dr. Harpreet S. Kochhar, President		

REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the committee requests that the government table a comprehensive response to this Report.

A copy of the relevant *Minutes of Proceedings* (Meetings Nos. 5 and 9) is tabled.

Respectfully submitted,

John Williamson, M.P.
Chair