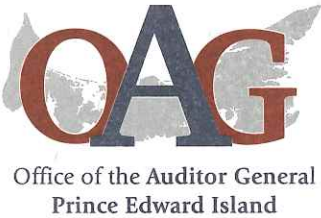


**Annual Report to the  
Legislative Assembly  
2025**



**Office of the Auditor General  
Prince Edward Island**



Prince Edward Island Île-du-Prince-Édouard

Office of the  
Auditor General

PO Box 2000, Charlottetown PE  
Canada C1A 7N8

Bureau du  
vérificateur général

C.P. 2000, Charlottetown PE  
Canada C1A 7N8

The Honourable Speaker and  
Members of the Legislative Assembly  
Province of Prince Edward Island

In accordance with the requirements of the *Audit Act*, I have the honour of  
presenting my **2025 Annual Report** to the Legislative Assembly.

Respectfully submitted,

Darren Noonan, CPA, CA  
Auditor General

Charlottetown  
Prince Edward Island  
March 13, 2025

# Table of Contents

CHAPTER	PAGE
<b>Introduction</b> .....	1
<b>Office of the Auditor General</b>	
1. Office of the Auditor General.....	6
<b>Public Accounts Committee</b>	
2. Public Accounts Committee .....	14
<b>Examinations</b>	
3. Report in Accordance with the <i>Climate Leadership Act</i> .....	16
4. Report in Accordance with the <i>Government Advertising Standards Act</i> .....	19
5. Affordable Housing Development Program .....	20
6. PEI Liquor Control Commission: Agency Stores .....	40
<b>Previous Recommendations</b>	
7. Follow-Up with Treasury Board.....	66
8. Follow-Up on Performance Audits .....	68
<b>Financial Audits</b>	
9. Introduction to Financial Audits .....	109
10. Audit of the Consolidated Financial Statements .....	111
11. Issues Noted in Other Financial Audits.....	127
12. Appropriations and Special Warrants.....	138
13. Indicators of Financial Condition .....	160
14. Capital Spending.....	181

# Introduction

## Report Overview

The *Audit Act* requires the Auditor General to report at least annually to the Legislative Assembly.

This 2025 Annual Report provides findings, recommendations, and information in accordance with Section 16 of the *Audit Act*. It also includes information pertaining to special examinations completed by our Office during the year.

The following is a brief overview of our 2025 Annual Report:

### ***Chapter 1: Office of the Auditor General***

This chapter includes information on the mandate and responsibilities of the Auditor General. Summary information is also presented on our assurance engagements, Office resources, professional standards and professional affiliations.

### ***Chapter 2: Public Accounts Committee***

The Public Accounts Committee (the Committee) plays an important role in holding government accountable for the management of public resources. A primary focus of the Committee is the review of the Auditor General's Annual Report and other reports to the Legislative Assembly, and following up with Crown corporations, agencies, funds and departments on recommendations included in the reports. This chapter includes summary information on the Committee and its interactions with our Office.

### ***Chapter 3: Report in Accordance with the Climate Leadership Act***

The Auditor General reports annually to the Legislative Assembly the amount of the levy collected under this Act, and the amounts returned to consumers, businesses and municipalities. This will be the final year of reporting under this Act.

### ***Chapter 4: Report in Accordance with the Government Advertising Standards Act***

The Auditor General reports annually to the Legislative Assembly about those matters the Auditor General considers appropriate relating to his or her powers and duties under this Act.

### ***Chapter 5: Affordable Housing Development Program***

This report looks at the effectiveness of the Affordable Housing Development Program delivered through the Department of Housing, Land and Communities, and the PEI Housing Corporation.

### ***Chapter 6: PEI Liquor Control Commission: Agency Stores***

*This report looks at the process for the awarding and the monitoring of Agency Stores by the PEI Liquor Control Commission.*

### ***Chapter 7: Follow-Up with Treasury Board***

Every quarter, departments, Crown corporations and agencies who have been audited by our Office, are to report to Treasury Board with respect to the status of the implementation of the recommendations from our Office. This

chapter reports on the review of this reporting requirement.

***Chapter 8: Follow-Up on Performance Audits***

This chapter includes information on the status of the implementation of recommendations reported in our 2020, 2021, 2022 and 2023 annual and other performance reports.

***Chapter 9: Introduction to Financial Audits***

This chapter provides introductory comments to summarize professional standards and Office responsibilities related to financial audits.

***Chapter 10: Audit of the Consolidated Financial Statements***

Each year, we audit the Province’s consolidated financial statements. This chapter provides summary comments, findings, and recommendations from our March 31, 2024 audit.

***Chapter 11: Issues Noted in Other Financial Audits***

This chapter provides a summary of issues communicated to management as a result of financial audits of Crown corporations, agencies, and trust funds.

***Chapter 12: Appropriations and Special Warrants***

This chapter provides summary information on appropriations and special warrants for the year ended March 31, 2024.

***Chapter 13: Indicators of Financial Condition***

This chapter provides summary financial information on the Province’s operating results and financial position from 2020 to 2024. Information is also provided on a number of financial indicators, based primarily on the

Province’s audited consolidated financial statements.

***Chapter 14: Capital Spending***

This is a new chapter for the annual report and it discusses the risks of capital overspending. In the future, we will monitor and report on actual capital spending versus original budgeted amounts.

## **Summary Comments**

The Office of the Auditor General of Prince Edward Island has a long history of serving Islanders. We conduct independent audits and examinations that provide objective information, advice, and assurance to the Legislative Assembly. We promote accountability and best practices in government operations, and work closely with the Province’s Standing Committee on Public Accounts.

The Office serves Members of the Legislative Assembly with integrity and independence, which is the foundation of our work. We strive to make a positive difference for Islanders. I would like to thank the departments and government organizations for their cooperation while we completed our audits this year. We continue to encourage senior government officials to implement our recommendations, which are important for improving the efficiency and effectiveness of government, as well as to enhance accountability and transparency.

Lastly, I would like to thank the staff of the Office of the Auditor General of Prince Edward Island for all of their hard work this year. We produced a large number of Performance Audit Reports this year and the audit of Public Accounts was completed one month earlier than last year.

# Introduction

## Aperçu du rapport

L'*Audit Act* (loi sur la vérification des comptes publics) stipule que le vérificateur général doit déposer un rapport devant l'Assemblée législative au moins tous les ans.

Le présent rapport de 2025 fournit conclusions, recommandations et renseignements conformément à l'article 16 de l'*Audit Act*. Il inclut aussi de l'information concernant les enquêtes spéciales effectuées par notre Bureau au cours de l'année.

Voici un aperçu du contenu du rapport annuel de 2025 du Bureau :

### ***Chapitre 1 : Bureau du vérificateur général***

Ce chapitre comprend des renseignements sur le mandat et les responsabilités du vérificateur général. Des renseignements sommaires sont également fournis sur les missions de certification, les normes et affiliations professionnelles et les ressources du Bureau.

### ***Chapitre 2 : Comité des comptes publics***

Le Comité des comptes publics (le Comité) joue un rôle important en assurant la responsabilisation du gouvernement en matière de gestion des ressources publiques. L'une des tâches principales du Comité est d'examiner le rapport annuel du vérificateur général et d'autres rapports déposés devant l'Assemblée législative, et de faire le suivi auprès des sociétés de la Couronne, des organismes, des fonds et des ministères sur les recommandations incluses dans ces rapports. Des renseignements sommaires sur le Comité et ses interactions avec le Bureau sont fournis dans ce chapitre.

### ***Chapitre 3 : Rapport conformément à la Climate Leadership Act (loi sur le leadership climatique)***

Le vérificateur général présente un rapport annuel à l'Assemblée législative concernant le montant du prélèvement recueilli conformément à la loi et le montant retourné aux consommatrices et consommateurs, aux entreprises et aux municipalités. Il s'agit du dernier rapport annuel déposé conformément à cette loi.

### ***Chapitre 4 : Rapport conformément à la Government Advertising Standards Act (loi sur les normes de publicité gouvernementale)***

Le vérificateur général présente un rapport annuel à l'Assemblée législative concernant les questions que le vérificateur général considère comme appropriées relativement à ses pouvoirs et tâches selon la loi.

### ***Chapitre 5 : Programme de développement de logements abordables***

Ce chapitre aborde l'efficacité du Programme de développement de logements abordables, offert par l'intermédiaire du ministère du Logement, des Terres et des Communautés et de la Société de logement de l'Î.-P.-É.

### ***Chapitre 6 : Régie des alcools de l'Î.-P.-É. – Magasins de franchise***

Ce chapitre aborde le processus d'attribution et de surveillance des magasins de franchise par la Régie des alcools de l'Î.-P.-É.

### ***Chapitre 7 : Suivi auprès du Conseil du Trésor***

Tous les trimestres, les ministères, sociétés de la Couronne et organismes vérifiés par le Bureau doivent présenter un rapport au Conseil du Trésor sur le statut de la mise en œuvre des

recommandations émises par le Bureau. Ce chapitre comprend des renseignements sur l'examen de cette exigence de rapport.

#### ***Chapitre 8 : Suivi sur les vérifications de gestion***

Ce chapitre fournit des renseignements sur le statut de la mise en œuvre des recommandations émises dans les rapports annuels de 2020, 2021, 2022 et 2023, et autres, du Bureau.

#### ***Chapitre 9 : Introduction aux vérifications financières***

Ce chapitre contient des commentaires d'introduction qui résument les normes professionnelles et les responsabilités du Bureau liées aux vérifications financières.

#### ***Chapitre 10 : Vérification des états financiers consolidés***

Chaque année, le Bureau vérifie les états financiers consolidés du gouvernement provincial. Ce chapitre présente les commentaires, conclusions et recommandations sommaires découlant de la vérification allant jusqu'au 31 mars 2024.

#### ***Chapitre 11 : Questions soulevées dans le cadre d'autres vérifications financières***

Ce chapitre présente un résumé des questions portées à l'attention des hauts dirigeants à la suite de vérifications financières auprès de sociétés de la Couronne, d'organismes et de fonds de fiducie.

#### ***Chapitre 12 : Compte de crédits et mandats spéciaux***

Ce chapitre fournit des renseignements sommaires sur le compte de crédits et les mandats spéciaux pour l'exercice qui s'est terminé le 31 mars 2024.

#### ***Chapitre 13 : Indicateurs de l'état des finances***

Ce chapitre fournit des renseignements financiers sommaires sur les résultats d'exploitation et la situation financière du gouvernement provincial entre 2020 et 2024. Il fournit également des renseignements sur un certain nombre d'indicateurs financiers, tirés principalement des états financiers consolidés vérifiés du gouvernement provincial.

#### ***Chapitre 14 : Dépenses en immobilisations***

Ce nouveau chapitre du rapport annuel aborde les risques des excédents de dépenses en immobilisations. Le Bureau assurera désormais le suivi des dépenses en immobilisations par rapport au budget original et en fera le rapport.

## **Commentaires sommaires**

Le Bureau du vérificateur général de l'Île-du-Prince-Édouard est au service des Insulaires depuis longtemps. Il s'occupe d'effectuer des vérifications et des examens indépendants qui permettent de donner des renseignements, une assurance et des avis objectifs à l'Assemblée législative. Le Bureau promeut ainsi la responsabilisation et les pratiques exemplaires en ce qui concerne les activités du gouvernement, en plus de travailler en étroite collaboration avec le Comité permanent des comptes publics.

Le Bureau sert les membres de l'Assemblée législative en faisant preuve d'intégrité et d'indépendance – la nature même de son travail. Le Bureau vise à générer des retombées positives pour les Insulaires. Je souhaite remercier les ministères et organismes pour leur coopération dans le cadre des vérifications menées par le Bureau cette année. Le Bureau continue d'inciter les hauts dirigeants à mettre en œuvre ses recommandations afin d'améliorer

l'efficacité du gouvernement, la responsabilisation et la transparence.

Pour conclure, j'aimerais remercier le personnel du Bureau du vérificateur général pour son travail acharné cette année. Le Bureau a produit un grand nombre de rapports de vérification de gestion cette année et terminé la vérification des comptes publics un mois plus tôt que l'an dernier.



# 1. Office of the Auditor General

## Auditor General's Mandate

- 1.1 The Auditor General is an independent officer of the Legislative Assembly appointed under the authority of the *Audit Act*. The *Audit Act* establishes the framework for an independent audit office. This independence enables the Office of the Auditor General (the Office) to offer impartial opinions, observations, and recommendations on government operations and management practices.
- 1.2 The key components of the Office's independence are
- the authority of the Auditor General to select audits and examinations;
  - the right of access to records, information, and individuals necessary to conduct audits and examinations;
  - the power to request and receive required information and explanations;
  - the requirement to report at least annually to the Legislative Assembly; and
  - a Legislative Management Committee that reviews the Office's budget.
- 1.3 The *Audit Act* provides the Office with the authority to conduct audits and examinations of provincial departments, Crown corporations, agencies, and funds. Financial audits include the Province's consolidated financial statements, as well as various other financial statement audits. Special audits and examinations conducted by our Office include performance audits, which may sometimes be referred to as value-for-money audits.
- 1.4 In accordance with the *Audit Act*, the Auditor General reports at least annually to the Legislative Assembly. The annual report
- provides observations, recommendations, and information pertaining to the audits and examinations of government operations conducted by the Office during the year;
  - calls attention to anything that the Auditor General considers necessary to be brought to the attention of the Legislative Assembly; and
  - includes other specific reporting requirements pursuant to the *Audit Act*, the *Climate Leadership Act*, and the *Government Advertising Standards Act*.
- 1.5 By exercising these responsibilities, the Auditor General assists the Legislative Assembly in its responsibility to hold Government accountable for its management of public resources.

1.6 **Exhibit 1.1** provides a summary of the value and benefits provided by a Legislative Audit Office to the Legislative Assembly and the public.

**EXHIBIT 1.1  
THE VALUE AND BENEFITS OF A LEGISLATIVE AUDIT OFFICE**



Light yellow: Value and benefits of a Legislative Audit Office  
 Light blue: Key services and products of a Legislative Audit Office  
 Adapted from a Canadian Legislative Auditors Working Group

- 1.7 In January 2025, we issued our Strategic Plan for 2025-2029 and it is available on our website. Our Strategic Plan comprises six components: our vision, our mission, our values, risks and trends, our strategic objectives, and key performance indicators. We have identified three strategic objectives as our current priorities, and each is supported by the actions we will undertake to achieve these objectives.

## **Our Vision**

*To be an independent and trusted audit office, highly valued by Islanders, for our contributions to a sustainable and prosperous future for Prince Edward Island.*

## **Our Mission**

*The Office of the Auditor General conducts independent audits and examinations that provide objective information, advice, and assurance to the Legislative Assembly. The Office works to advance government's accountability, transparency, and management of public resources.*

## **Our Values**

*Independence*

*Integrity*

*Reliability*

*Relevance*

*Adaptability*

*Collaboration*

*Respect*

Our values guide us in achieving our vision and mission. They guide our day-to-day actions and serve as constant reminders of our commitments. They are a statement of the high standards we apply to ourselves and our work.

**Independence**

We report to the Legislative Assembly and are fair, objective, and non-partisan in our approach. We adhere to our independence standards and professional code of ethics, avoiding real and perceived conflicts in our relationships and in the conduct of our work.

**Integrity**

We are professional, credible, trustworthy and objective.

**Reliability**

We work together and with others in an open, honest, and trustworthy manner. We strive every day to meet the highest standards of professional conduct and to produce work that is consistently of high quality.

**Relevance**

We select our audits on the basis of significance and risk, with the goal of making a positive difference for Islanders. Our reports present findings on matters of importance to the Legislative Assembly and the public.

**Adaptability**

We seek opportunities for creative problem solving and continuous improvement, supported by advancements in technology.

**Collaboration**

We encourage strong relationships, shared responsibilities, and effective communication.

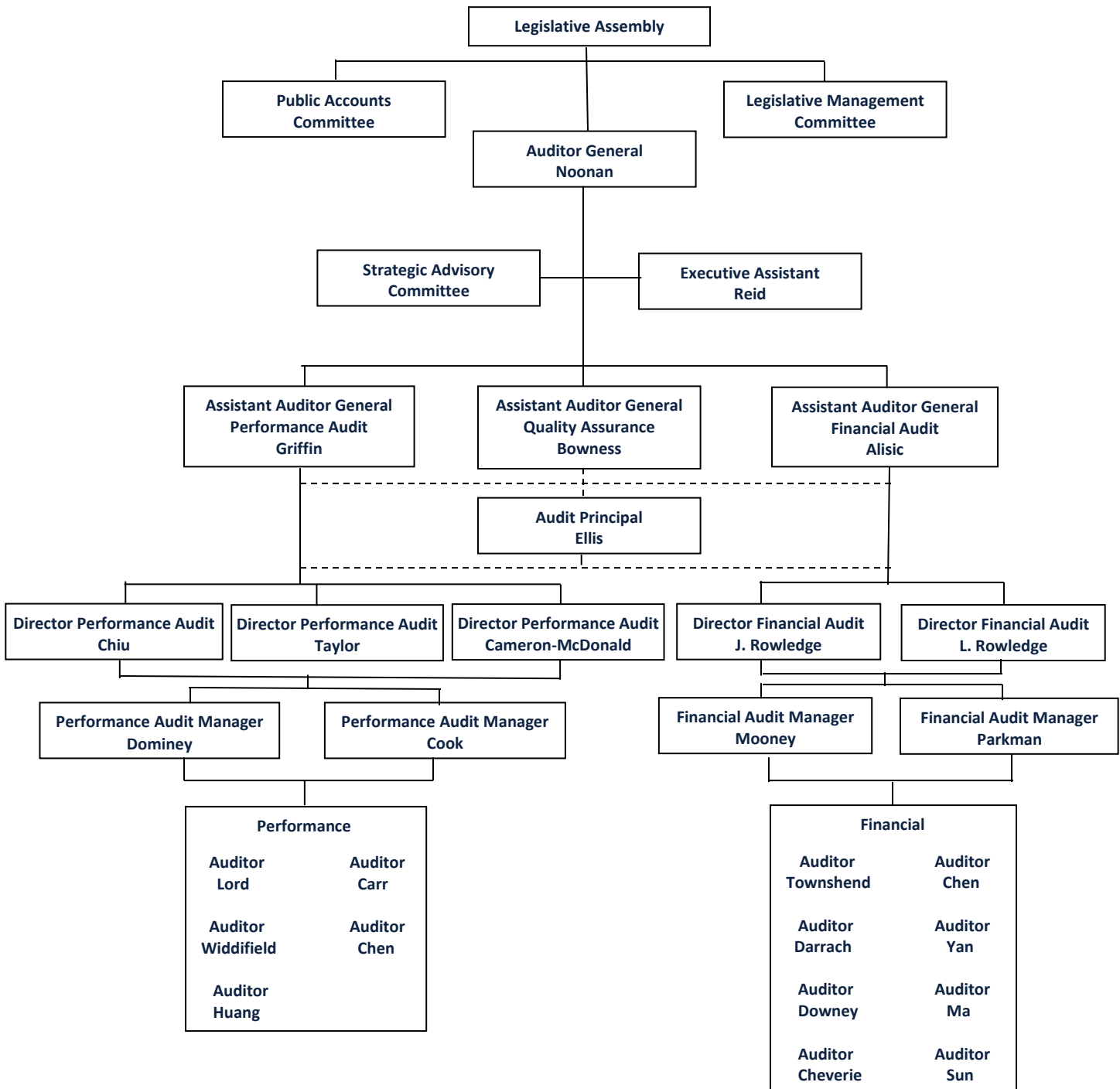
**Respect**

We value diverse opinions, an inclusive workplace, and fair treatment of all.

- |     |   |   |
|-----|---|---|
| 1.8 | The Office staff complement consists of three Assistant Auditors General, one Audit Principal, five Audit Directors, four Audit Managers, thirteen professional auditors and one administrative staff.  | development opportunities and training. Individual staff members attend various professional courses, conferences, webinars, and meetings. Staff also participate in various symposiums and committees of the Canadian Council of Legislative Auditors (CCOLA). |
| 1.9 | All audit staff in the Office have a professional accounting designation, and continue to meet the annual professional development requirements of the Chartered Professional Accountants of Prince Edward Island (CPA PEI). We strive to provide staff with relevant and timely professional | 1.10 Responsibility for administrative oversight of the Office of the Auditor General falls to the Legislative Management Committee. On an annual basis, the Committee will review the budget estimates submitted by our Office.                                |

1.11 **Exhibit 1.2** provides the organization chart for our Office.

**EXHIBIT 1.2  
OFFICE OF THE AUDITOR GENERAL  
ORGANIZATION CHART**



## Audits and Other Assurance Engagements

1.12 Each year, we conduct a variety of audits and examinations, some of which are mandated by legislation, while others are selected at the discretion of the Auditor General.

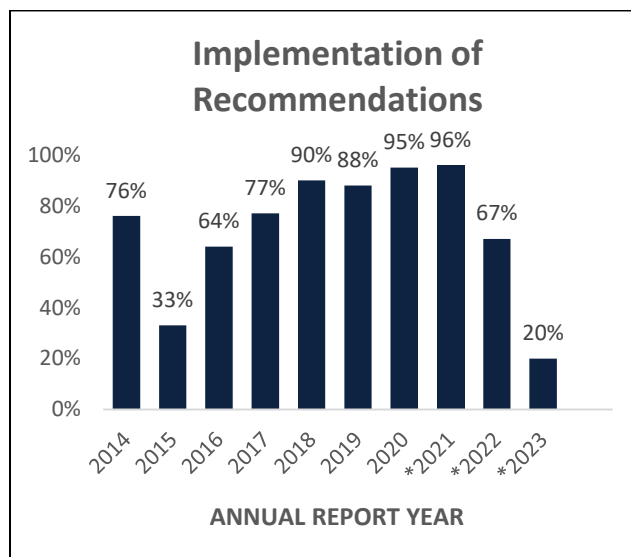
1.13 The Office completes 10 financial audits annually, including the consolidated financial statements of the Province. On an annual basis, the Office also completes a number of performance audits and examinations. Various factors are considered in establishing priorities for performance audits and examinations. In addition, follow-up work is completed on previous audit recommendations. Work plans of the Office can also be impacted by requests from the Legislative Assembly and/or Executive Council.

## Performance Indicators

1.14 Our new strategic plan has adopted many new performance targets, however the targets in place for last year were:

- 1) **Meet the statutory reporting deadlines for financial audits completed by our Office:** For 2023/2024, our Office performed financial audits for 10 entities, including the consolidated financial statements for the Province, and the statutory reporting deadlines were achieved by 50 percent of these entities. This is a decrease from last year, which was 64 percent, and this decrease was mainly due to a directive to complete Public Accounts earlier and the lack of timely preparedness by two entities.

- 2) **Increase in the percentage of previous years' performance audit recommendations that have been implemented:** We are seeing an increase in the implementation of our recommendations after four years of follow-up as shown below.



These rates are based on the information in our annual report at the time our follow-up work was completed.

\*2021 – one more year to follow up

\*2022 – two more years to follow up

\*2023 – three more years to follow up

- 3) **Increase the number of reports issued during the year.** Our Office had intended to release ten reports in the 2024/2025 fiscal year. Ten reports were released, which was three more reports than the previous year, and are listed below:

- Affordable Housing Development Program;
- Annual Report;
- Follow-Up on Previous Audits;
- Grant Funding to Non-Government Organizations;
- Health PEI Executive Leadership Team Compensation;

- Healthiness of Food in Schools;
- Long-Term Fiscal Sustainability;
- Mental Health Review Board - Rights of Involuntary Patients;
- PEI Alliance for Mental Well-Being; and
- PEI Liquor Control Commission: Agency Stores.

1.15 During the 2025/2026 fiscal year, our Office anticipates releasing 11 reports as follows:

- Annual Report;
- Capital Project Management;
- Children in Care;
- Diversity and Inclusion Strategy – Public Service Commission;
- Follow-up on Previous Audits;
- Government Travel Expense Claims – Airfare;
- Health PEI – Payroll Controls;
- Health PEI – Physicians Billings;
- Provincial Correctional Centres;
- Travel Nurses; and
- Transportation – Road Replacement/Maintenance.

## Professional Standards

1.16 The Accounting Standards Board, and the Auditing and Assurance Standards Board establish the accounting and assurance standards which apply to public sector entities and our work. In conducting our work, we rely on these standards as well as guidance provided by the Chartered Professional Accountants of Canada (CPA Canada) and other authoritative sources.

1.17 For financial audits, the Office is subject to a periodic practice inspection administered by CPA PEI, which is the regulatory body that provides oversight of the public accounting

profession in the province. A practice inspection is designed to protect the public interest by ensuring Office practices meet professional standards. A practice inspection was completed by CPA PEI in 2021. The inspection confirmed that the Office was meeting professional standards. Our next inspection was scheduled to be completed in 2024, however, it was deferred to the fall of 2025 due to staffing constraints at CPA PEI.

1.18 The Office also participates in the CCOLA peer review process for financial statement audits and performance audits and examinations. This peer review process provides additional assurance that the Office is conducting audits in compliance with the applicable standards of CPA Canada. The peer review process also exposes our Office to practices and methodologies of other offices, which assists in improving our professional practices. A peer review was completed on one of our performance audit files this year by a professional staff member of the Office of the Auditor General of Manitoba. The inspection confirmed that the Office was meeting professional standards. Our next peer review will be conducted in 2027.

1.19 In addition, the Office complies with the Canadian Standard on Quality Management of CPA Canada. This standard requires our Office to design, implement and operate a system of quality management. Our quality assurance system includes documented policies and procedures regarding compliance with ethical requirements, professional standards, regulatory and legal requirements, and internal policies.

## Professional Affiliations

1.20 The Office maintains an affiliation with a number of professional organizations to share information, experience, knowledge, and methodology, with a view to contribute to the ongoing development of legislative audit practices and standards. We strive to remain current in audit practices and new developments within the profession.

1.21 Key affiliations include:

- **Chartered Professional Accountants of Canada and Chartered Professional Accountants of Prince Edward Island** - The Office maintains an important professional relationship with these organizations. We provide input into the development of accounting and assurance standards, and receive information on various topics relevant to the profession.
- **Canadian Council of Legislative Auditors (CCOLA)** - The Auditor General is a member of CCOLA. CCOLA brings together legislative auditors of the federal government, the provinces, and the territories. Office staff also serve on various CCOLA committees. CCOLA provides an opportunity for professional development and practice improvement through information exchange, peer reviews, discussion, and sharing of audit methodologies and practices.
- **Canadian Audit and Accountability Foundation (CAAF)** - The Office has been a member and supporter of CAAF since its inception in 1980. CAAF is an organization dedicated to promoting and strengthening public sector performance audit, oversight, and accountability in Canada and abroad through research, education, and knowledge sharing.



## 2. Public Accounts Committee

### Review of Auditor General's Reports

2.1 The Standing Committee on Public Accounts (the Committee) is charged with matters concerning the Public Accounts of the Province, the Annual Report and other reports of the Auditor General, and fiscal management. The Committee is dedicated to improving public administration in collaboration with the Auditor General. Through its work and reporting to the Legislative Assembly, the Committee contributes to improvements in operations, transparency, and accountability in the Province's public sector.

2.2 The Auditor General's Annual Report, and other reports to the Legislative Assembly, are referred to the Committee for review and consideration. The Committee may request the Auditor General and other witnesses to appear and answer questions on matters raised in the reports. The Office of the Auditor General met with the Committee on eight occasions since our last annual report and up to the date of this current annual report. The Office of the Auditor General also met with the Committee "in-camera" to release the report Health PEI Executive Compensation. The Office of the Auditor General met publicly with the Committee to review the following reports:

- 2024 Annual Report;
- Biomass Heating Contracts;
- Grant Funding to Non-Government Organizations;

- Healthiness of Food in Schools;
- Health PEI Executive Compensation;
- Long-Term Fiscal Sustainability;
- Mental Health Review Board – Rights of Involuntary Patients; and
- PEI Alliance For Mental Well-Being.

2.3 Since our last annual report, the Committee met 14 times in 2024 and 5 times in 2025.

2.4 During the year, the Auditor General attended the Canadian Council of Public Accounts Committees Conference in Quebec City with three members of the Standing Committee on Public Accounts, a Clerk of the Legislative Assembly and another staff member of this Office. A training session on what to look for when reading the Public Accounts of the Province was provided to the Committee by the Auditor General in September.

### Committee Reports

2.5 The Committee reported to the Legislative Assembly on November 27, 2024, to provide updates on its activities for the year. The Committee made the following recommendations to the Legislative Assembly during the year:

- Your committee endorses all the recommendations made in the Auditor General's reports that the committee has reviewed since it last reported to the legislature.

- Your committee encourages departments and agencies audited in 2019, 2020, 2021 and 2022 that have not yet achieved full implementation of the Auditor General’s recommendations to pursue that goal until it is achieved, whether further follow up by the Auditor General is expected or not.
- Your committee recommends that Government, whenever possible, seek approval for additional spending by introducing a Supplementary Appropriation Act in the fall sitting or early in the winter-spring sitting, rather than approving such spending by special warrant and then tabling a Supplementary Appropriation Act after the fact.

## 3. Report in Accordance with the *Climate Leadership Act*

- 3.1 The *Climate Leadership Act* (the Act) became official on April 1, 2019. The purpose of the Act is to charge a levy on carbon for purchasers and consumers of fuel purchased prior to July 1, 2023, in an effort to reduce greenhouse gas emissions in the Province to less than 1.2 megatonnes of carbon dioxide equivalent per year by 2030, and to achieve carbon neutrality by 2040 in accordance with the *Net-Zero Carbon Act*. In return, the incremental revenue from the carbon levy may be used to provide rebates, credits, rate reductions or fee reductions to Islanders. The Minister of Finance is responsible for the administration of this Act.
- 3.2 The Act stipulates that there will be a levy on fuel at rates as listed in the Act. The levy shall be collected by registered agents and remitted to the Government on a regular basis. There are special rules around items such as mixtures and blends of fuels and rebranded fuel. The Act does provide certain exemptions and provides details on offences and penalties that may be issued.
- 3.3 In accordance with Section 2(3) of the Act, the Auditor General is responsible for reporting annually to the Legislative Assembly, for each year up to and including the fiscal year ending on March 31, 2024, on the amount of the levy collected under the Act, and the amounts returned to consumers, businesses and municipalities. This report is compiled based on the information prepared by the Province and it is consistent with the audited consolidated financial statements of the Province of Prince Edward Island for the period ended March 31, 2024. We performed a few additional procedures to verify the accuracy of this report, but less than would be required to provide an audit opinion. Accordingly, we are not providing an audit opinion with regard to this report, as no such requirement is stipulated in the Act. This report is prepared solely in accordance with the requirements of the Act and should not be used for any other purpose. Refer to **Appendix A** for our Engagement Report.
- 3.4 We report that for the period of April 1, 2023 to March 31, 2024, a total of approximately \$8,810,000 was collected by the Province as carbon levy revenue under the Act. These levies were collected for the period of April 1 to June 30, 2023. On July 1, 2023, the Federal Government imposed a federal carbon tax in Prince Edward Island resulting in fuel sales being subjected to a federal fuel charge instead of the carbon levy legislated under the Act.
- 3.5 The levies collected under the Act were returned to Islanders through the following initiatives: Free Heat Pump Program, reduction in gasoline tax rates, Free Insulation Program, Free Electric Hot Water Heater Program, Active Transportation Fund Projects, Universal Electric Vehicle and Bicycle Incentive Programs, Rural Transit Program, Home Heating Loan Programs, reductions in motor vehicle registration

costs for electric and hybrid vehicles, and urban transit fee subsidies. These initiatives totaled approximately \$72,081,000 over the period of April 1, 2023 to March 31, 2024 and are broken down as follows:

Free Heat Pump Program <sup>1</sup>	\$34,423,000
Reduction in Gasoline Tax	13,822,000
Free Insulation Program <sup>2</sup>	7,710,000
Free Electric Hot Water Heater Program <sup>2</sup>	4,560,000
Active Transportation Fund Projects	4,451,000
Universal Electric Vehicle and Bicycle Incentive Programs <sup>3</sup>	3,951,000
Rural Transit Program	2,343,000
Home Heating Loan Programs	366,000
Registration of Motor Vehicles <sup>4</sup>	278,000
Urban Transit Fee Subsidies	<u>177,000</u>
	<u>\$72,081,000</u>

1 - Program available to Islanders with (1) an annual household income of \$75,000 or less; and (2) a principal residence with a tax assessed value under \$300,000. Effective January 1, 2024, the annual income threshold increased to \$100,000 and the maximum tax assessed value requirement was removed.

2 - Program available to Islanders with (1) an annual household income of \$55,000 or less; and (2) a principal residence with a tax assessed value under \$300,000.

3 - Rebate of \$5,000 for battery electric vehicles and \$2,500 for plug-in hybrid electric vehicles. Program was expanded to include \$500 rebates for new e-bikes retailing over \$1,200 and \$100 rebates for new non-electric bicycles with a retail price of up to \$2,000.

4 - Subsidies were provided at 50 percent of registration fees for non-plug-in hybrid electric vehicles and 100 percent of registration fees for electric or plug-in hybrid electric vehicles.

3.6 The total amount returned to Islanders during the period of April 1, 2023 to March 31, 2024 included all of the initiatives for this period as no specific allocation was available to support how the carbon levies collected were spent. The total amount returned to Islanders was \$63,271,000 higher than the carbon levies collected. This was partially funded by Federal Government

grants through the Oil to Heat Pump Affordability Program in the amount of \$22,069,000. The remaining \$41,202,000 was funded by other provincial sources.

3.7 As the Federal Government imposed a federal carbon tax in Prince Edward Island on July 1, 2023, this is our final report under the *Climate Leadership Act*.



Prince Edward Island Île-du-Prince-Édouard

Office of the  
Auditor General  
PO Box 2000, Charlottetown PE  
Canada C1A 7N8

Bureau du  
vérificateur général  
C.P. 2000, Charlottetown PE  
Canada C1A 7N8

**Report on a Supplementary Matter Arising from an Audit Engagement**

**To the Members of the Legislative Assembly of the Province of Prince Edward Island**

In accordance with Section 2(3) of the *Climate Leadership Act*, we have been engaged to report on the amount of carbon levy collected and the amounts returned to consumers, businesses and municipalities for the period of April 1, 2023 to March 31, 2024 ("reporting responsibility"). This reporting responsibility relates to our audit of the financial statements of Public Accounts of the Province of Prince Edward Island for the year ended March 31, 2024 on which we issued our audit report dated October 7, 2024. Management prepared the supplementary matter necessary to carry out our reporting responsibility.

This report has been prepared in accordance with Canadian Standard on Related Services (CSRS) 4460, *Reports on Supplementary Matters Arising from an Audit or a Review Engagement*. Our responsibility is to report on the supplementary matter. This standard requires us to comply with ethical requirements and to plan and perform procedures to address our reporting responsibility. The procedures were selected based on our professional judgment to enable us to form a basis for this report. The procedures vary in nature from, and are less in extent than for, those required when providing an audit opinion or a review conclusion. Users are cautioned that the procedures performed may not be suitable for their purposes.

Accordingly, we do not express an audit opinion or a review conclusion on the supplementary matter.

In response to our reporting responsibility, we have reported on the amount of carbon levy collected and returned to consumers, businesses and municipalities for the year ended March 31, 2024.

This report is intended solely for use by the Members of the Legislative Assembly of the Province of Prince Edward Island and should not be used by other parties.

Darren Noonan, CPA, CA  
Auditor General

Elvis Alisic, CPA, CA  
Assistant Auditor General

Charlottetown, Prince Edward Island  
January 31, 2025

## 4. Report in Accordance with the *Government Advertising Standards Act*

- 4.1 The *Government Advertising Standards Act* (the Act) sets out standards that all government advertising must meet. When requested under the Act, the Auditor General is responsible for examining certain government advertisements, to determine whether the legislated standards have been met, and that advertisements are not partisan in nature.
- 4.2 Under section 5(1), a head of a government office may request the Auditor General to examine a specific advertising item not yet made public, to determine whether the item will meet the standards set out in the Act.
- 4.3 A Member of the Legislative Assembly may also make a written complaint to the Auditor General under Section 6(1), that the specified advertisement identified in the complaint does not meet the standards set out in the Act.
- 4.4 In accordance with Section 9(1) of the Act, the Auditor General is required to report annually to the Speaker of the Legislative Assembly about any matter that is considered appropriate to report under this Act.
- 4.5 One request was received during the year under Section 5(1), dated May 15, 2024. It was determined that the advertisement did meet the advertising standards established in the *Government Advertising Standards Act*.

# 5. Affordable Housing Development Program – Highlights

## Why we did this audit

- Prince Edward Island is facing a housing crisis due to a shortage of affordable housing options.
- The Affordable Housing Development Program (AHDP) was created by the Government to increase the number of affordable housing units for those in need.
- As of March 31, 2024, a total of \$12.7 million in forgivable loans were approved through the AHDP, but only 69 units had been completed.

### Objective

- To determine whether the Department of Housing, Land and Communities, and the PEI Housing Corporation
  - established appropriate performance measures to evaluate the effectiveness of the Affordable Housing Development Program, and
  - evaluated and reported on the effectiveness of the Affordable Housing Development Program.

### Conclusion

- The Department of Housing, Land and Communities, and the PEI Housing Corporation
  - did not establish appropriate performance measures to evaluate the effectiveness of the Affordable Housing Development Program, and
  - did not regularly evaluate the Affordable Housing Development Program and we identified issues with the data reported to the public regarding the effectiveness of the program.

Audit Scope Period: August 14, 2019 to March 31, 2024

## What we found

<b>Program Objective and Performance Measures</b>	<ul style="list-style-type: none"> <li>○ The AHDP was developed to help support the Housing Action Plan's (HAP) goal to create affordable housing units.</li> <li>○ The objective of the AHDP is to increase the inventory of affordable rental units for those in core housing need.</li> <li>○ The only performance measure for the program was to support the development of affordable housing units. The Department of Housing, Land and Communities (the Department) and the PEI Housing Corporation (PEIHC) define units supported as the number of units approved for funding. It does not represent the number of affordable housing units completed by developers.</li> </ul> <p><b>RECOMMENDATION (paragraph 5.28)</b></p>
<b>Program Evaluations</b>	<ul style="list-style-type: none"> <li>○ Program information was not kept up to date during our scope period including the effective dates of the funding agreements.</li> <li>○ Although the agreements included a requirement for developers to provide bi-weekly status updates, there was no documentation to support that these updates were received.</li> <li>○ The Department and the PEIHC did not maintain the expected completion dates of units approved through the program.</li> </ul> <p><b>RECOMMENDATION (paragraph 5.37)</b></p> <ul style="list-style-type: none"> <li>○ Only one program evaluation has been completed since the program began in 2019 resulting in some modifications to the program.</li> </ul> <p><b>RECOMMENDATION (paragraph 5.41)</b></p>
<b>Reporting</b>	<ul style="list-style-type: none"> <li>○ Annual reports for the Department and the PEIHC included information on the AHDP. However, this information was not timely as these annual reports did not follow the reporting timeline requirements of the <i>Financial Administration Act</i> and Treasury Board policy.</li> <li>○ The 2022-2023 and 2023-2024 annual reports of the PEIHC and the final report of the HAP overstated the number of units approved through the AHDP.</li> <li>○ The Department and the PEIHC did not report the number of units which had been completed through the AHDP or whether the program was having the intended impact on increasing the number of affordable housing units for those in core housing need.</li> </ul> <p><b>RECOMMENDATIONS (paragraph 5.51 &amp; 5.52)</b></p>

# 5. Affordable Housing Development Program

## Why it's important

From 2014 to 2024, the population of PEI grew by 24 percent and rental vacancy rates decreased from 5.4 percent to 0.8 percent. September 2023 projections by the Canada Mortgage and Housing Corporation (CMHC) show that housing demand in Atlantic Canada over the next decade is expected to increase.

Low vacancy rates contribute to increased rental rates. In most developed countries including Canada, if the cost of housing is more than 30 percent of a household's before-tax income, it is not considered affordable. Statistics Canada reported that in 2021, approximately seven percent of Islanders were not living in affordable housing.

The United Nations states that having safe, affordable, and accessible housing is a basic human right. The Government has invested taxpayer dollars in the Affordable Housing Development Program to provide more affordable housing to those in need. It is important that this program be monitored and evaluated to determine if it is effective in providing affordable housing.

## BACKGROUND

5.1 In 2018, the Province released the Housing Action Plan (HAP) which highlighted the need for all Islanders to have timely access to affordable housing. The HAP included the creation of 1,000 affordable housing units

over four years<sup>1</sup>, and identified the following housing trends in the province

- demographic shifts with an aging population;
- population growth;
- increased gentrification;
- increase in tourism;
- increase in international students; and
- supply changes.

5.2 To help achieve the HAP's plan, Government implemented various housing programs since 2018. In 2019, the Affordable Housing Development Program (AHDP) was created by the PEI Housing Corporation (PEIHC) and the Department of Housing, Land and Communities (formerly the Department of Social Development and Housing) to support the construction of affordable housing units by developers.

5.3 According to its website, the Department of Housing, Land and Communities (the Department) works to collaboratively address challenges with housing and permitting, to increase housing stock, and to work closely with municipalities on development of a province-wide land use plan for PEI. The Housing Services Division (the Division) of the Department is responsible for the operation of social housing and renovation programs which promote appropriate and affordable housing for Islanders who need support. The Division and its staff are responsible for

<sup>1</sup> In April 2019, government made a commitment to create an additional 1,200 new affordable housing units over the next five years.



delivering housing programs, including the AHDP.

5.4 The Department shares responsibility for delivering its housing programs with the PEIHC. The PEIHC is a Crown corporation under the authority of the *Housing Corporation Act* (the Act). It works with community and other government partners to fulfill its mandate to provide Islanders with low and moderate incomes with access to safe, affordable and adequate housing. See **Appendix C** for a list of the programs the PEIHC offers in partnership with the Department.

5.5 The Minister of Housing, Land, and Communities has responsibility for the Act and designates a senior public official to supervise the administration and management of the PEIHC. The PEIHC is responsible for the control of assets, liabilities and revenues related to the housing projects it administers in partnership with the Department. Its operations are staffed by the Department's Housing Services Division. **Exhibit 5.1** shows the organizational structure of those responsible for the administration of housing programs through the Department and the PEIHC.

**EXHIBIT 5.1**  
**ADMINISTRATION OF HOUSING PROGRAMS**  
**ORGANIZATIONAL CHART**  
**AS AT MARCH 31, 2024**



Source: Adapted from the PEI Housing Corporation's Organizational Chart included in the March 31, 2024 Annual Report.

5.6 The June 2019 Speech from the Throne included the following priorities related to affordable housing

- ensuring housing affordability;
- accelerating the development of affordable housing; and
- providing more rental supports.

5.7 Later that year, the Department's mandate included a priority to address the realities of the current housing situation in PEI and to work with local partners to increase the housing supply. Various programs were developed by the Department to address the housing situation, including the AHDP.

5.8 The AHDP was created in August 2019 to support the development of newly constructed affordable rental units by providing forgivable loans<sup>2</sup> of \$45,000 per unit to developers<sup>3</sup>. In exchange, the developer would lease units to PEIHC at an agreed upon affordable amount, for a time period established in agreements, of between 15 to 25 years. **Appendix D** provides further details on the program's guidelines.

5.9 Developers are expected to submit the following information when applying to the program

- project description;

- applicant background;
- target market;
- design and construction details;
- project funding details; and
- cost estimates and forecasted financial statements.

5.10 When applications are approved, letters of offer and program agreements are signed by developers and PEIHC. The program agreements include the location, number of affordable units, forgivable loan amount, occupancy date for tenants, and lease terms. Funding is disbursed to developers at various stages during the construction process, based on the stage of completion.

5.11 Once completed, the PEIHC leases the affordable units from the developers and sublets the units to individuals and families from the Department's Social Housing Registry (the Registry). The Registry is a listing of individuals and families who have been assessed and qualify for subsidized housing supports offered by the Department. According to the Department, at the time the program was created there were 1,078 households on the Registry.

5.12 **Exhibit 5.2** provides an overview of the AHDP administration process from the receipt of application from the developer to the units being sublet to tenants by the PEIHC.

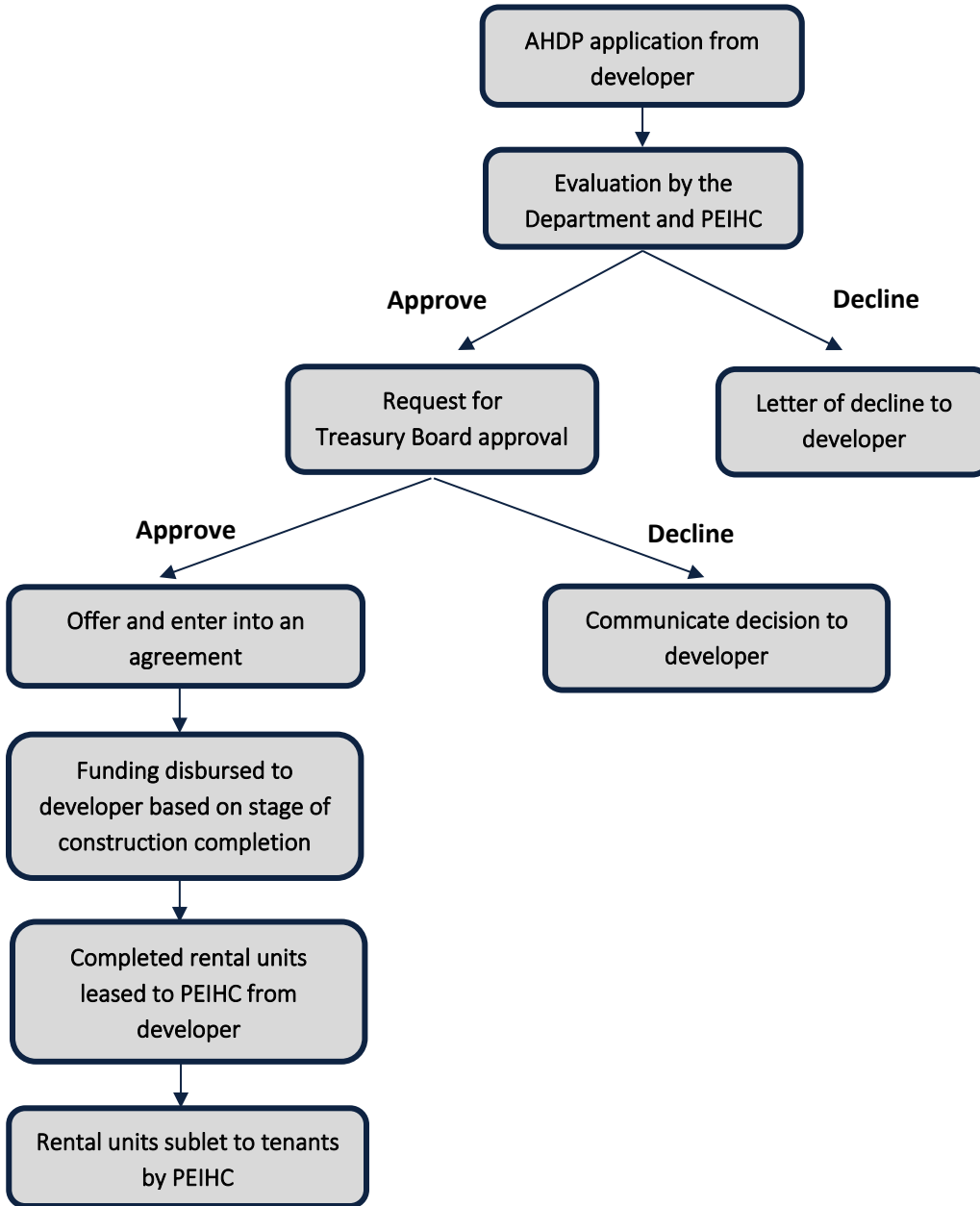
---

<sup>2</sup> In 2021 the forgivable loan amount increased to up to \$55,000 per unit and the time period changed to between 10 to 25 years.

---

<sup>3</sup> Includes private entrepreneurs, non-profit corporations, municipalities, development corporations and housing cooperatives.

**EXHIBIT 5.2**  
**AFFORDABLE HOUSING DEVELOPMENT PROGRAM**  
**ADMINISTRATION PROCESS**



Source: Adapted from AHDP information from the Department of Housing, Land and Communities and the PEI Housing Corporation.

5.13 **Exhibit 5.3** provides an overview of the applications, forgivable loans, and units approved as well as construction status of units approved as of March 31, 2024.

**Exhibit 5.4** provides the approved units versus the number of units completed based on location as of March 31, 2024.

**EXHIBIT 5.3**  
**AFFORDABLE HOUSING DEVELOPMENT PROGRAM**  
**APPLICATION AND UNIT DETAILS**  
**AS AT MARCH 31, 2024**

	2020	2021	2022	2023	2024	Total
<b>Applications approved</b>	2	4	6	12	-	24
<b>Forgivable loans approved (\$000's)</b>	\$540	\$1,350	\$2,955	\$7,860	-	\$12,705
<b>Affordable housing units approved</b>	12	30	61	158	-	261
<b>-Construction completed*</b>	12	14	43	-	-	69
<b>-Construction in-progress*</b>	-	-	16	47	-	63
<b>-Construction not started*</b>	-	16	2	111	-	129

Source: Adapted from Treasury Board minutes and the listing of AHDP approved applications provided by the Department of Housing, Land and Communities and the PEI Housing Corporation.

\*Construction status as at March 31, 2024 categorized by the fiscal year applications were approved (unaudited).

**EXHIBIT 5.4**  
**AFFORDABLE HOUSING DEVELOPMENT PROGRAM**  
**APPROVED AND COMPLETED UNITS BY LOATION**  
**AS AT MARCH 31, 2024**

Community	Units Approved*						Total Units Completed	% of Units Completed vs Approved
	2020	2021	2022	2023	2024	Total		
Alberton	-	7	-	9	-	16	7	44%
Borden	-	-	-	9	-	9	-	0%
Charlottetown	-	16	43	15	-	74	41	55%
Cornwall	-	-	-	12	-	12	-	0%
Georgetown	-	-	-	9	-	9	-	0%
Hunter River	-	-	-	9	-	9	-	0%
Kensington	9	-	-	9	-	18	9	50%
Miscouche	-	-	-	9	-	9	-	0%
Montague	-	-	-	12	-	12	-	0%
Rustico	-	3	-	-	-	3	3	100%
Souris	-	4	2	9	-	15	6	40%
Summerside	-	-	16	47	-	63	-	0%
Tignish	3	-	-	-	-	3	3	100%
York	-	-	-	9	-	9	-	0%
<b>Grand Total</b>	<b>12</b>	<b>30</b>	<b>61</b>	<b>158</b>	<b>0</b>	<b>261</b>	<b>69</b>	<b>26%</b>

Source: Adapted from Treasury Board minutes and the listing of AHDP approved applications provided by the Department of Housing, Land and Communities and the PEI Housing Corporation.

\*Based on the fiscal year the program application was approved.

## AUDIT OBJECTIVE AND SCOPE

- 5.14 The objective of this independent assurance engagement was to determine whether the Department of Housing, Land and Communities, and the PEI Housing Corporation
- established appropriate performance measures to evaluate the effectiveness of the Affordable Housing Development Program, and
  - evaluated and reported on the effectiveness of the Affordable Housing Development Program.
- 5.15 This report summarizes the results of our audit work for the scope period August 14, 2019 to March 31, 2024, and includes five recommendations for both the Department of Housing, Land and Communities and the PEI Housing Corporation which are listed in **Appendix A**. Details on the audit standards, objective, criteria and scope are included in **Appendix B**. The following sections of our report provide information on the observations, related recommendations, and conclusions from our audit.

## OBSERVATIONS AND RECOMMENDATIONS

### PROGRAM OBJECTIVE AND PERFORMANCE MEASURES

#### *Summary of Findings*

- 5.16 The AHDP was developed to help support the HAP's goal to create affordable housing units.

- 5.17 The objective of the AHDP is to increase the inventory of affordable rental units for those in core housing need.
- 5.18 The only performance measure for the program was to support the development of affordable housing units. The Department and PEIHC define units supported as the number of units approved for funding. It does not represent the number of affordable housing units completed by developers.

---

### Goal and objective

- 5.19 Clear goals define the purpose of a program and help ensure resources are directed at achieving intended outcomes. They also help stakeholders stay accountable for results. Well defined objectives establish measurable benchmarks making it easier to evaluate performance to allow for the tracking of program results and making improvements to the program. We expected that clear goals and objectives would be established for the AHDP when the program was created.

#### Goal

- 5.20 When the PEI Government released the HAP in 2018, the document stated its vision was that, "all Islanders have timely access to safe, accessible, appropriate, and affordable housing that meets the diversity of their needs and maximizes their ability to be healthy, productive and successful." The HAP had five goals to help achieve this vision:

1. Availability;
2. Affordability;
3. Sustainable Communities;
4. Coordination and Collaboration; and
5. Leadership.

*AHDP developed to work towards Government's goals from the Housing Action Plan*

5.21 The AHDP was created in the year following the release of the HAP. It, along with other government programs, was intended to support the goals of the HAP and provide affordable housing to Islanders. When the Department requested Treasury Board


authorization for the AHDP, it cited the HAP's plan to create 1,000 affordable housing units over four years and described how the AHDP would help support the goals of the HAP. Although no specific goal was established for the AHDP, it was created to support the goals of the HAP.

Objective


5.22 According to the Canadian Human Rights Commission, people in core housing need are living in housing that is unaffordable, inadequate, or unsuitable. **Exhibit 5.5** provides a description of core housing need.

### EXHIBIT 5.5 DESCRIPTION OF CORE HOUSING NEED


**People in core housing need:**




Live in housing that is **unaffordable, inadequate, or unsuitable.**




**Don't have enough money to move to housing nearby that is affordable, adequate, and suitable.**



**Affordable** housing costs less than 30% of a household's income before tax.



**Adequate** housing doesn't need major repairs.



**Suitable** housing has enough bedrooms for the people who live there.

Source: Canadian Human Rights Commission

*Program objective was to increase affordable housing units for those in core housing need*

needs of individuals and families on the Social Housing Registry.

5.23 According to a submission made to Treasury Board for the creation of the program, the objective of the AHDP was to increase the inventory of affordable rental units for those in core housing need. The program was designed to prioritize projects based on the

#### Performance Measures

5.24 Performance measures are used to evaluate progress towards goals and objectives. They should be quantified and allow for tracking

of performance over time. We expected the Department and the PEIHC to have measurable and relevant performance measures for the AHDP. We expected the performance measures to be clear and align with Government's goal to provide affordable housing to Islanders, as well as the program's objective to increase the inventory of affordable rental units for those in core housing need.

*Performance measure not tied to the completion of units*

5.25 When the program was created in 2019, the Department requested funding to allow it to support 50 affordable housing units during the 2019-2020 fiscal year. We found that this was the only performance measure for the program. It stayed the same for the next several fiscal years, but was increased to 59 units for the fiscal year ending March 31, 2024.

5.26 The Department and the PEIHC define units supported as the number of units approved for funding. It does not represent the number of affordable housing units completed by developers. As noted earlier, given the objective of the program, we expected program performance measures would be directly related to providing those in core housing need with affordable housing. Measuring how many units were approved for funding does not directly demonstrate whether the inventory of affordable rental units for those in core housing need is increasing. No performance measure was established which related to the completion of affordable rental units.

5.27 Using a performance measure tied to units approved for funding, and not to the actual completion of units, is especially problematic given the time it has taken many units to be completed, after they were approved for funding. As previously mentioned in **Exhibit 5.3**, as of March 31, 2024, 261 affordable units were approved for funding through the program, but only 69 were completed.

**Recommendation**

**5.28 The Department of Housing, Land and Communities and the PEI Housing Corporation should develop performance measures for the Affordable Housing Development Program that directly relate to the number of completed affordable rental units.**

## PROGRAM EVALUATIONS

*Summary of Findings*

5.29 Program information was not kept up-to-date during our scope period including the effective dates of the funding agreements.

5.30 The Department and the PEIHC did not maintain the expected completion dates of units approved through the program.

5.31 Although the agreements included a requirement for developers to provide bi-weekly status updates, we found there was no documentation to support that these updates were received.

5.32 Only one program evaluation has been completed since the program began in 2019 resulting in some modifications to the program.

updates were received. We were advised by the Department that developers would call the Department and the PEIHC with updates on their building projects, but these updates were not documented, and phone calls were not occurring bi-weekly.

---

### Program Information

5.33 Given the current housing crisis, programs like the AHDP that aim to improve housing availability to those in core housing need should be regularly evaluated to assess their effectiveness. Reliable, timely, and relevant program information is needed to evaluate a program and determine what actions, if any, are required to increase a program's effectiveness. We expected the Department and the PEIHC to collect appropriate information to evaluate the performance of the program in a timely manner.

5.36 Up-to-date information on the program, such as expected completion dates are required for the Department and the PEIHC to determine if the program is achieving its objective. Without this information, management's ability to evaluate and make decisions regarding the program is limited.

*Relevant program information not actively maintained*

5.34 We found that although the Department and the PEIHC maintained some information on the program, including a list of approved applications and dates funding was approved by Treasury Board, other key information was not maintained during our scope period.

#### Recommendation

**5.37 The Department of Housing, Land and Communities and the PEI Housing Corporation should collect and maintain key information related to the Affordable Housing Development Program including**

- **effective dates of funding agreements;**
- **updates from developers on building projects; and**
- **expected completion dates.**

*Modifications to the program occurred, but the program is not being regularly evaluated*

5.35 The Department and the PEIHC did not maintain the expected completion dates of units approved through the program that were outlined in the agreements with developers. In addition, although the agreements included a requirement for developers to provide bi-weekly status updates, we found there was no documentation to support that these

5.38 We noted that only one program evaluation has been completed since the program began in 2019. This evaluation resulted in some modifications in July 2021, including

- funding per unit was increased from \$45,000 to up to \$55,000 to accommodate increasing building costs;
- the minimum loan forgiveness period was decreased from 15 to 10 years to match similar CMHC financing terms;



- the minimum size of units required was decreased; and
- allowable affordable monthly rental rate was added to agreements.

5.39 As previously mentioned, reliable, timely, and relevant program information is needed to evaluate a program, but this was not actively maintained for the AHDP. Therefore, we cannot determine what information was used to identify these changes were necessary.

5.40 Evaluations are important as they can identify program modifications which may increase the number of units made available to those in need. We would expect this to be done at least annually in conjunction with performance measurement calculations and annual reporting. Additionally, outcomes from evaluations could be considered for future housing initiatives.

**Recommendation**

**5.41 The Department of Housing, Land and Communities and the PEI Housing Corporation should evaluate the Affordable Housing Development Program on an annual basis to determine if modifications to the program are required. These evaluations should be documented.**

**REPORTING**

*Summary of Findings*

5.42 Annual reports for the Department and the PEIHC included information on the AHDP. However, this information was not timely as

the annual reports did not follow the reporting timeline requirements of the *Financial Administration Act* and Treasury Board policy.

5.43 The 2022-2023 and 2023-2024 annual reports of the PEIHC and the final report of the HAP overstated the number of units approved through the AHDP.

5.44 The Department and the PEIHC did not report the number of units which had been completed through the AHDP or whether the program was having the intended impact on increasing the number of affordable housing units for those in core housing need.

---

5.45 Government should be accountable for the outcomes of programs it administers, including whether goals and objectives are being achieved. Regular reporting on outcomes can help to achieve this accountability. We expected that program outcomes of the AHDP would be reported regularly by the Department or the PEIHC, and include information on whether the program is increasing the inventory of affordable rental units for those in core housing need.

*Errors in public reporting of performance measures/units approved*

5.46 We reviewed the annual reports issued for the 2020 to 2024 fiscal years by the Department and the PEIHC as well as the final report issued for the HAP. Although the number of affordable rental units approved through the AHDP were reported

annually by either the Department or the PEIHC, these annual reports were not issued in accordance with the reporting timeline requirements of the *Financial Administration Act* and Treasury Board policy.

- 5.47 We also noted that the number of approved affordable units for the AHDP was overstated in the 2022-2023 and 2023-2024 annual reports of the PEIHC and the final report of the HAP. The annual reports each overstated approved units by 247, and the final report of the HAP overstated the approved units by 44.

*No reporting on goal and objective*

- 5.48 The reports available from the Department and the PEIHC do not note the number of units which have been completed through the AHDP to support the goal of the HAP, or whether the program is meeting its objective to increase the inventory of affordable rental units for those in core housing need.
- 5.49 In the absence of this reporting, we reviewed the program information provided by management to determine how many of the approved housing units were

completed. As noted earlier in this report, as of March 31, 2024, although 261 units were approved since the program started in 2019, only 69 affordable housing units had been completed. **Exhibit 5.6** shows the annual performance measure, number of units approved, number of units constructed, as well as the difference between approved and completed units since the program began.

**EXHIBIT 5.6**  
**AFFORDABLE HOUSING DEVELOPMENT PROGRAM**  
**PERFORMANCE MEASURES, APPROVED AND COMPLETED UNITS**  
**AS OF MARCH 31, 2024**

	<b>Performance Measure (Units Approved)</b>	<b>Affordable Units Approved</b>	<b>Affordable Units Completed</b>	<b>Difference Between Affordable Units Approved and Units Completed</b>
<b>2020</b>	50	12	12	-
<b>2021</b>	50	30	14	16
<b>2022</b>	50	61	43	18
<b>2023</b>	50	158	-	158
<b>2024</b>	59	-	-	-
<b>Total</b>	<b>259</b>	<b>261</b>	<b>69</b>	<b>192</b>

Source: Compiled from AHDP information provided by the Department of Housing, Land and Communities and the PEI Housing Corporation.

5.50 As shown, although the program did not approve 50 units per year as intended, it did approve 261 units over five years, exceeding the five year performance measure of 259 approved units. However, only 69 of these 261 approved units have been completed since the program began in 2019. The program has not had the planned or expected impact on increasing the inventory of affordable rental units for those in core housing need. When units are not completed in a timely manner, housing availability is not improved, housing costs increase, and those who are in most need of housing are at risk of homelessness.

**Recommendations (continued)**

**5.52 The Department of Housing, Land and Communities and the PEI Housing Corporation should report annually on the progress of the Affordable Housing Development Program including whether it is having the intended impact on increasing the number of affordable rental units available to those in core housing need.**

**Recommendations**

**5.51 The Department of Housing, Land and Communities and the PEI Housing Corporation should ensure information reported on the Affordable Housing Development Program is complete and accurate.**

## CONCLUSION

5.53 The Department of Housing, Land and Communities, and the PEI Housing Corporation

- did not establish appropriate performance measures to evaluate the effectiveness of the Affordable Housing Development Program, and
- did not regularly evaluate the Affordable Housing Development Program and we identified issues with the data reported to the public regarding the effectiveness of the program.

RECOMMENDATIONS*	MANAGEMENT RESPONSE
<p><b>Recommendation 5.28</b> The Department of Housing, Land and Communities and the PEI Housing Corporation should develop performance measures for the Affordable Housing Development Program that directly relate to the number of completed affordable rental units.</p>	<p>Management agrees with the recommendation and will add completions to the reporting metrics.</p> <p><b>Timeline: In concert with the fiscal year end March 31, 2025 annual reporting.</b></p>
<p><b>Recommendation 5.37</b> The Department of Housing, Land and Communities and the PEI Housing Corporation should collect and maintain key information related to the Affordable Housing Development Program including</p> <ul style="list-style-type: none"> <li>• effective dates of funding agreements;</li> <li>• updates from developers on building projects; and</li> <li>• expected completion dates.</li> </ul>	<p>Management agrees with the recommendation and will add these items to the reporting metrics.</p> <p><b>Timeline: In concert with the fiscal year end March 31, 2025 annual reporting.</b></p>
<p><b>Recommendation 5.41</b> The Department of Housing, Land and Communities and the PEI Housing Corporation should evaluate the Affordable Housing Development Program on an annual basis to determine if modifications to the program are required. These evaluations should be documented.</p>	<p>Management agrees with the recommendation and will ensure file documentation is in place to capture ongoing work already taking place.</p> <p><b>Timeline: Spring 2025, reviewing fiscal year 2024/25.</b></p>
<p><b>Recommendation 5.51</b> The Department of Housing, Land and Communities and the PEI Housing Corporation should ensure information reported on the Affordable Housing Development Program is complete and accurate.</p>	<p>Management agrees to this recommendation and will ensure completions are added to the reporting metrics. We have previously added a clarifying statement to the 2024 fiscal year end annual report that the roll up includes the precursor EOI phase to the formal launch of the AHDP. We can further highlight the number of units for further clarity going forward.</p> <p><b>Timeline: In concert with the fiscal year end March 31, 2025 annual reporting.</b></p>
<p><b>Recommendation 5.52</b> The Department of Housing, Land and Communities and the PEI Housing Corporation should report annually on the progress of the Affordable Housing Development Program including whether it is having the intended impact on increasing the number of affordable rental units available to those in core housing need.</p>	<p>Management agrees with the recommendation and will add completions to the reporting metrics.</p> <p><b>Timeline: In concert with the fiscal year end March 31, 2025 annual reporting.</b></p>

\*Recommendation numbers refer to the paragraph numbers.

**AUDIT STANDARDS, OBJECTIVE AND SCOPE****STANDARDS**

This independent assurance report was prepared by the Office of the Auditor General of Prince Edward Island. Our responsibility was to provide objective information and independently conclude on whether the Department of Housing, Land and Communities and the PEI Housing Corporation established appropriate performance measures to evaluate the effectiveness of the Affordable Housing Development Program and evaluated and reported on the effectiveness of the Affordable Housing Development Program.

Work conducted for this audit was performed to a reasonable level of assurance in accordance with the Canadian Standards on Assurance Engagements (CSAE) 3001 - Direct Engagements set out by the Chartered Professional Accountants of Canada (CPA Canada) in the CPA Canada Handbook - Assurance.

The Office of the Auditor General of Prince Edward Island applies the Canadian Standard on Quality Management 1, which requires our office to design, implement and operate a system of quality management, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

In conducting the audit work, we have complied with independence and other ethical requirements of the Rules of Professional Conduct of the Chartered Professional Accountants of Prince Edward Island and the Code of Conduct of the Office of the Auditor General of Prince Edward Island. Both the Rules of Professional Conduct and our Office's Code of Conduct are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

**OBJECTIVE AND CRITERIA**

**The objective of the audit was to determine whether the Department of Housing, Land and Communities, and the PEI Housing Corporation**

- a) established appropriate performance measures to evaluate the effectiveness of the Affordable Housing Development Program, and**  
**b) evaluated and reported on the effectiveness of the Affordable Housing Development Program.**

**Criteria:**

- Clear goals and objective(s) were established for the program.
- Measurable and relevant performance indicators were established for the program.
- Appropriate information was collected to evaluate the performance of the program.
- Evaluations of the program were completed on a timely basis.
- Program outcomes were reported.

Audit criteria for this engagement were developed primarily from policies and best practice.

In accordance with our regular audit process, we obtained the following from management of both the Department of Housing, Land and Communities and the PEI Housing Corporation:

- confirmation of management’s responsibility for the subject matter;
- acknowledgment of the suitability of the criteria used in the audit;
- confirmation that all known information that has been requested, or that could affect the findings or audit conclusion, has been provided; and
- confirmation that the audit report is factually accurate.

## **SCOPE AND APPROACH**

The scope of our audit included analysis and testing of records for both the Department of Housing, Land and Communities and the PEI Housing Corporation for the period August 14, 2019 to March 31, 2024. We examined documentation outside of that period as necessary. Our scope included all program agreements approved by the Department of Housing, Land and Communities and the PEI Housing Corporation.

Our approach included

- interviews and correspondence with current and past management and staff of the Department of Housing, Land and Communities and the PEI Housing Corporation;
- review of documentation for the creation and evaluation of the Affordable Housing Development Program; and
- review of minutes, reports and other documentation as required.

We did no review of the completeness and accuracy of declined and withdrawn applications. Although we reviewed the number of approved applications and corresponding affordable units, we did not assess the details of each program agreement and the status of construction.

It is important to note that our observations and conclusions relate only to the management practices of the Department of Housing, Land and Communities and the PEI Housing Corporation consequently, our comments and conclusions do not pertain to the practices or performance of any third parties.

## **DATE OF REPORT**

We obtained sufficient and appropriate audit evidence on which to base our conclusions on March 6, 2025, in Charlottetown, Prince Edward Island.

## **AUDIT TEAM**

Auditor General:	Darren Noonan
Assistant Auditors General:	Jennifer Bowness
	Sheri Griffin
Principal:	Justin Ellis
Directors:	Sarah Taylor
	Julianna Chiu
Managers:	Tim Cook
Auditors:	Snow Huang
	Kuan Ma
	Kaitlyn Lord



**PEI HOUSING CORPORATION PROGRAMS  
MARCH 31, 2024**

PROGRAM	DESCRIPTION
<b>Seniors Housing Program</b>	This program is available to households that have a primary applicant aged 60 or older or aged 55 and older with a permanent disability. Senior Island residents without adequate housing or having increasing difficulty maintaining their home due to low income, poor housing conditions, or other special circumstances that restricts their independence may be eligible for rental assistance through the Seniors Housing Program. Most rental rates are equal to 25 percent of gross household income before taxes.
<b>Family Housing Program</b>	This program is available to Island families and individuals unable to obtain or maintain adequate housing due to a low household income, poor housing conditions, or other special circumstances. Most families pay rental rates that are equal to 25 percent of gross household income before taxes.
<b>Affordable Housing Development Program (AHDP)*</b>	The Affordable Housing Development Program (AHDP) provides forgivable loans of up to \$55,000 per unit to developers to increase affordable housing options. The AHDP is open to non-profit organizations, private entrepreneurs, development corporations, housing cooperatives, or municipalities. New builds, buildings currently under construction, or renovations to existing buildings are eligible as long as such renovations add new affordable units to the market. Projects must be a minimum of four units, contribute to increasing accessible units to 20 per cent of government-supported units, and be Net Zero Ready. The loan forgiveness period will be negotiated upon project approval but will be a minimum of ten years.
<b>Community Housing Fund</b>	The Community Housing Fund is a collaboration between the Canadian Mental Health Association, PEI Division and the Province of Prince Edward Island to develop sustainable affordable housing. The aim of this program is to support housing developments whether they are targeting affordability, vulnerable populations, assisted living, or those that require increased support. Funding under this program can be used to provide additional resources and support to develop solutions to PEI's housing shortage.
<b>Housing Development Challenge Program</b>	In partnership with Finance PEI, the Housing Development Challenge Program was launched to support private developers, non-profits, and community-based service organizations in creating new rental housing by financing the construction of new housing facilities and/or infrastructure development of subdivisions in rural areas.
<b>PEI Home Renovation Programs</b>	The PEI Home Renovation Programs provide funding for major renovations to low-income homeowners so they can bring their property up to minimum health and safety standards and to support senior Islanders to age in place helping them stay close to family and community. Eligible property owners receive a forgivable grant provided they meet program criteria including remaining in the home for three years after the renovations have been made.

Source: PEI Housing Corporation 2024 Annual Report.

\*Only the AHDP was audited.

**AFFORDABLE HOUSING DEVELOPMENT PROGRAM  
PROGRAM GUIDELINES  
MARCH 31, 2024**

<b>Program Guidelines:</b>		
1. Provides forgivable loans of up to \$55,000 per unit to support construction costs in exchange for maintaining rental rates at an affordable level. See further details below:		
<b>Unit Type</b>	<b>Unit Size (minimum)</b>	<b>AHDP Contribution (per unit)</b>
<b>Bachelor/Studio</b>	<b>250 square feet</b>	<b>\$45,000</b>
<b>1-bedroom</b>	<b>400 square feet</b>	<b>\$45,000</b>
<b>2-bedroom</b>	<b>550 square feet</b>	<b>\$50,000</b>
<b>3-bedroom</b>	<b>800 square feet</b>	<b>\$55,000</b>
<b>4-bedroom</b>	<b>1,000 square feet</b>	<b>\$55,000</b>
2. Supports the construction of new buildings or buildings already under construction. The renovation of an existing building is not eligible.* 3. Loan forgiveness period will be negotiated upon approval of the project but will be a minimum of 10 years. 4. Forgivable loans for projects led by private developers will be limited to a maximum of 50 percent of the units in their project. 5. Municipalities, development corporations, non-profits and housing cooperatives may be eligible for forgivable loans for 100 percent of the units in their project. 6. Rents for units not receiving program funding can be set at market rates. 7. Rental rates for all units may be increased during the term of the forgivable loan based on IRAC’s Allowable Rent Increases. 8. Projects must be a minimum of four units. 9. 20 percent of the units receiving a forgivable loan must be designed using accessibility guidelines within the National Building Code (section 3.8). 10. Housing developments will be required to meet Net Zero Ready criteria in order to support Government’s goal of reducing Green House Gases as discussed in A Path Towards Net Zero (2040). 11. The Prince Edward Island Housing Corporation reserves the right to negotiate the unit sizes and rental rates with Applicants on a project-by-project basis. 12. Micro-units or increased rental rates could be considered based on location of development, need in the area or the inclusion of utilities in the affordable rental rate.		

Source: Department of Housing, Land and Communities, AHDP application form.

\*Renovations that add new affordable units to the market are eligible.

# 6. PEI Liquor Control Commission: Agency Stores - Highlights

## Why we did this audit

- In 1995, the PEI Liquor Control Commission (the Commission) issued a liquor license to the province’s first agency store. By 2013, the number of agency stores had grown to seven, and as at December 31, 2023 there were a total of 12 agency stores across the province.
- The *Liquor Agency Regulations* (the regulations) outline criteria that must be considered when selecting communities where agency stores will be located and when appointing the vendors who will operate the stores.
- It is important that the Commission maintain a transparent and fair process when selecting community locations and appointing vendors.
- It is also important that the Commission monitors appointed vendors to ensure compliance with legislation and policies, such as the requirements related to the responsible sale of liquor to prevent the sale of alcohol to minors.

## Objectives

- To determine whether
  - the PEI Liquor Control Commission selected the community locations and vendors for agency stores in accordance with *Liquor Agency Regulations*; and
  - the PEI Liquor Control Commission adequately managed agency store vendors.

## Conclusions

- PEI Liquor Control Commission
  - did not maintain documentation to support that community locations were selected in accordance with the *Liquor Agency Regulations*; and
  - vendors were not always selected in accordance with the requirements of the regulations.
- PEI Liquor Control Commission did not always adequately manage agency store vendors.

**Audit Scope: Liquor agency vendors and agreements up to and including December 31, 2023.**

## What we found

<p><b>Selection of Locations and Vendors</b></p>	<ul style="list-style-type: none"> <li>○ There were no metrics established to assess whether a community location satisfied the requirements of Section 3 of the regulations. <b>RECOMMENDATION (paragraph 6.21)</b></li> <li>○ There was no documentation to support whether the requirements in Section 3 of the regulations were considered when selecting community locations for agency stores. <b>RECOMMENDATION (paragraph 6.22)</b></li> <li>○ Two of the 13 agency stores were established without using the request for proposals process required by the regulations. <b>RECOMMENDATION (paragraph 6.26)</b></li> <li>○ There was a lack of documentation to support the rationale for scores assigned in some areas of the assessment process. <b>RECOMMENDATION (paragraph 6.35)</b></li> <li>○ An application received as part of a request to transfer an agency store license was not assessed on all criteria. <b>RECOMMENDATION (paragraph 6.36)</b></li> <li>○ There was no documentation to support whether the Commission confirmed that the vendors appointed, and the premises in which they were operating, met the requirements included in the regulations. <b>RECOMMENDATIONS (paragraph 6.41 &amp; 6.42)</b></li> </ul>
<p><b>Managing Agency Store Vendors</b></p>	<ul style="list-style-type: none"> <li>○ Although agreements were in place with all agency store vendors containing terms and conditions in accordance with the <i>Liquor Agency Policy</i>, the agreement with one vendor was not dated or signed by the Commission. <b>RECOMMENDATION (paragraph 6.50)</b></li> <li>○ Although Director, Retail Operations and Development inspections, and mystery shopper visits were completed to monitor agency store vendors compliance with agreements, some key areas of the agreement were not included in this monitoring. <b>RECOMMENDATION (paragraph 6.61)</b></li> <li>○ The Commission did not sufficiently follow-up with all issues identified during mystery shopper visits.</li> <li>○ Results of inspections completed by the Director, Retail Operations and Development, were not compiled to identify reoccurring issues. <b>RECOMMENDATIONS (paragraph 6.67, 6.68 &amp; 6.69)</b></li> </ul>

## 6. PEI Liquor Control Commission: Agency Stores

### Why it's important

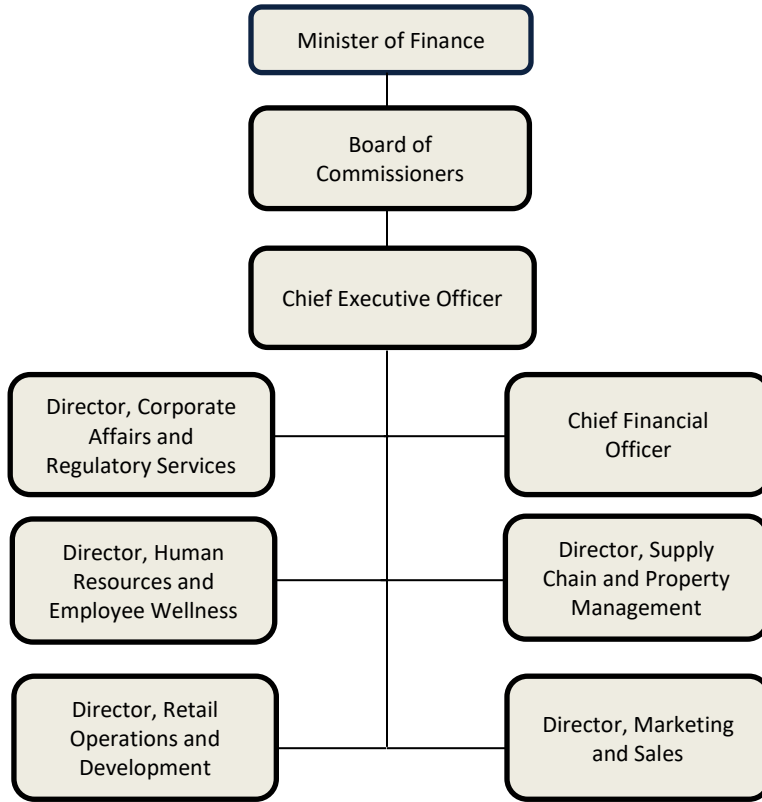
Legislation outlines requirements to ensure a fair and consistent process is followed when selecting community locations and appointing agency store vendors. The *Liquor Agency Regulations* includes both the criteria The PEI Liquor Control Commission (the Commission) must consider when selecting communities and vendors to operate agency stores and the requirement for a request for proposals process to be used. As these agency stores provide income opportunities to the vendors selected, it is important the process is fair and provides a full and open competition for all potential vendors in the community.

It is important that the Commission have processes in place to comply with legislation. It is also important that the Commission effectively monitors agency stores, to help ensure compliance with legislation and policies, and minimize risks.

### BACKGROUND

- 6.1 The Commission is a Crown corporation which regulates the sale, possession and delivery of alcohol in the province, under the authority of the *Liquor Control Act* (the Act). The Commission is governed by a Board that consists of five members appointed by the Lieutenant Governor in Council. The Commission reports to the Minister of Finance and is responsible for the administration of the Act, including the general control, management and supervision of all vendors and stores.
- 6.2 The Lieutenant Governor in Council also appoints a Chief Executive Officer (CEO) who supervises the administration and management of the Commission's affairs. **Exhibit 6.1** outlines the organizational structure for the Commission.

**EXHIBIT 6.1**  
**ORGANIZATIONAL CHART: PEI LIQUOR CONTROL COMMISSION**  
**AS AT MARCH 31, 2024**

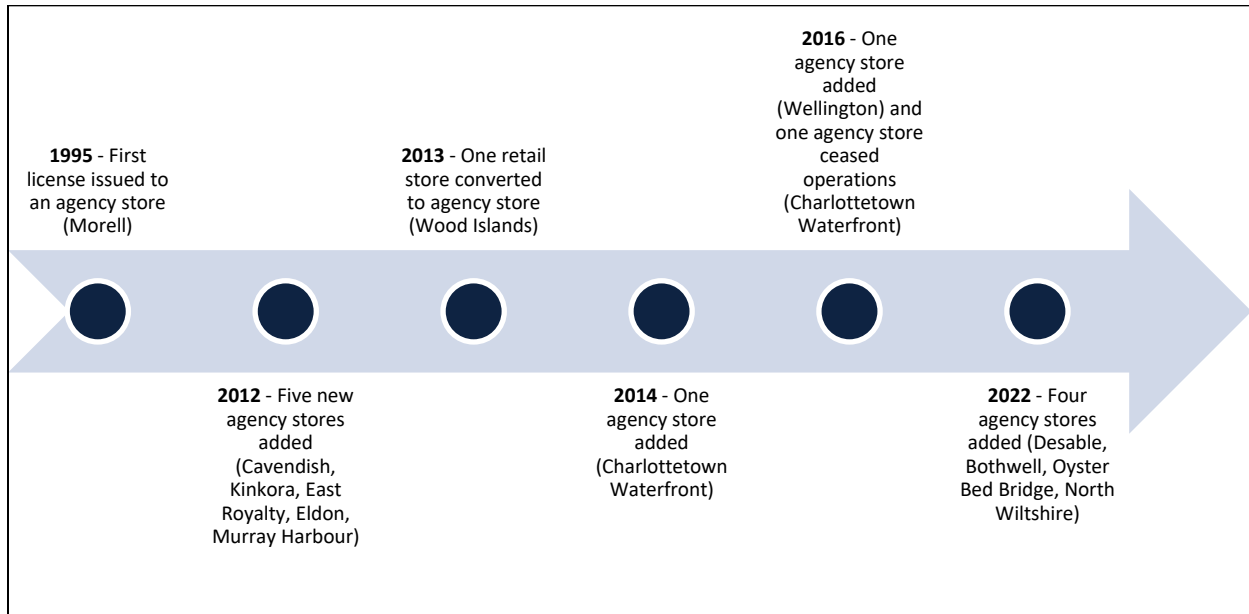


Source: Adapted from the PEI Liquor Control Commission 2024 Annual Report.

6.3 Based on the Act, the Commission is responsible for determining the locations where corporate retail stores or liquor agency stores are to be established in the province. As at March 31, 2024, the Commission operated 18 corporate retail stores, a central warehouse and Licensee Distribution Centre located in Charlottetown, and 12 agency stores (one agency store ceased operations in 2016).

6.4 The first agency store license was issued in 1995 for the Morell location. This remained the province’s only agency store until 2012. **Exhibit 6.2** outlines the timeline of when agency store vendors were appointed or ceased operations. **Exhibit 6.3** shows the locations of the 12 current agency stores.

**EXHIBIT 6.2  
TIMELINE OF AGENCY STORES**



Source: Compiled based on audit work completed by the Office of Auditor General of Prince Edward Island.

**EXHIBIT 6.3  
LOCATIONS OF AGENCY STORES  
AS AT MARCH 31, 2024**



Source: PEI Liquor Control Commission Website.

Legend (including the year the agency store originally opened\*):

- 1 – Wellington (2017)    2 – Kinkora (2012)    3 – Cavendish (2012)\*\*    4 – DeSable (2023)    5 – North Wiltshire (2023)
- 6 – Oyster Bed (2023)    7 – East Royalty (2012)    8 – Eldon (2012)    9 – Wood Islands (2013)\*\*    10 – Morell (1995)
- 11 – Murray Harbour (2012)    12 – Bothwell (2023)

\*Dates of when agency stores officially opened may be different than the appointed date due to time to set up operations.

\*\*The Cavendish and Wood Islands locations are seasonal.

6.5 **Exhibit 6.4** shows the breakdown of receipts from agency stores in comparison to total gross receipts of the Commission.

**EXHIBIT 6.4**  
**SUMMARY OF GROSS RECEIPTS**  
**BY FISCAL YEAR**  
**(\$ MILLIONS)**

	2021-2022	2022-2023	2023-2024
Agency Store gross receipts*	\$13.0	\$14.5	\$15.9
Total gross receipts	\$131.5	\$141.0	\$140.3
% of total gross receipts	10%	10%	11%

Source: Data compiled from PEI were PEI Liquor Control Commission 2020-2024 Annual Reports and information provided from the PEI Liquor Control Commission.

\*Unaudited – these numbers were provided by the PEI Liquor Control Commission. Gross receipts are total revenue before the deduction of taxes collected and remitted.

**AUDIT OBJECTIVES AND SCOPE**

6.6 The objectives of this audit were to determine whether

- the PEI Liquor Control Commission selected the community locations and vendors for agency stores in accordance with *Liquor Agency Regulations*; and
- the PEI Liquor Control Commission adequately managed agency store vendors.

6.7 This report summarizes the results of our audit work on liquor agency vendors and agreements up to and including December 31, 2023. As part of the audit, we looked at the request for proposals processes, for the locations noted in **Appendix C**, and the most recent liquor agency agreements for all 13 agency stores. This included the 12 current agency stores, as well as the agency store that operated at the Charlottetown Waterfront location from 2014-2016.

6.8 The report includes 12 recommendations for the PEI Liquor Control Commission,

which are listed in **Appendix A**. Details on the audit standards, objectives, criteria and scope of our audit work are included in **Appendix B**. The following sections of our report provide information on the observations, related recommendations, and the conclusions from our audit.

**OBSERVATIONS AND RECOMMENDATIONS**

**SELECTION OF LOCATIONS AND VENDORS**

*Summary of Findings*

6.9 There was no documentation to support whether the requirements of Section 3 of the *Liquor Agency Regulations* were considered when selecting community locations for agency stores and there were no metrics established to assess whether a community location satisfied the requirements.

6.10 Two of the 13 agency stores were established without using the request for

proposals<sup>1</sup> (RFP) process, required by the *Liquor Agency Regulations*.

6.11 There was a lack of documentation to support the rationale for scores assigned in some areas of the assessment process. An application received as part of a request to transfer an agency store license was not assessed on all criteria.

6.12 There was no documentation to support whether the Commission confirmed that the vendors appointed, and the premises in which they were operating, met the requirements included in the *Liquor Agency Regulations*.

---

### **Selection of community locations**

6.13 Section 2 of the *Liquor Agency Regulations* (the regulations) states that, “Where the Commission is of the opinion that a community in Prince Edward Island is a suitable location for a liquor agency to be established, the Commission shall take such steps as it considers appropriate to determine if there is support in the community for the appointment of a vendor to operate a liquor agency.”

6.14 Section 3 of the regulations states that, “The Commission may appoint a vendor to operate a liquor agency within a community, if, in the opinion of the Commission

- the community has a population base capable of sustaining a liquor agency for all or part of a calendar year;
- there is not an existing store or liquor agency in the community; and
- there is support in the community for the establishment of a liquor agency.”

### ***No metrics established to assess requirements for community locations outlined in the regulations***

6.15 The regulations, however, do not specify metrics for determining whether a community location would meet the requirements noted above, such as outlining

- the minimum population for communities;
- appropriate distances between locations; and
- what constitutes sufficient community support.

6.16 Since the regulations do not specify the metrics noted above, we expected the Commission to establish its own metrics for assessing whether a community met the requirements of the regulations. We found that the Commission had not established metrics. These metrics would help create a clear and consistent process when selecting community locations.

### ***No documentation to support the selection of community locations***

6.17 We expected there to be documented discussions to support the Commission’s assessment on whether the communities selected met the requirements of Section 3. We did not find any documentation to support these discussions occurred. We

---

<sup>1</sup> According to the *Liquor Agency Regulations*, request for proposals means the method by which the Commission will receive proposals for the appointment of a vendor to operate a liquor agency.



reviewed the board minutes from March 2012 through June 2024 and found that they did not include any discussion of the requirements outlined in the regulations for community selection. We were further informed by management that they were not aware of any other documentation to support the consideration of the requirements outlined in the regulations.

*Discussions on choosing locations based on expression of interest*

- 6.18 When reviewing board minutes from December 2021, we noted the minutes indicated that the Commission intended to meet with businesses which expressed an interest in operating an agency store to go through the requirements. The minutes stated the Commission would finalize locations before making the RFP public.
- 6.19 Based on minutes from January 2022, the Commission met with a couple of businesses. The minutes stated some of the businesses were more prepared to operate an agency store than others, and that the Commission planned to move forward with three RFPs soon. The minutes did not note which businesses were involved or what communities they were in, but in July 2022 RFPs for four locations were posted.
- 6.20 This situation further demonstrates the importance that the board documents its decision-making process to support that a fair and transparent process was used when selecting community locations for liquor agency stores and that the Commission considered the requirements of Section 3 of the regulations to be met.

**Recommendations**

- 6.21 PEI Liquor Control Commission should establish metrics to assess the requirements for community locations outlined in Section 3 of the *Liquor Agency Regulations*.**
- 6.22 PEI Liquor Control Commission should document its assessment of community locations selected for agency stores in accordance with the requirements of Section 3 of the *Liquor Agency Regulations*.**

**Request for proposals**

- 6.23 Based on the regulations, when the Commission determines that a community meets the requirements noted above and wants to appoint a vendor to operate a liquor agency, it will publicly issue an RFP for the establishment of a liquor agency in the community.

*Not all agency stores were selected through the request for proposals process*

- 6.24 We expected all agency stores to have been selected by the Commission through an RFP process. We reviewed the RFP process for all agency stores established between 2012 and 2023, and we found issues with the selection of agency store vendors in Wood Islands and Morell. In 2013, the Wood Islands' location converted from a corporate retail store to an agency store without using the RFP process. When the original agreement, and the 5-year extended term, between the Commission and the Wood Islands agency store vendor expired in 2023, the location did go to RFP.

6.25 The agency store in Morell was issued a liquor license in 1995, but did not go through an RFP process until February 2025, subsequent to our audit scope period. Use of the RFP process in the selection of all vendors for agency stores is important to ensure a fair and transparent process that gives all businesses in the community the opportunity to apply.

**Recommendation**

**6.26 PEI Liquor Control Commission should ensure the request for proposals process is used for the selection of vendors for all agency stores.**

**Assessment of applicants**

6.27 A review committee (the committee), made up of three people appointed by the Commission, is responsible for reviewing all proposals received in response to any RFPs. The Commission establishes a closing date for the submission of proposals and provides all proposals received to the committee, immediately after the closing date. The committee reviews and assesses the proposals based on the criteria contained in the RFP and provides the results of their review to the Commission. The Commission then determines which applicant will be appointed as the vendor of the agency store.

6.28 Section 5(1) of the regulations outlines the factors that must be considered in the review of proposals submitted by applicants. The RFPs issued to the public outline the assessment criteria, established based on Section 5(1) of the regulations, and the weight assigned to each criteria. Some considerations are deemed to be more important than others and are assigned a higher significance or weight.

6.29 **Exhibit 6.5** outlines the areas applicants were rated on, and the weight assigned to each criteria, the factors considered as well as the scale assigned to each factor used by the committee during its review of proposals. We expected there to be documentation to support that the committee assessed all applications received through the RFP process based on this rating system.

**EXHIBIT 6.5**  
**PEI LIQUOR CONTROL COMMISSION LIQUOR AGENCY**  
**REQUEST FOR PROPOSAL ASSESSMENT**

Assessment Criteria (% weight)	Factors Considered	Scale*
Location (15%)		-5 to 15
Premises (25%)	Interior	-1 to 4
	Exterior	-1 to 4
	Retail Space	-2.5 to 5
	Existing Premises	0 to 5
	Warehouse Space	-1 to 2
	Parking	-1 to 4
	Wheelchair Accessibility	0 to 1
Operations (21%)	Retail Commodity Mix	5 to 10
	Hours of Operation	3 to 6
	Retail Experience	0 to 5
Financial (25%)	Financial Stability	0 to 12
	Availability of Financing	0 to 5
	Risk Assessment	0 to 8
Business Development (6%)		Out of 6
Other (8%)		Out of 8

Source: Compiled based on PEI Liquor Control Commission Request for Proposal Assessments.

\*The scale used was consistent for all locations assessed from 2012 to 2023 with the exception of three locations where there were minor changes in the rating scale, but there was no change in assessment criteria.

*Lack of documentation to support assessment scores*

6.30 We reviewed the assessments completed by the committee for all proposals received through the RFP process, as noted in **Appendix C**, from June 2012, when the first RFP was issued, to December 31, 2023. In some situations, the applicants were ineligible because the premises were located outside of the community boundaries outlined in the RFP, making assessments unnecessary. We expected assessments to be completed for all eligible applicants, with scores supported by clear and well-documented rationale for criteria that warranted that support. Providing rationale for the scores helps to maintain a

clear and transparent process, and provides support to the Board to justify the committee’s recommendation.

6.31 We found that all eligible applicants were assessed using the rating system; however, it was often not clear how the scores were assigned for some criteria because the assessments did not always provide rationale:

- to support the rating of the location;
- to justify the rating of the applicant’s financial stability, availability of financing, or financial risk; and
- when applicants were awarded points in the ‘Other’ category.

*Assessment not fully completed upon agency store transfer*

6.32 If an agency store vendor wishes to sell their business, the agency store license can be transferred with the Commission's consent. The standard agreement used between the Commission and agency store vendors states that a vendor can make a written request to transfer their agency store license, but the request must be accompanied by an agency store application form, completed by the vendor proposing to take ownership. One agency store license was transferred to new owners during our scope period. We expected that the committee would assess the application submitted by the vendor proposing to take ownership on all criteria noted in

**Exhibit 6.5.**

6.33 We found the committee completed an assessment of the application, however, it did not assess the proposed vendor on all criteria. Although the location had recently gone through the RFP process in 2022, we expected the committee to assess the proposed vendor on all criteria included in the regulations, especially those directly related to their ownership.

6.34 We found the proposed vendor was not assessed on retail experience within the operations criteria, financial criteria, or business development criteria. These areas would all be relevant and important to consider when transferring ownership, to determine whether there are any significant business risks with the proposed vendor relating to inexperience or poor financial stability.

**Recommendations**

**6.35 PEI Liquor Control Commission should document the rationale for assessment scores of all agency store vendor applications.**

**6.36 When a request for the transfer of an agency store license is received, PEI Liquor Control Commission should assess the application of the transferee on all criteria.**

**Appointment of vendor**

6.37 Section 4(2) of the regulations state that eligible applicants are, "only those applicants who submit a proposal to the Commission in response to the request for proposals, and in accordance with these regulations, and who

- are not persons who are prohibited under the *Liquor Control Act* from selling, possessing, or consuming liquor;
- have not, within the five years immediately prior to the date of the submission of the proposal, been convicted of:
  - i. an offence under the *Criminal Code* (Canada),
  - ii. an offence under the *Controlled Drugs and Substances Act* (Canada) or
  - iii. an offence under the *Food and Drugs Act* (Canada);
- are not on parole or probation at the time of the submission of the proposal; and
- have no current or proposed affiliation with a ferment on premises business, including the operation of a licensed

premises under a ferment on premises<sup>2</sup> license issued by the Commission.”

*Lack of documentation to support appointed vendors met all the requirements included in the regulations*

6.38 We expected the Commission to have documentation to support whether the vendors appointed met the requirements of Section 4(2). The Commission required applicants to make attestations within their application that related to the requirements of Section 4(2), but they did not have documentation to support that they confirmed the vendor met all criteria to be eligible for appointment.

6.39 Of particular importance, in relation to the criminal offence requirement of Section 4(2), criminal record checks would allow the Commission to confirm that the applicant had not been convicted of a criminal offence. We found the Commission did not require criminal record checks to be completed prior to appointing agency store vendors.

6.40 Section 5(2) of the regulations outlines premises that are excluded from the operations of an agency store. Vendors are not permitted to operate an agency store if it is in, or forms part of, the premises of a motel, hotel, licensed establishment or restaurant, nor a premise at which minors tend to congregate. Although the Commission informed us that they would be aware of establishments with current

licenses and would take appropriate action when necessary, we found that they did not have documentation to support that these factors, required by legislation, were considered when appointing a vendor to operate an agency store.

**Recommendations**

**6.41 PEI Liquor Control Commission should maintain documentation to support that vendors appointed met the requirements of Section 4(2) and 5(2) of the *Liquor Agency Regulations*.**

**6.42 PEI Liquor Control Commission should require criminal background checks before appointing an agency store vendor.**

## MANAGING AGENCY STORE VENDORS

### *Summary of Findings*

6.43 Although agreements were in place with all agency store vendors containing terms and conditions in accordance with the Liquor Agency Policy, an agreement with one vendor from 2020 was not dated or signed by the Commission.

6.44 Although inspections by the Director, Retail Operations and Development and mystery shopper visits were completed to monitor agency store vendors' compliance with agreements, some key areas of the agreement were not included in the monitoring.

---

<sup>2</sup> A ferment on premises means a business where persons over the age of 19 can manufacture and bottle their own beer, wine, ciders and coolers on site.

6.45 The Commission did not sufficiently follow-up with all issues identified during mystery shopper visits. Results of inspections completed by the Director, Retail Operations and Development, were not compiled to identify reoccurring issues.

---

### Terms and conditions of agreements

6.46 After the Commission selects an applicant, the applicant must enter into an agreement with the Commission outlining the terms and conditions of the appointment. The Commission has a *Liquor Agency Agreement* template which is used for all agency stores. We expected the Commission to have signed agreements in place with all agency store vendors.

*Agreements in place with all vendors, but one agreement not signed and dated by the Commission*

6.47 We requested copies of the agreements with each agency store vendor to determine whether they were in place and were properly signed and dated by both the Commission and the vendor. We found that there were agreements with all vendors and all agreements were signed by the vendor, however, not all agreements were properly signed and dated by the Commission.

6.48 During our initial audit testing, issues were noted with seven of the 13 agreements provided by the Commission. Of the seven agreements, four had issues with the dates, one had an issue with the signature, and two had issues with both the dates and the signatures.

6.49 Prior to the completion of our audit, the Commission provided us with updated copies of six of the seven agreements which we noted issues with. After receiving these copies, there was still an issue with one agreement from 2020 which was not signed by the Commission and did not include either the date the agreement was made, or the effective date of the agreement. Signed and dated agreements show the acknowledgement that both parties agree to the terms and conditions outlined in the agreement, the date that the acknowledgement was made, as well as when the terms and conditions take effect.

### Recommendation

**6.50 PEI Liquor Control Commission should ensure that all agreements with agency store vendors are properly signed and dated.**

6.51 The terms and conditions included in the agreement help set clear expectations of each party's rights and obligations. The agreement states that vendors must comply with all requirements of the Act, regulations, and the agreement as well as policies established by the Commission. The policies for agency stores are included in the *Liquor Agency Policy Manual*. This manual outlines operational policies around purchases, returns, sales, inspections, remittances and reporting, promotions and signage, and documentation. It also outlines the consequences of not complying with the policies.

*Agreements included terms and conditions in accordance with the Liquor Agency Policy Manual*

6.52 When reviewing the *Liquor Agency Agreement* for appropriate terms and conditions, we expected the requirements included in the policy manual would be outlined in the agreements with each liquor agency vendor. We found that the Commission had agreements with each agency store vendor containing terms and conditions in accordance with the *Liquor Agency Policy Manual*.

#### **Monitoring of compliance with agreements**

6.53 We expected the Commission to regularly monitor agency store vendors for compliance with the agency store agreements. Monitoring compliance with agreements is important to help mitigate risks and ensure agency stores are fulfilling their obligations to the Commission.

6.54 We expected key parts of the agency store agreements to be regularly monitored including the purchase and sale of liquor, responsible sale of liquor, inspection of premises, promotional materials, transfers, access to liquor, and staffing. We found that the Commission had three methods of monitoring compliance with agreements: inspections completed by the Director, Retail Operations and Development (inspections), mystery shopper visits completed by a contracted third-party and liquor inspector visits. There was a lack of documentation to support the liquor inspector visits, so our examination focused on inspections and mystery shopper visits.

*Agency store vendors regularly monitored*

6.55 We reviewed the listings of inspections and mystery shopper visits from April 1, 2022, through December 31, 2023 to determine whether the Commission was regularly monitoring all aspects of the agreements. We found both methods of monitoring were occurring regularly.

6.56 The Director, Retail Operations and Development performs inspections to check product pricing and inspect agency store premises noting

- only the Commission's products are in the liquor agency area (purchase and sale of liquor);
- there are no branded promotional materials on display (promotional materials);
- an adequate stock of products is available (sale of liquor); and
- wheelchair accessibility is maintained (inspection of premises).

6.57 Mystery shopper visits, completed by a contracted third-party, involve individuals making purchases at agency stores to determine compliance with the Commission's Check 30 program, monitoring the responsible sale of liquor. Check 30 is a retail identification program used to prevent the sale of alcohol to minors agency where store staff are expected to request identification as proof of age from anyone who appears to be under the age of 30.

*Areas of the Liquor Agency Agreement not monitored*

6.58 We found that although regular monitoring was occurring over some areas of the agreements, certain key areas were not adequately monitored. The *Liquor Agency Agreement* states that vendors may offer liquor for sale from 8:00AM – 11:59PM Monday through Saturday and 12:00PM – 11:59PM on Sunday. We found that the Commission did not monitor whether liquor was being sold or was accessible outside of these allowable selling times.

6.59 Additionally, there was no documentation to support whether the Commission assessed that vendors had sufficient staffing or that staff who were transporting, handling, and selling liquor, were over 19.

6.60 The Commission also did not have any processes in place to monitor whether transfers of ownership had occurred. We were informed that it is the responsibility of the vendors to consult the Commission prior to initiating a transfer.

**Recommendation**

**6.61 PEI Liquor Control Commission should regularly monitor and document whether agency store vendors are**

- **complying with the hours outlined in the agreement that liquor can be sold and accessible;**
- **employing a sufficient number of employees who are aged 19 years or older to transport, handle and sell liquor; and**
- **obtaining the Commission’s written consent before effecting any transfer, as defined in the agreement.**

6.62 We sampled 15 percent of the total inspections and mystery shopper visits from April 1, 2022, to December 31, 2023, resulting in 11 inspections and 25 mystery shopper visits. We requested supporting documentation for each inspection and visit to determine whether they occurred, and where issues of non-compliance were noted. When issues of non-compliance were noted, we also looked to determine whether the Commission acted to address those issues.

*Inspection results not compiled to identify reoccurring issues*

6.63 We found that there was supporting documentation for all 11 inspections in our sample. The reports completed during the inspections indicated issues primarily relating to product pricing and missing signage. We found that many of the issues noted could be dealt with on-site, or easily followed up on during the next inspection. However, the Commission did not compile the inspection results to enable them to identify reoccurring issues.



*Lack of follow-up on issues noted during mystery shopper visits*

- 6.64 For the mystery shopper visits, each visit was supported by a report indicating whether the agency store employee requested and inspected identification (ID) in accordance with the Check 30 program. According to the mystery shopper checklist, the employee was required to request ID and inspect it by looking at both sides of the ID, comparing the shoppers face to the photo, and running their fingers over the ID. The agency store passed the mystery shopper visit if the employee requested ID, regardless of whether they inspected it based on the checklist. The agency store only failed the visit if the employee did not request ID.
- 6.65 For the 25 mystery shopper visits sampled, we reviewed their reports to determine whether agency stores appropriately requested and inspected IDs in accordance with the Check 30 Program. We found issues were noted with staff not properly requesting and inspecting IDs in 84 percent of the visits in our sample:
- 10 visits where the employee of the agency store failed the visit as the employee did not request ID;
  - 11 visits where the agency store passed the visit as ID was requested, but it was noted that the employee did not inspect the ID based on the checklist; and
  - in the remaining four visits, the agency store passed the visit as the employee requested ID, and the ID was inspected based on the checklist.

- 6.66 Although the Commission is monitoring whether agency stores are complying with the Check 30 Program through the mystery shopper visits, we expected there to be follow-up with agency stores based on the results of their visits. We found that although the Commission tracked the number of times that agency stores failed the mystery shopper visits, there was only documentation to support that the Commission followed-up with the agency store in one of the 10 visits where the agency store failed. The visits where issues were noted with the inspection of ID's, but where the agency stores passed the visit, the mystery shopper visits were not followed up on by the Commission. Follow-up when agency stores are not properly requesting and inspecting ID is important to minimize the risk that alcohol is not ending up in the hands of minors.

**Recommendations**

**6.67 PEI Liquor Control Commission should track issues noted during the inspections completed by the Director, Retail Operations and Development and take appropriate action when stores have reoccurring issues.**

**6.68 PEI Liquor Control Commission should establish a process to regularly inform agency store vendors on the status of their mystery shopper visits and take appropriate action, such as providing updated ID training when reoccurring issues are noted.**

## Recommendations (continued)

**6.69 PEI Liquor Control Commission should review mystery shopper reports to determine whether agency store staff are appropriately inspecting identification and take action, such as providing updated ID training, when reoccurring issues are noted.**

## CONCLUSION

6.70 PEI Liquor Control Commission

- did not maintain documentation to support that community locations were selected in accordance with the *Liquor Agency Regulations*; and
- vendors were not always selected in accordance with the requirements of the regulations.

6.71 PEI Liquor Control Commission did not always adequately manage agency store vendors.

RECOMMENDATIONS*	MANAGEMENT RESPONSE
<p><b>Recommendation 6.21</b> PEI Liquor Control Commission should establish metrics to assess the requirements for community locations outlined in Section 3 of the <i>Liquor Agency Regulations</i>.</p>	<p>Subsequent to the Auditor General “AG” field work and initial findings meeting, PEILCC developed and implemented metrics for Section 3 of the Liquor Agency Regulations. This amendment is to be adopted internally immediately with subsequent act changes being tabled and approved through appropriate government channels. The PEILCC understands and appreciates that the development and implementation of metrics improves the transparency of this process while at the same time creating clarity and ensuring a consistent and fair process is adhered to in the selection of potential agency store geographic locations.</p> <p>Please note, although metrics were not initially outlined in Section 3 of the regulations, these requirements would be incorporated and considered as part of the overall lead up and assessment approach of the geographic location before finalizing the RFP location to ensure the following would be achieved and obtained:</p> <ul style="list-style-type: none"> <li>• Providing safe and responsible access to underserved areas;</li> <li>• Preventing competition with an existing liquor sales outlet in the community; and</li> <li>• Ensuring community support.</li> </ul> <p><b>Timeline: Immediate</b></p>
<p><b>Recommendation 6.22</b> PEI Liquor Control Commission should document its assessment of community locations selected for agency stores in accordance with the requirements of Section 3 of the <i>Liquor Agency Regulations</i>.</p>	<p>Please note, although documentation was not on record regarding Section 3 regulations, these factors would all be incorporated and considered as part of the overall assessment of the geographic location before finalizing the RFP to ensure the following was achieved and obtained:</p> <ul style="list-style-type: none"> <li>• Providing safe and responsible access to underserved areas;</li> <li>• Preventing competition with an existing liquor sales outlet in the community; and</li> <li>• Ensuring community support.</li> </ul> <p>PEILCC understands the importance and need to document this process from both an optics, transparency and assurance standpoint and a preliminary evaluation procedure has already been implemented as part of our new approach and requirements leading up to the agency RFP issuance process.</p>

RECOMMENDATIONS*	MANAGEMENT RESPONSE
<p><b>Recommendation 6.22 (continued)</b> PEI Liquor Control Commission should document its assessment of community locations selected for agency stores in accordance with the requirements of Section 3 of the <i>Liquor Agency Regulations</i>.</p>	<p>With regards to finding 6.18 referencing specific extracts of the minutes. PEILCC wanted to emphasize that based on the subsequent RFP processes that were completed at that time (ie: an RFP being issued, completion of committee scoring assessments, a final summary results report being presented to the board), we suggest that the facts and evidence would suggest that the intent of the minute was to state geographical locations were determined in advance of the RFP process, rather than the Vendors themselves. PEILCC appreciates that the language of the specific minute is what it is and if initially articulated and documented in more detail would have likely resolved this matter. In conclusion, PEILCC feels its important to look at the remaining process and procedures completed for the specific RFP’s after this minute was taken and through this evaluation and lens and when applying professional judgement come to the reasonable conclusion that this was in fact related to geographic location vs actual vendors.</p> <p>Finally, we feel that the level and detail of minutes has improved significantly since this finding, which will help eliminate uncertainty or issues of this nature.</p> <p><b>Timeline: Immediate</b></p>
<p><b>Recommendation 6.26</b> PEI Liquor Control Commission should ensure the request for proposals process is used for the selection of vendors for all agency stores.</p>	<p>PEILCC agrees and would like to emphasize that all RFP’s under current Sr leadership, CEO and Board of Directors have gone through the appropriate RFP process and will continue to do so moving forward. Please note, aside from finding 6.25, the last occurrence of this issue was 2013.</p> <p><b>Timeline: N/A – Was already in place before field work.</b></p>
<p><b>Recommendation 6.35</b> PEI Liquor Control Commission should document the rationale for assessment scores of all agency store vendor applications.</p>	<p>PEILCC agrees that providing rationale for objective scoring sections improves the quality and transparency of the assessment, as such we have subsequently added a section for committee members’ rationale under each primary scoring category of the assessment document.</p> <p>With respect to this finding, PEILCC wants to highlight the following regarding the scoring assessment forms:</p> <ul style="list-style-type: none"> <li>• Please note, several assessment scoring sections (11/16; &gt;65%) within the RFP scoring summary are matter of fact, with specific identified ranges of answers; therefore, not warranting additional supporting rationale.</li> </ul>

RECOMMENDATIONS*	MANAGEMENT RESPONSE
<p><b>Recommendation 6.35 (continued)</b> PEI Liquor Control Commission should document the rationale for assessment scores of all agency store vendor applications.</p>	<ul style="list-style-type: none"> <li>The full RFP vendor submission package is available to all evaluation scoring committee members, in which the applicants complete each detailed section which coincides with the agency scoring assessment sheet and used as direct reference during the evaluation. Further supporting the position that additional rationale is not always warranted, adding value or strengthening the evaluation process to a significant component of the scoring assessment.</li> </ul> <p><b>Timeline: Immediate</b></p>
<p><b>Recommendation 6.36</b> When a request for the transfer of an agency store license is received, PEI Liquor Control Commission should assess the application of the transferee on all criteria.</p>	<p>PEILCC agrees. Please note this approach was applied in the most recent transfer evaluation process.</p> <p>To the best of our knowledge, the specific file that this finding/recommendation was related to was the result of an administrative, or documentation related issue vs actually evaluating and completing the required scoring areas.</p> <p>Although all sections will and must be completed during a transfer; it is worthwhile noting that a number of the scoring assessment areas typically do not change under an ownership transfer and would simply require “no change” conclusion.</p> <p><b>Timeline: Immediate</b></p>
<p><b>Recommendation 6.41</b> PEI Liquor Control Commission should maintain documentation to support that vendors appointed met the requirements of Section 4(2) and 5(2) of the <i>Liquor Agency Regulations</i>.</p>	<p>PEILCC agrees that maintaining appropriate documentation regarding these two sections improves the overall evaluation process for determining potential vendors.</p> <p>Please note PEILCC now requires mandatory criminal background checks as part of the application submission which will address covering 4 (2).</p> <p>Please note the RFP application package does already include a section in which the applicant provides attestations to criteria in this section.</p> <p>PEILCC has implemented a new computer assisted auditing technique procedure and included this on the scoring assessment summary to further support the verification of 5. (2) (a) and also ensures this process is documented.</p> <p>Although additional procedures and documentation for 5. (2) (a) have been implemented, the PEILCC is aware of all its current license holdings due to our existing licensing database and system. This area of information is also requested directly in the RFP application and would be identified at this stage of the RFP process by the applicant as well as the PEILCC during review of the RFP.</p>

RECOMMENDATIONS*	MANAGEMENT RESPONSE
<p><b>Recommendation 6.41 (continued)</b> PEI Liquor Control Commission should maintain documentation to support that vendors appointed met the requirements of Section 4(2) and 5(2) of the <i>Liquor Agency Regulations</i>.</p>	<p>Please note, PEILCC would give consideration to section 5. (2) (b) within the evaluation of the overall location in scoring section 1 of the RFP assessment summary. Additional reference and support can now be included in the rationale section of scoring summaries for this criteria. This has also been added as an additional checklist specific procedure at the end of the scoring assessment.</p> <p><b><u>Timeline: Immediate</u></b></p>
<p><b>Recommendation 6.42</b> PEI Liquor Control Commission should require criminal background checks before appointing an agency store vendor.</p>	<p>PEILCC agrees. Criminal background checks are now a mandatory component of vendor submissions and included as an additional checklist verification procedure within the RFP scoring assessment.</p> <p><b><u>Timeline: Immediate</u></b></p>
<p><b>Recommendation 6.50</b> PEI Liquor Control Commission should ensure that all agreements with agency store vendors are properly signed and dated.</p>	<p>PEILCC agrees.</p> <p>Please note, the issue at hand arose from agreements being mailed out and administratively received back and subsequently not always signed and dated by PEILCC. Changes have been made to rectify. Vendors will now be required to attend the Commission to sign the agreement. We will also move to an electronic contract management system to streamline processes and ensure proper documentation, filing and tracking of agreements.</p> <p>Although fully executed agreements were not initially on-hand, the agreements were issued by PEILCC, binding and to be adhered to by Agency stores and assist PEILCC in the evaluation and monitoring of those agency stores during the term of the agreement.</p> <p><b><u>Timeline: Immediate</u></b></p>

RECOMMENDATIONS*	MANAGEMENT RESPONSE
<p><b>Recommendation 6.61</b> PEI Liquor Control Commission should regularly monitor and document whether agency store vendors are</p> <ul style="list-style-type: none"> <li>• complying with the hours outlined in the agreement that liquor can be sold and accessible;</li> <li>• employing a sufficient number of employees who are aged 19 years or older to transport, handle and sell liquor; and</li> <li>• obtaining the Commission’s written consent before effecting any transfer, as defined in the agreement.</li> </ul>	<p>PEILCC feels we are already completing regular monitoring in these areas, through existing procedures:</p> <ul style="list-style-type: none"> <li>• Director of retail, site visits, inspection, monitoring and general support</li> <li>• Periodic performance reporting and communication, director of retail (email), mystery shopper result findings, etc.</li> <li>• Periodic LCC inspector site visits,</li> <li>• Specific LCC inspector site visits, for reoccurring isolated issues, complaints etc.</li> <li>• Mystery Shopper inspections – 12 months of the year.</li> <li>• ID training services offered and made available by PEILCC head office.</li> <li>• Ongoing and continued head office support and service (operational, marketing, regulatory, purchasing etc.)</li> <li>• Existing agreement terms and conditions (re: consent to transfer) as there is limited realistic and practical subsequent monitoring options/procedures available related to obtaining consent for agency transfers.</li> </ul> <p>Although the above is being completed to strengthen and improve the effectiveness of monitoring in these areas the following has already been implemented:</p> <ul style="list-style-type: none"> <li>• Revised mystery shopping contract terms and procedures specifically around hours of shopping; and</li> <li>• Increased emphasis and internal planning with LCC inspectors on completing visits outside eligible hours and ID request/verification of agency store staff.</li> </ul> <p><b><u>Timeline: Immediate</u></b></p>
<p><b>Recommendation 6.67</b> PEI Liquor Control Commission should track issues noted during the inspections completed by the Director, Retail Operations and Development and take appropriate action when stores have reoccurring issues.</p>	<p>Please note issues were already being tracked by the Director of retail through excel, email correspondence, and availability of 3<sup>rd</sup> party reports. However, adjustments towards the overall framework and approach have been implemented resulting in increased efficiency and ability to evaluate trends on these findings as well as managing and documenting follow-up.</p> <p><b><u>Timeline: Immediate</u></b></p>

RECOMMENDATIONS*	MANAGEMENT RESPONSE
<p><b>Recommendation 6.68</b> PEI Liquor Control Commission should establish a process to regularly inform agency store vendors on the status of their mystery shopper visits and take appropriate action, such as providing updated ID training, when reoccurring issues are noted.</p>	<p>PEILCC agrees that a more formal documentation process with a more thorough reporting framework would improve what is already being completed by the Director of Retail with regards to this matter.</p> <p>Please note what is currently taking place related to this finding:</p> <ul style="list-style-type: none"> <li>• Monthly mystery shopper result reports being emailed out to Agency stores;</li> <li>• PEILCC Director of retail and LCC Inspector Site visits following up on these reports; and</li> <li>• ID training is offered and made available by PEILCC regulatory staff upon request.</li> </ul> <p><b><u>Timeline: Immediate</u></b></p>
<p><b>Recommendation 6.69</b> PEI Liquor Control Commission should review mystery shopper reports to determine whether agency store staff are appropriately inspecting identification and take action, such as providing updated ID training, when reoccurring issues are noted.</p>	<p>PEILCC feels that existing mystery shopper procedures do adequately ensure that the ID process is monitored and handled appropriately.</p> <p>Additionally, Director of retail is reviewing and sending these reports out to Agency stores on a periodical basis, with subsequent specific site follow-up made through LCC inspectors when warranted. Improved record keeping framework around mystery shopper reports and director of retail audits will help accomplish/support this recommendation.</p> <p>Please note ID training is currently offered to Agency stores.</p> <p><b><u>Timeline: Immediate</u></b></p>

\*Recommendation numbers refer to the paragraph numbers.



---

## AUDIT STANDARDS, OBJECTIVES, AND SCOPE

### STANDARDS

This independent assurance report was prepared by the Office of the Auditor General of Prince Edward Island. Our responsibility was to provide objective information and independently conclude on whether the PEI Liquor Control Commission selected the community locations and vendors for agency stores in accordance with *Liquor Agency Regulations* and adequately managed agency stores.

Work conducted for this audit was performed to a reasonable level of assurance in accordance with the Canadian Standards on Assurance Engagements (CSAE) 3001 – Direct Engagements set out by the Chartered Professional Accountants of Canada (CPA Canada) in the CPA Canada Handbook – Assurance.

The Office of the Auditor General of Prince Edward Island applies the Canadian Standard on Quality Management 1, which requires our Office to design, implement, and operate a system of quality management, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

In conducting the audit work, we have complied with independence and other ethical requirements of the Rules of Professional Conduct and of the Chartered Professional Accountants of Prince Edward Island and the Code of Conduct of the Office of the Auditor General of Prince Edward Island. Both the Rules of Professional Conduct and our Office’s Code of Conduct are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

### OBJECTIVES AND CRITERIA

#### **Objective 1: To determine whether PEI Liquor Control Commission selected the community locations and vendors for agency stores in accordance with *Liquor Agency Regulations*.**

**Criteria:**

- 1.1 The community locations for agency stores were chosen in accordance with *Liquor Agency Regulations*.
- 1.2 Agency store vendors are assessed and appointed in accordance with *Liquor Agency Regulations*.

#### **Objective 2: To determine whether PEI Liquor Control Commission adequately managed agency store vendors.**

**Criteria:**

- 2.1 PEI Liquor Control Commission has signed agreements with agency store vendors containing terms and conditions in accordance with the requirements of the *Liquor Agency Policy Manual*.
- 2.2 PEI Liquor Control Commission regularly monitors agency store vendors for compliance with agreements.

Audit criteria for this engagement were developed primarily from legislation and policy.

In accordance with our regular audit process, we obtained the following from management:

- confirmation of management’s responsibility for the subject;
- acknowledgement of the suitability of the criteria used in the audit;
- confirmation that all known information that has been requested, or that could be affect the findings or audit conclusions, has been provided; and
- confirmation that the audit report is factually accurate.

### **SCOPE AND APPROACH**

The scope of our audit included analysis and testing of records for the period to cover liquor agency vendors and agreements up to and including December 31, 2023. We examined documentation outside of that period as necessary.

Our approach included

- interviews and correspondence with management and staff of the PEI Liquor Control Commission;
- review of the *Liquor Control Act*, *Liquor Control Act Regulations*, *Liquor Control Act Liquor Agency Regulations* and *Liquor Agency Policy Manual*;
- analysis and detailed testing of agency store request for proposals and agreements; and
- review of a sample of 11 of 73 inspections by the Director, Retail Operations and Development and 25 of 163 mystery shopper visits.

It is important to note our observations and conclusions relate only to the management practices of PEI Liquor Control Commission and consequently, our comments and conclusions do not pertain to the practices or performance of any third parties.

### **DATE OF REPORT**

We obtained sufficient and appropriate audit evidence on which to base our conclusions on March 7, 2025, in Charlottetown, Prince Edward Island.

**AUDIT TEAM**

Auditor General:	Darren Noonan
Assistant Auditors General:	Jennifer Bowness Sheri Griffin
Directors:	Julianna Chiu Sarah Taylor
Managers:	Jenna Dominey Tim Cook
Auditor:	Katie Widdifield

**NUMBER OF SUBMISSIONS IN RESPONSE TO REQUEST FOR PROPOSALS  
UP TO DECEMBER 31, 2023**

Community locations	First Year of RFP	Number of Submissions	Second Year of RFP (if applicable)	Number of Submissions
North Wiltshire or Hampshire	2022	1	N/A <sup>1</sup>	
Oyster Bed Bridge or Brackley Beach	2022	1		
Bothwell	2022	1		
Desable, Crapaud, or Hampton	2022	2		
Wellington	2016	2		
Wood Islands	2023	1		
Murray Harbour or Murray River*	2012	4	2022	1
Eldon	2012	1	2022	1
East Royalty or Marshfield	2012	4	2022	1
Kinkora	2012	1	2022	1
Cavendish	2012	4	2022	1
Morell			N/A <sup>2</sup>	
Charlottetown Waterfront	2014	2	N/A <sup>3</sup>	

Source: Compiled based on audit work completed by the Office of Auditor General of Prince Edward Island.

N/A<sup>1</sup> – Agency store agreements are for five years with the possibility to extend for a further five years. These locations are not yet due to go to RFP.

N/A<sup>2</sup> – This location did not go to RFP until February 2025, after our audit scope period.

N/A<sup>3</sup> – This location closed in 2016.

\*Murray River was included in the RFP in 2012; however, in 2022, the RFP was only for Murray Harbour. Additionally, the agency store license transferred in 2023. An additional assessment was completed on the application submitted by the transferee.

# 7. Follow-Up with Treasury Board

## CHAPTER SUMMARY

7.1 Every year, our Office makes recommendations specific to each of the performance audits and examinations conducted, which are intended to address the findings and issues identified. We report on the implementation of these recommendations approximately one year after the audit was initially reported, and follow-up again on any outstanding recommendations for three additional years.

## QUARTERLY UPDATES TO TREASURY BOARD

7.2 Each entity audited is required to provide a quarterly update to Treasury Board on the implementation of recommendations made by the Auditor General. On October 13, 2020, we requested that our Office be provided with all quarterly updates provided to Treasury Board by departments and reporting entities.

7.3 We review the updates to determine if these reports are being submitted as required. We expected reports to be filed with Treasury Board for the first full quarterly reporting period after the report had been released. We have not examined the content of the quarterly updates provided to Treasury Board, and provide no assurance on the content of these updates.

7.4 **Exhibit 7.1** outlines the departments and reporting entities responsible for reporting to Treasury Board with respect to performance audits included in our 2020, 2021, 2022 and 2023 audit reports. Although Treasury Board has obtained reporting on the status of implementation of recommendations included in our audit reports from 2013 to 2024, we have only included those from our 2020, 2021, 2022 and 2023 audit reports, which were part of our current year follow-up report (see Chapter 8).

**EXHIBIT 7.1**  
**QUARTERLY UPDATES BY DEPARTMENTS AND REPORTING ENTITIES**  
**FOR CALENDAR YEARS 2023-2024**

Entity*	Year	Mar 31 2023	June 30 2023	Sept 30 2023	Dec 31 2023	Mar 31 2024	June 30 2024	Sept 30 2024	Dec 31 2024
Department of Education and Early Years									
Prince Edward Island International Student Program	2021	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Department of Environment, Energy and Climate Action									
Forest Management	2023	N/A <sup>1</sup>	Yes	No	No	No	No	Yes	Yes
Department of Finance**									
Overdue Property Taxes	2022	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Crown Corporation Governance Survey	2021	N/A <sup>2</sup>	N/A <sup>2</sup>	N/A <sup>2</sup>	N/A <sup>2</sup>	N/A <sup>2</sup>	N/A <sup>2</sup>	N/A <sup>2</sup>	N/A <sup>2</sup>
IT Security Access Controls <sup>3</sup>	2020	Yes	-	-	-	-	-	-	-
Department of Social Development and Seniors									
AccessAbility Supports Program	2020	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
Health PEI									
Laboratory Services: Surgical Specimen Processing <sup>4</sup>	2020	Yes	Yes	Yes	Yes	Yes	-	-	-

Source: Compiled by the Office of the Auditor General of Prince Edward Island.

\*Reflects current entity responsible

\*\*In response to our *Performance Reporting – Phase I – Reporting Timeliness* report released January 2023 and *Performance Reporting – Phase II – Report Content* report released July 2023, Treasury Board updated Policy 10.01 *Annual Reporting Framework*, with an effective date of December 2023. Based on our follow-up work completed for August 31, 2024, the updates Treasury Board made to their policy appropriately addressed all recommendations made in both reports. As such, we do not expect quarterly updates to be submitted; however, since the recommendations in both reports are also made to government departments and reporting entities, we will continue to perform follow-up work to determine if government departments and reporting entities are implementing the changes to their annual reporting based on the updates made to Treasury Board Policy 10.01.

<sup>1</sup> Update not expected as report released less than one fiscal quarter earlier.

<sup>2</sup> The recommendations were made to Treasury Board; therefore, we would not expect quarterly reports to be submitted.

<sup>3</sup> The entity reported all recommendations to be complete in their March 31, 2023 quarterly report to Treasury Board. Based on our follow-up work completed for August 31, 2023, all recommendations were determined to be complete. Therefore, no further reports to Treasury Board were required.

<sup>4</sup> The entity reported all recommendations to be complete in their March 31, 2024 quarterly report to Treasury Board. Based on our follow-up work completed for August 31, 2023, all recommendations were determined to be complete. Therefore, no further reports to Treasury Board were required.

## 8. Follow-up on Performance Audits - Highlights

### WHY WE FOLLOW-UP

- To hold audit entities **accountable** for the implementation of our recommendations

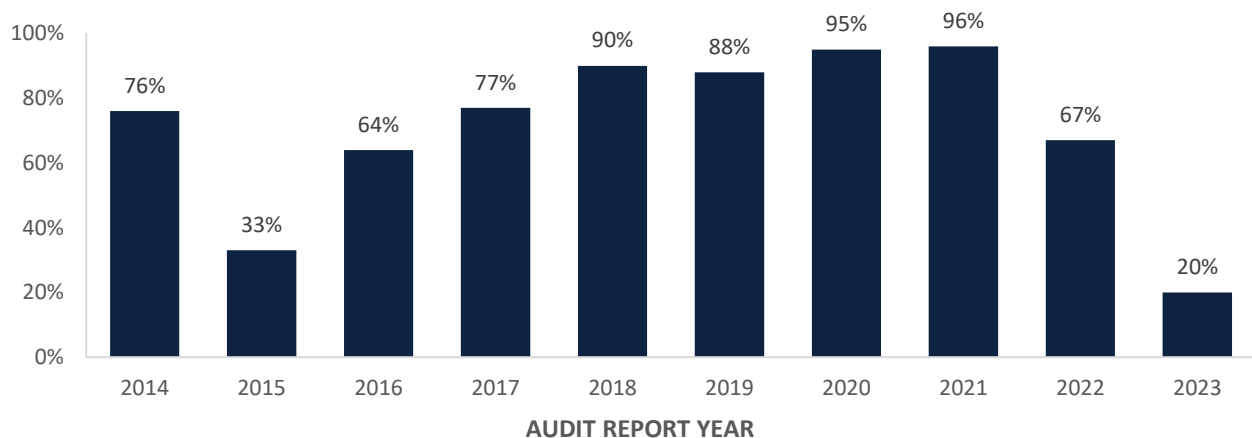
### IN THIS REPORT

- 71** total recommendations
- For audit reports issued in 2020, 2021, 2022 and up to August 31, 2023
- Status as at August 31, 2024

### WHAT WE FOUND

	4 <sup>th</sup> year follow-up	3 <sup>rd</sup> year follow-up	2 <sup>nd</sup> year follow-up	1 <sup>st</sup> year follow-up
<b>Audit report years included</b>	2020	2021	2022	2023
<b># recommendations</b>	21	24	6	20
<b>Total % implemented – current year</b>	95%	96%	67%	20%
<b>Total % implemented – prior year</b>	95%	87.5%	33%	N/A

### Implementation of Recommendations



These rates are based on the information at the time our follow-up work was completed. We will follow-up on outstanding 2021, 2022 and 2023 recommendations again next year.

## 8. Follow-Up on Performance Audits

- 8.1 Our performance audits and other reports include recommendations to improve the management of Government programs and protect the interests of taxpayers. It is important that Members of the Legislative Assembly and Islanders receive regular updates on the progress Government is making in implementing our recommendations. We do not infringe on management's right to select the best course of action to deal with issues identified. However, we expect action to be taken to address the issues.
- 8.2 The follow-up process holds audited entities accountable. In 2022, our Office initiated a new follow-up practice where we will follow-up one year after the initial audit, and then for three more years.
- 8.3 This year, we reviewed the implementation status for audits and other reports completed in 2020, 2021, 2022, and up to August 31, 2023. We requested status updates from management indicating whether the recommendations were implemented, not implemented, no longer applicable, or they do not intend to implement, as at August 31, 2024.
- 8.4 The COVID-19 special examination audits were not included in our current year follow-up work. We completed our work on the COVID-19 Financial Support Programs in three phases with reports released between July 2021 and December 2023. We will follow-up on all three phases beginning August 31, 2025 and then for three more years.
- 8.5 The implementation status of each recommendation falls under one of four categories:
- *Implemented*: the recommendation has been implemented, or an alternate solution has been implemented that addresses the risk identified in the report.
  - *Not Implemented*: the recommendation has not yet been implemented; management is working on implementing a solution.
  - *No longer applicable*: the recommendation is no longer relevant due to changes in circumstances.
  - *Do not intend to implement*: the recommendation is not implemented, and the organization does not plan to implement.
- 8.6 For each recommendation management reported as implemented, we requested details on the actions taken, and we conducted follow-up work to determine if the recommendation was implemented.
- 8.7 The objective of our follow-up work was to provide limited assurance on the implementation of the recommendations. We did not conduct a follow-up audit, but conducted sufficient procedures to obtain limited assurance to support our conclusions. For recommendations that management reported as not implemented, we did not complete any follow-up work.



8.8 This chapter provides information on the results of our work. Further details on the engagement standards, objective, scope, and conclusions are included in **Appendix A** of this chapter. **Appendices B to E** list all recommendations from performance audits and other reports we are following up on this year, and the status of implementation as at August 31, 2024.

8.9 **Appendix F** lists all recommendations reported by management as not implemented as at August 31, 2024. We encourage readers of this report to refer to **Appendix F**, which provides management’s detailed update on the status of implementation of outstanding recommendations. In many cases, management has indicated that significant work has been undertaken, and the outstanding recommendations are close to being implemented. We have not conducted any work and provide no assurance on these management responses.

## 2020 ANNUAL REPORT

8.10 **Exhibit 8.1** shows the overall rate of implementation of recommendations for each audit included in our 2020 Annual Report.

### EXHIBIT 8.1 STATUS OF IMPLEMENTATION OF RECOMMENDATIONS\* BASED ON LIMITED ASSURANCE 2020 ANNUAL REPORT

Audit	Total	Not Implemented	Implemented	
			#	Percent
AccessAbility Supports Program	13	1	12	92%
IT Security Access Controls	2	-	2	100%
Laboratory Services: Surgical Specimen Processing	6	-	6	100%
<b>Total*</b>	<b>21</b>	<b>1</b>	<b>20</b>	<b>95%</b>

\*As at August 31, 2024

8.11 This is the final year that we will have follow-up on the recommendations reported in our 2020 Annual Report. Overall, we concluded that 95 percent of these recommendations have been implemented, which was the same percentage as last year. The paragraphs that follow provide additional information on the outstanding recommendation.

8.12 During our follow-up work in 2024, we confirmed that all recommendations have been implemented for the IT Security Access Controls audit, and the Laboratory Services: Surgical Specimen Processing audit; therefore, no additional work was completed this year.

## AccessAbility Supports Program (2020)

### WHAT OUR AUDIT EXAMINED

8.13 The AccessAbility Supports Program (AAS) provides financial and non-funded supports to Islanders living with disabilities.

8.14 Our audit objectives were to determine whether the Department of Social Development and Seniors (formerly the Department of Social Development and Housing)

- authorized and provided AccessAbility Supports in accordance with legislation and policies; and
- had an adequate process to receive and respond to AccessAbility Supports Program inquiries on a timely basis.

### WHAT OUR AUDIT FOUND

8.15 Our audit noted the following weaknesses:

- The AccessAbility Supports Program was implemented without approved policies.
- The computer application used for case management was not updated for the AAS Program.
- Not all individuals receiving benefits were assessed using the new capabilities assessment tool.
- Collaborative Support Plans, which are key to identifying needs and supports for individuals, were not always completed, monitored, and updated.
- Program inquiries were not adequately logged and monitored.

### STATUS OF RECOMMENDATIONS

8.16 Our original audit included 13 recommendations. We considered 12 of these recommendations to have been implemented during the prior year's follow-up process. Management indicated that the last outstanding recommendation was implemented as at August 31, 2024. Based on our work, we concluded that this recommendation was not implemented as at August 31, 2024.

Follow-up Report	Implemented	No Longer Applicable	Not Implemented	Total
Current Year	12	-	1	13
Prior Year	12	-	1	13

8.17 Management continues to work on ensuring all individuals receiving benefits under AAS are assessed using AccessAbility Supports program policies (*recommendation 2.45*).

## 2021 ANNUAL REPORT

8.18 **Exhibit 8.2** shows the overall rate of implementation of recommendations for each performance report included in our 2021 Annual Report.

**EXHIBIT 8.2  
STATUS OF IMPLEMENTATION OF  
RECOMMENDATIONS\*  
BASED ON LIMITED ASSURANCE  
2021 ANNUAL REPORT**

Audit	Total	Not Implemented	Implemented	
			#	Percent
International Student Program	13	1	12	92%
Crown Corporations Governance Survey	11	-	11	100%
<b>Total*</b>	<b>24</b>	<b>1</b>	<b>23</b>	<b>96%</b>

\*As at August 31, 2024

8.19 This is the third year that we have followed up on the recommendations reported in our 2021 Annual Report. Overall, we concluded that 96 percent of these recommendations have been implemented, in comparison to 87.5 percent from last year. The paragraphs that follow provide additional information on the outstanding recommendations.

## Prince Edward Island International Student Program (2021)

### WHAT OUR AUDIT EXAMINED

8.20 International student programs create new relationships between our residents and people from countries beyond Canada. These relationships bring strong social and cultural benefits to our communities. These programs provide significant contributions to the economy, through both direct and indirect student spending.

8.21 In the 2020 fiscal year, the Prince Edward Island International Student Program (PEIISP) had 137 international students attend Island public schools and generated direct revenues of approximately \$1.5 million.

8.22 Our audit objective was to determine whether the Department of Education and Early Years (formerly the Department of Education and Lifelong Learning) had processes to effectively manage the PEIISP.

### WHAT OUR AUDIT FOUND

8.23 The Department of Education and Early Years did not have processes to effectively manage the PEI International Student Program (PEIISP). Our audit noted the following weaknesses:

- There was no documented and approved long-term strategic plan for the PEIISP.
- Documented and approved policies and procedures had not been developed for the PEIISP.
- Required documentation was not always maintained in application files.
- Tuition fees were not always collected in a timely manner.
- The Department had not developed standardized, documented agreements with education agents, who recommend international students to the PEIISP.
- There was no screening or monitoring of homestay arrangements for PEIISP students.
- There were no formal agreements with homestay providers.
- Management was not able to access reliable and timely program data.
- There was limited reporting on program results.
- There was limited monitoring and feedback on PEIISP students.

## STATUS OF RECOMMENDATIONS

8.24 Our original audit included 13 recommendations. We considered 11 of these recommendations to have been implemented during the prior year’s follow-up process. Management indicated that one additional recommendation was implemented, and one recommendation was not implemented. Based on our work, we agreed with management.

Follow-up Report	Implemented	No Longer Applicable	Not Implemented	Total
Current Year	12	-	1	13
Prior Year	11	-	2	13

8.25 The Department of Education and Early Years has established procedures for collecting overdue tuition fees and included these procedures within the policy guidance for the PEI International Student Program (*recommendation 4.36*).

8.26 Management continues to work on documenting, approving and implementing policies and procedures for the PEI International Student Program (*recommendation 4.24*).

## Crown Corporation Governance Survey (2021)

### WHAT OUR SURVEY EXAMINED

8.27 Strong governance in the public sector plays a critical role in ensuring government services are delivered in an effective and efficient manner, ensuring the safeguarding of public funds.

8.28 Crown corporations in Prince Edward Island work in all major industry sectors of the Province’s economy and, at the time of our report, managed assets totalling over \$1 billion. These corporations are governed by boards of directors. Poor governance in these organizations could lead to adverse consequences including financial losses, real or perceived conflicts of interest, as well as loss of confidence in public institutions.

8.29 We conducted a survey of Crown corporations to compile and report on an overview of current government practices. The study was not an audit, an evaluation of the board of directors, or an assessment of governance practices being utilized by these boards. The purpose was to provide information on existing practices within PEI Crown corporations and highlight areas for discussion and improvement among the various boards.

### WHAT OUR SURVEY FOUND

8.30 Based on our survey, respondents stated the following:

- 28 percent did not receive an orientation when they joined the board;
- 50 percent felt more training was needed for board members;
- 50 percent of boards did not set time aside to deal with strategic planning issues;
- 88 percent either did not have an IT strategic plan, or were unsure if one had been developed for their board;
- 24 percent were not satisfied with how often the responsible Minister meets directly with the board;
- 16 percent felt their board did not do a good job of reporting organizational performance publicly;
- 30 percent did not sign a conflict of interest declaration when they joined the board;
- 76 percent of respondents indicated their board either did not have, or they were unsure if they had, an audit committee;
- 18 percent of boards had not established clear, measurable objectives for the CEO's performance; and
- 46 percent of boards did not conduct a formal evaluation of its performance.

#### STATUS OF RECOMMENDATIONS

8.31 Our survey included 11 recommendations. To address these recommendations, Treasury Board developed a new section for Treasury Board policy: “10.03 Reporting Entities – Good Governance”. The purpose of this policy is to establish and communicate Government’s minimum expectations for Boards and members to ensure they fulfil their fiduciary function.

8.32 The policy established requirements for reporting entities which addressed each of the recommendations made in our 2021 report. Treasury Board developed *the Good Governance Policy Checklist* based on the policy to allow reporting entities to indicate whether the items required by the policy were implemented, not implemented or not applicable. Treasury Board provided a copy of the checklist to all Departments and requested that it be completed for each of their reporting entities by March 22, 2024.

8.33 Based on the implementation of the *Good Governance Policy Checklist*, we considered ten of these recommendations to have been implemented during the prior year’s follow-up process. Treasury Board indicated that all remaining recommendations were implemented. Based on our work, we concluded that all recommendations have been implemented as at August 31, 2024.

Follow-up Report	Implemented	No Longer Applicable	Not Implemented	Total
Current Year	11	-	-	11
Prior Year	10	-	1	11

8.34 During the year Treasury Board added the following requirement to the checklist: “Departments responsible for each Reporting Entity are required to clearly communicate Government’s public policy objectives annually, as they relate to the specific crown, in a formal letter from the Minister to all members of the Board.”

8.35 Treasury Board provided our Office with all *Good Governance Policy Checklists* that were received in 2024. Checklists were received from all applicable reporting entities.

#### REVIEW OF ITEMS IDENTIFIED AS IMPLEMENTED ON CHECKLISTS

8.36 Last year we began to review responses provided by the reporting entities annually to determine whether the items identified as implemented on their checklists can be supported. For the current year we reviewed the checklists for eight reporting entities under the responsibility of the Department of Finance, the Department of Fisheries, Tourism, Sport and Culture, the Department of Health and Wellness and the Department of Housing, Land and Communities.

8.37 We reviewed the *Good Governance Policy Checklists* of these eight reporting entities and requested support for items identified as implemented. We did not assess the quality of the content provided in the supporting documentation, but rather reviewed the information to determine whether documentation existed to demonstrate the reporting entities met the Treasury Board Policy 10.03 requirements as reported to Treasury Board on the checklists. For those items identified as not implemented, or not applicable, we did not do any work.

8.38 **Appendix G** outlines the results of our testing on the checklists provided to Treasury Board for the eight reporting entities in our sample. The appendix indicates which of the checklist items the reporting entities identified as implemented, not implemented, and not applicable as well

as our conclusion on whether implemented items were supported after we reviewed the documentation provided.

8.39 A summary of the checklist responses provided by reporting entities which were not part of our current year testing are included in **Appendix H**. We have not conducted any work and provide no assurance on these checklist responses.

#### REVIEW OF ANNUAL REPORTING REQUIREMENTS

8.40 Section 4 of Treasury Board Policy 10.03 requires reporting entities to provide the following reports or forms to their responsible departments each year by December 31<sup>st</sup>:

- a) Annual Report;
- b) Conflict of Interest Declaration Forms;
- c) Board Certification – Fiduciary Duty Forms;
- d) Performance Evaluation – CEO or equivalents; and
- e) Performance Evaluation – Board Members.

8.41 In addition, Section 4 of Treasury Board Policy 10.03 requires departments to clearly communicate Government’s public policy objectives annually, as they relate to that specific crown, in a formal letter from the Minister to all members of the reporting entity’s board of directors.

8.42 We requested departments provide our Office with any of the reports or forms received from the eight reporting entities in our sample as at December 31<sup>st</sup>, 2023. We

also requested a copy of the formal letter from the Minister to the boards of directors clearly communicating Government’s public policy objectives related to each specific crown.

8.43 **Appendix I** outlines the results of our testing on the annual reporting provided to the departments in our sample and whether a formal letter was sent by the Minister communicating public policy objectives. The appendix indicates our conclusions on whether items were provided as required by December 31<sup>st</sup>, 2023.

## 2022 AUDIT REPORT

8.44 **Exhibit 8.3** shows the overall rate of implementation of recommendations for the 2022 audit that we are following up on this year.

**EXHIBIT 8.3  
STATUS OF IMPLEMENTATION OF  
RECOMMENDATIONS\*  
BASED ON LIMITED ASSURANCE  
2022 AUDIT REPORT**

Audit	Total	Not Implemented	Implemented	
			#	Percent
Overdue Property Taxes	6	2	4	67%

\*As at August 31, 2024

8.45 This is the second year that we have followed up on the recommendations reported in our 2022 audit report. Overall, we concluded that 67 percent of these recommendations have been implemented, in comparison to 33 percent from last year. The paragraphs that follow provide additional information on the outstanding recommendations.

## Overdue Property Taxes (2022)

### WHAT OUR AUDIT EXAMINED

8.46 There are over 110,000 real properties on Prince Edward Island. The Province charges property taxes on these properties and generated approximately \$132 million in provincial property tax revenue in the fiscal year ended March 31, 2021. Property tax represents approximately 12 percent of the Province’s tax revenue each year.

8.47 Overdue property tax refers to property taxes that have not been paid by the taxpayer by the due date. As at March 31, 2021, approximately \$16.8 million in provincial property taxes were overdue. When overdue property tax amounts are not collected by the Province, this reduction in revenue could impact funding for public programs.

8.48 When overdue amounts are no longer considered collectable by the Department of Finance, the property tax amounts may be forgiven. To ensure fairness, it is important that property tax forgiveness is appropriately approved in accordance with legislation and policies.

8.49 Our audit objective was to determine whether the Department of Finance collected property taxes in accordance with the *Real Property Tax Act* and regulations, and made property tax forgiveness decisions and recommendations in accordance with applicable legislation and policies.

## WHAT OUR AUDIT FOUND

8.50 Overall, we concluded that the Department of Finance collected property taxes in accordance with the *Real Property Tax Act* and regulations, and made tax forgiveness decisions and recommendations in accordance with applicable legislation and policies. However, the following weaknesses were identified:

- There were no documented policies or procedures related to payment arrangements. There was also a lack of documentation regarding the administration of these arrangements, and there were inconsistencies in the actions taken when taxpayers defaulted.
- Property tax sales were not occurring in a timely manner. Based on our sample, when the Province sold a property to collect overdue and unpaid taxes, the property did not go to sale in a timely manner, taking between 2.4 and 9.3 years.
- Debts, which were considered uncollectable, were not submitted to Executive Council for approval to be cancelled in a timely manner.
- The Department's records retention schedule allowed for active files within the *Tax Deferral Program for Senior Citizens* to be destroyed three years after application, although many taxpayers remain in the program for longer.
- When the taxpayer's primary residence is used for commercial, farming, or other purposes, there was no guidance regarding what factors to consider when determining which portion of property taxes were eligible to be deferred under

the Tax Deferral Program for Senior Citizens.

## STATUS OF RECOMMENDATIONS

8.51 Our original audit included six recommendations. We concluded two of these recommendations were implemented during the prior year's follow-up process. Management indicated that two additional recommendations were implemented, and two recommendations were not implemented. Based on our work, we agreed with management.

Follow-up Report	Implemented	No Longer Applicable	Not Implemented	Total
Current Year	4	-	2	6
Prior Year	2	-	4	6

8.52 The Department of Finance has

- documented and implemented policies to guide staff in relation to the administration of payment arrangements (*recommendation 1.29*); and
- established acceptable timelines to sell a property after the Notice of Tax Sale has been sent (*recommendation 1.35*).

8.53 Management continues to work on

- advertising properties for tax sale according to timelines established in legislation (*recommendation 1.34*); and
- updating their records retention and disposition schedule to maintain all records for taxpayers who have qualified for the *Tax Deferral Program for Senior*



Citizens until the taxpayer exits the Program (recommendation 1.58).

## 2023 AUDIT REPORTS

8.54 **Exhibit 8.4** shows the overall rate of implementation of recommendations for the 2023 audits that we are following up on this year.

**EXHIBIT 8.4  
STATUS OF IMPLEMENTATION OF  
RECOMMENDATIONS\*  
BASED ON LIMITED ASSURANCE  
2023 AUDIT REPORTS**

Audit	Total	Not Implemented	Implemented	
			#	Percent
Forest Management	8	7	1	13%
Performance Reporting – Phase I – Reporting Timeliness	3	2	1	33%
Performance Reporting – Phase II – Reporting Content	9	7	2	22%
<b>Total*</b>	<b>20</b>	<b>16</b>	<b>4</b>	<b>20%</b>

\*As at August 31, 2024

8.55 This is the first year that we have followed up on the recommendations reported in our 2023 performance audit reports. Overall, we concluded that 20 percent of these recommendations have been implemented. The paragraphs that follow provide additional information on the outstanding recommendations.

## Forest Management (2023)

### WHAT OUR AUDIT EXAMINED

8.56 Natural Resources Canada states, “forest management planning is one of the primary tools used to ensure that the country’s publicly owned forests remain healthy and vibrant.” Forests provide a wide range of environmental, economic and social benefits. Forests are also fundamental to the livelihood and ceremonial practices of our Indigenous communities.

8.57 The Province’s *State of the Forest Report*, issued in 2013, found that forests represent approximately 250,000 hectares, or approximately 44 percent, of the total area of Prince Edward Island. The health of our forests can change frequently due to fires, climate change, and extreme weather events. Strong forest management practices can safeguard forests so that Islanders can benefit from them now and into the future.

8.58 Our audit objective was to determine whether the Department of Environment, Energy and Climate Action managed Public Forest Lands in accordance with legislation and policies, and monitored the sustainability of wood harvested for biomass to heat public buildings.

### WHAT OUR AUDIT FOUND

8.59 The Department of Environment, Energy and Climate Action did not manage Public Forest Lands in full accordance with legislation and policies. Also, the Department of Environment, Energy and Climate Action had not monitored the sustainability of wood

harvested for biomass to heat public buildings.

8.60 We identified some of the following key weaknesses during the audit:

- The Forest Policy had not been formally reviewed or updated since its release in 2006.
- The Province’s Forest Policy did not include all elements required from the *Forest Management Act*.
- The two *State of the Forest Reports*, which were issued subsequent to the original in 1992, were not issued in accordance with the timelines established in the *Forest Management Act*.
- Forest management plans and forest operations plans were not developed for the public forest districts.
- Post-harvest audits for biomass harvest sites were not completed.

#### STATUS OF RECOMMENDATIONS

8.61 Our original audit included eight recommendations. Management indicated that three recommendations were implemented, and five recommendations were not implemented. Based on our work, we concluded that one recommendation has been implemented, and seven recommendations have not been implemented as at August 31, 2024.

Follow-up Report	Implemented	No Longer Applicable	Not Implemented	Total
Current Year	1	-	7	8
Prior Year*	N/A	N/A	N/A	N/A

\* N/A – Not applicable as this is the first year of follow-up

8.62 The Department of Environment, Energy and Climate Action has completed and documented post-treatment assessments for treatments performed on public forests (*recommendation 1.51*).

8.63 Management continues to work on

- including all information required under section 4(1) of the *Forest Management Act* in the Forest Policy for the Province (*recommendation 1.20*);
- reviewing the Forest Policy in accordance with section 4(2) of the *Forest Management Act* and establishing timelines for regular reviews of the Forest Policy (*recommendation 1.24*);
- providing *State of the Forest Reports* in accordance with the timelines established in the *Forest Management Act* (*recommendation 1.32*);
- preparing forest management plans for public forests in accordance with sections 9(3) and 9(4) of the *Forest Management Act* (*recommendation 1.37*);
- preparing forest operations plans for public forests in accordance with sections 9(5) and 9(6) of the *Forest Management Act* (*recommendation 1.38*);
- reviewing woodlot management plans at least every five years and revising as necessary, in accordance with the Ecosystem-based Forest Management

Standards Manual and documenting these reviews (*recommendation 1.50*); and

- completing and implementing a plan to monitor and report on the sustainability of wood harvested for biomass to heat public buildings (*recommendation 1.60*).

8.64 As part of management’s work to implement recommendation 1.60, the Department of Environment, Energy and Climate Action created a position for a biomass auditor who is responsible for assessing and reporting on the sustainability of wood harvested for biomass which is used to heat public buildings. As of August 31, 2024, one report had been released for harvests completed in 2021; however, the report stated the biomass auditor was unable to form a conclusion on the sustainability of wood harvested for biomass to heat public buildings due to the significant absence of industry data from harvest sites.

8.65 Our office performed an audit on Biomass Heating Contracts which was released in February 2024 as part of our 2024 Annual Report. Our audit identified that the Department of Transportation and Infrastructure is responsible for administering the biomass heating contracts for public buildings. It also identified several weaknesses related to reporting requirements for the 18 biomass contracts for heating government facilities, as well as requirements for sustainable harvesting practices.

8.66 Follow-up work on our Biomass Heating Contracts audit recommendations will begin next year. As the Department of Environment, Energy and Climate Action

requires additional information on the biomass harvests to implement recommendation 1.60, and this information can only be obtained by the Department of Transportation and Infrastructure, we urge the two departments to work together to improve the transparency around the sustainability of forest biomass harvest used to heat public buildings.

## Performance Reporting – Phase I – Reporting Timeliness (2023)

### WHAT OUR AUDIT EXAMINED

8.67 Government entities, typically funded by taxpayers, operate for the benefit of the public. It is important that these governing bodies be as transparent as possible about their operations to maintain public trust and confidence.

8.68 A core component of any public sector accountability framework is the requirement to publicly report on the performance of the organization. Annual reports produced by public sector entities provide a link between the goals of the organization to the results achieved and resources used.

8.69 It is important that annual reports are released to stakeholders in a timely manner. Timely reporting allows users to make informed decisions using the most up-to-date and relevant information.

8.70 The primary focus of this engagement was to assess the timeliness of annual reporting of government departments and reporting entities.

8.71 Our audit objective was to assess whether Government departments and reporting entities met annual reporting disclosure deadlines in accordance with legislation, Treasury Board policies and best practice.

policies and best practices. The Departments selected were the Department of Education and Early Years (formerly the Department of Education and Lifelong Learning), the Department of Finance, and the Department of Justice and Public Safety. The Crown corporations selected were Innovation PEI, Prince Edward Island Crown Building Corporation, and Prince Edward Island Housing Corporation. We based our conclusions on our review of these Annual Reports.

**WHAT OUR AUDIT FOUND**

8.72 Most government departments and reporting entities did not meet annual reporting disclosure deadlines in accordance with legislation, Treasury Board policies and best practices. In each of the five fiscal years included in the scope period of our audit

- some departments and reporting entities did not publish annual reports;
- all departments failed to make their annual reports available to the public within the timeframes outlined in Treasury Board policies and best practice;
- more than 75 percent of reporting entities failed to make their annual report available to the public within the legislated timeframe; and
- many departments and reporting entities did not keep proper documentation to confirm the date the appropriate Minister received the final annual report.

8.75 Based on our work, we concluded that one recommendation has been implemented, and two recommendations have not been implemented as at August 31, 2024.

Follow-up Report	Implemented	No Longer Applicable	Not Implemented	Total
Current Year	1	-	2	3
Prior Year*	N/A	N/A	N/A	N/A

\* N/A – Not applicable as this is the first year of follow-up

**STATUS OF RECOMMENDATIONS**

8.73 Our original audit included three recommendations. Management indicated that all three recommendations were implemented.

8.76 Based on our sample, government departments and reporting entities submitted annual reports for each fiscal year in accordance with Section 70(5) of the *Financial Administration Act*, Section 5(b)(i)(ii) (formerly Section 7(a)) of Treasury Board Policy 10.01 and best practice. (*recommendation 2.32*).

8.74 We selected three Departments and three Crown corporations and reviewed their March 31, 2023 Annual Report to determine if they were released in accordance with the deadlines in legislation, Treasury Board

8.77 Government departments and reporting entities continue to work on making their annual reports public in accordance with the timeframes required in Section 70(5) of the *Financial Administration Act*, Section

5(b)(i)(ii) (formerly Section 7(a)<sup>1</sup>) of Treasury Board Policy 10.01 and best practice (*recommendation 2.38*).

8.78 Also, Ministers are continuing to work on providing annual reports of government departments and reporting entities to the Legislative Assembly within timeframes required in Section 70(5) of the *Financial Administration Act*, and maintaining documentation to support compliance with these timeframes (*recommendation 2.41*).

## Performance Reporting – Phase II – Report Content (2023)

### WHAT OUR AUDIT EXAMINED

- 8.79 Government departments and reporting entities, typically funded by taxpayers, operate for the benefit of the public. It is important that these governing bodies be as transparent as possible about their operations to maintain public trust and confidence.
- 8.80 A core component of any public sector accountability framework is the requirement to publicly report on the performance of the organization. In accordance with the *Financial Administration Act*, annual reports are required to provide a statement of goals and results achieved. These goals should be

---

<sup>1</sup> Our original audit report noted that the original submission of Treasury Board Policy 10.01 to Executive Council for approval imposed a six-month reporting requirement on government departments, as well as reporting entities. Approximately 12 years after the policy was originally approved, changes were made, which eliminated the reference to government departments making their annual reports available within six months of the end of their fiscal year. In our original audit, we applied our criteria to

clear, and results should link back to the goals.

- 8.81 It is important that the annual reports of government departments and reporting entities explain the extent to which intended goals and objectives were achieved, and at what cost. Effective annual reporting allows the reader to understand what was planned and achieved, how resources were used and how performance can be improved. This leads to better accountability and informed decision making.
- 8.82 Our audit objective was to assess whether the annual reports of government departments and reporting entities are prepared in accordance with the content guidelines of Treasury Board Policy.

### WHAT OUR AUDIT FOUND

- 8.83 Government departments and reporting entities were not preparing annual reports in accordance with the content guidelines of Treasury Board Policy. We identified the following issues with the content of the annual reports:
- Some annual reports were missing statements indicating who was responsible for the organization and its

government departments and reporting entities based on the original intentions of Treasury Board Policy 10.01. In December 2023, Treasury Board updated Policy 10.01 to require departments to make their annual reports public within two months of the date of tabling the Public Accounts. During this year's follow-up work, none of the departments tested made their annual reports public within the timeframes of either the original intentions of Treasury Board Policy 10.01, or within two months after the date of tabling the Public Accounts.

performance, the responsibilities of the organization and its structure.

- Many annual reports were missing information on the organization’s purpose and approach to operations.
- Many annual reports did not clearly identify the organization’s goals. For those that did, most did not provide sufficient information to assess those goals.
- Most annual reports did not provide details on the goals of their separate divisions or programs.
- Most annual reports did provide information on program and sector activities, such as statistical data.
- Annual reports did include financial information, but did not always include approved budgets and variances between budgets and actual results.

not their intention to follow up with Departments on their annual reporting or collect completed copies of the checklist.

8.86 We selected three Departments and three Crown corporations and reviewed their March 31, 2023 annual reports to determine if they contained the required content based on the recommendations made in our 2023 report. The Departments selected were the Department of Education and Early Years (formerly the Department of Education and Lifelong Learning), the Department of Finance, and the Department of Justice and Public Safety. The Crown corporations selected were Innovation PEI, Prince Edward Island Crown Building Corporation, and Prince Edward Island Housing Corporation. Our conclusion on the implementation of recommendations is based on this testing.

**Appendix J** outlines the results of our testing.

**STATUS OF RECOMMENDATIONS**

8.84 Our original audit included nine recommendations. Management indicated that all nine recommendations were implemented.

8.87 Based on our work, we concluded that two recommendations have been implemented, and seven recommendations have not been implemented as at August 31, 2024.

8.85 To address these recommendations, Treasury Board developed an *Annual Reporting Checklist*, based on Treasury Board policy: “10.01 Annual Reporting Framework”. The checklist’s purpose is to provide direction and guidelines on the principles, content and process which must be addressed in the preparation and presentation of annual reports. The checklist is to be used as a tool to remind reporting entities of all content items required by the policy. Treasury Board provided a copy of the checklist to all Departments; however, it is

Follow-up Report	Implemented	No Longer Applicable	Not Implemented	Total
Current Year	2	-	7	9
Prior Year*	N/A	N/A	N/A	N/A

\* N/A – Not applicable as this is the first year of follow-up

8.88 Based on our sample, Treasury Board, in conjunction with government departments and reporting entities, have

- ensured annual reports provide readers with a summary overview of what happened in the organization during the reporting period (*recommendation 39*); and
- ensured annual reports include a section on program activity, sector activity and other data and statistical information which may be of interest to the reader (*recommendation 61*).

8.89 Treasury Board, in conjunction with government departments and reporting entities, continue to work on

- ensuring annual reports include
  - a message endorsed by the Minister or Chair of the Board;
  - a listing of the Acts the departments/reporting entity is responsible for;
  - an overview statement endorsed by the Deputy Head; and
  - an organizational chart for the department/reporting entity identifying lines of accountability (*recommendation 33*);
- ensuring annual reports include the organization's
  - mandate;
  - mission statement;
  - vision statement; and
  - values or description of principles used to meet its vision (*recommendation 38*);

- ensuring annual reports include a section which clearly outlines the organization's goals (*recommendation 43*);
- ensuring annual reports provide details on goals, specifically including
  - the timeframe for meeting its goals;
  - why the results are important;
  - how performance is measured;
  - the success or failures over the reporting period; and
  - how shortcomings will be addressed for the future (*recommendation 47*);
- ensuring annual reports outline the strategies used to obtain the intended results and provide a comparison of resources allocated to those actually used (*recommendation 50*);
- ensuring annual reports include a separate section on the organization's main strategies and programs which identifies:
  - outcomes achieved against intended goals, how the results were measured, and strategies used; and
  - the relationship of the division's goals to the organization's overall goals (*recommendation 57*); and
- ensuring annual reports include a section or appendix with financial information which sets out the approved budget, actual results and variances (*recommendation 66*).

---

## STANDARDS, OBJECTIVE, SCOPE AND CONCLUSION

### STANDARDS

This independent limited assurance attestation engagement report was prepared by the Office of the Auditor General of Prince Edward Island on the status of the implementation of recommendations made in our 2020, 2021, 2022 and 2023 reports (up to August 31, 2023). Work conducted for this review was performed to a limited level of assurance in accordance with the Canadian Standards on Assurance Engagements (CSAE) 3000 - Attestation Engagements Other Than Audits or Reviews of Historical Financial Information, set out by the Chartered Professional Accountants of Canada (CPA Canada).

The Office of the Auditor General of Prince Edward Island applies the Canadian Standard on Quality Management 1 which requires our office to design, implement and operate a system of quality management, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

In conducting this limited assurance work, we have complied with independence and other ethical requirements of the Rules of Professional Conduct of the Chartered Professional Accountants of Prince Edward Island and the Code of Conduct of the Office of the Auditor General of Prince Edward Island. Both the Rules of Professional Conduct and the Code of Conduct are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

### OBJECTIVE

Our objective was to provide limited assurance on those recommendations assessed as “implemented” as of August 31, 2024, to determine if government’s assessment was free from material misstatement. We did not perform any procedures, and provide no assurance, on recommendations reported by management as not implemented.

For recommendations assessed as “do not intend to implement” or “no longer applicable” we focused on whether the rationale provided by management was reasonable. If we agreed with the rationale, we did not conduct further follow-up work on the applicable recommendation.



## SCOPE AND APPROACH

The scope of our work included only recommendations from 2020, 2021, 2022 and 2023 (up to August 31, 2023) audit reports. We provide limited assurance on those recommendations assessed by management as implemented as at August 31, 2024.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less extensive than, for a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our approach included

- obtaining assertions from management on the status of implementation of each recommendation;
- interviewing management and staff;
- examining documents; and
- reviewing specific controls and processes.

Recommendations made to departments, Crown corporations, and agencies pursuant to our financial audit work are followed up annually as part of our financial audit process and are not discussed in this chapter.

## CONCLUSION

We concluded that as at August 31, 2024

- 95 percent of 2020 recommendations were implemented;
- 96 percent of 2021 recommendations were implemented;
- 67 percent of 2022 recommendations were implemented; and
- 20 percent of 2023 recommendations were implemented.

Based on the limited assurance procedures performed and evidence obtained on all implemented recommendations, no matters have come to our attention that cause us to believe that the status of the recommendations reported as implemented have been materially misstated. Additional information provided in this report is not intended to take away from our overall conclusion.

## DATE OF REPORT

We obtained sufficient evidence on which to base our limited assurance conclusion on March 10, 2025, in Charlottetown, Prince Edward Island.

2020 ANNUAL REPORT  
PERFORMANCE AUDITS AND EXAMINATIONS  
RECOMMENDATIONS

Audit	Para.*	Recommendation	Status of Implementation as at Aug 31, 2024
<b>AccessAbility Supports Program</b>			
Department of Social Development and Seniors (formerly Department of Social Development and Housing)	2.19	The Department of Social Development and Seniors should ensure the AccessAbility Advisory Council meets on a regular basis in accordance with its terms of reference.	Implemented
	2.28	The Department of Social Development and Seniors should ensure that program policies are finalized and formally approved prior to implementation.	Implemented
	2.39	The Department of Social Development and Seniors should ensure that the computer application is updated for the AccessAbility Supports Program.	Implemented
	2.40	The Department of Social Development and Seniors should ensure assured income supports are provided in accordance with the rates approved by Executive Council.	Implemented
	2.41	The Department of Social Development and Seniors should ensure that client contributions are properly calculated and applied for the AccessAbility Supports Program.	Implemented
	2.45	The Department of Social Development and Seniors should ensure all individuals receiving benefits from the AccessAbility Supports Program are assessed using AccessAbility Supports Program policies.	Not Implemented
	2.54	The Department of Social Development and Seniors should ensure that Collaborative Support Plans are completed for all applicants of the AccessAbility Supports Program.	Implemented
	2.57	The Department of Social Development and Seniors should ensure that Collaborative Support Plans are monitored and updated.	Implemented
	2.63	The Department of Social Development and Seniors should ensure that non-funded supports are considered and documented for recipients of the AccessAbility Supports Program.	Implemented
	2.66	In accordance with policy, the Department of Social Development and Seniors should ensure that documentation is obtained for all payments provided under the AccessAbility Supports Program.	Implemented
	2.70	The Department of Social Development and Seniors should ensure funded supports are authorized in accordance with program policies.	Implemented

\*Recommendation numbers refer to the paragraph numbers in the original audit report.

2020 ANNUAL REPORT  
PERFORMANCE AUDITS AND EXAMINATIONS  
RECOMMENDATIONS

Audit	Para.*	Recommendation	Status of Implementation as at Aug 31, 2024
<b>AccessAbility Supports Program (cont'd)</b>			
Department of Social Development and Seniors (formerly Department of Social Development and Housing)	2.74	The Department of Social Development and Seniors should ensure that assured income rates are approved by Executive Council.	Implemented
	2.83	The Department of Social Development and Seniors should establish a process to log, monitor and respond to inquiries received under the AccessAbility Supports Program.	Implemented
<b>IT Security Access Controls</b>			
Information Technology Shared Services	3.20	Information Technology Shared Services should develop a strategy to communicate security requirements of the access control policy to all key stakeholders.	Implemented
	3.21	Information Technology Shared Services should establish a security compliance process to measure implementation of controls to effectively protect information systems and assets.	Implemented
<b>Laboratory Services: Surgical Specimen Processing</b>			
Health PEI	4.24	Management of the histology labs should ensure all standard operating procedures are regularly reviewed, documented, and available on the Omni-assistant document server.	Implemented
	4.25	Management of the histology labs should ensure histology lab staff are informed and required to review and sign off on changes to standard operating procedures.	Implemented
	4.35	Management of Laboratory Services should update the turnaround time policy for surgical specimen processing to: <ul style="list-style-type: none"> <li>reflect current standard operating procedures; and</li> <li>include details of a process for monitoring turnaround times.</li> </ul> This policy should be issued and distributed to relevant staff.	Implemented
	4.42	Management of the histology labs should develop continuous professional development guidelines and maintain records of training completed by lab staff.	Implemented
	4.55	Management of Laboratory Services should implement a process for the efficient delivery of pathology reports to requisitioning physicians and/or nurse practitioners.	Implemented
	4.65	In accordance with existing policies, management of the histology labs should ensure internal maintenance on laboratory equipment is completed and documented.	Implemented

\*Recommendation numbers refer to the paragraph numbers in the original audit report.

2021 ANNUAL REPORT  
PERFORMANCE AUDITS AND EXAMINATIONS  
RECOMMENDATIONS

Audit	Para.*	Recommendation	Status of Implementation as at Aug 31, 2024
<b>International Student Program</b>			
Department of Education and Early Years (formerly Department of Education and Lifelong Learning)	4.18	The Department of Education and Early Years should document and approve a strategic plan for the PEI International Student Program.	Implemented
	4.24	The Department of Education and Early Years should document, approve and implement policies and procedures for the PEI International Student Program.	Not Implemented
	4.29	The Department of Education and Early Years should maintain all key supporting documentation in PEI International Student Program files and include documentation requirements within the policy guidance for the PEI International Student Program.	Implemented
	4.30	The Department of Education and Early Years should document and maintain a quality assurance process for PEI International Student Program applications.	Implemented
	4.36	The Department of Education and Early Years should establish procedures for collecting overdue tuition fees and include these procedures within the policy guidance for the PEI International Student Program.	Implemented
	4.43	The Department of Education and Early Years should develop and implement a standardized contractual agreement for education agents in accordance with Treasury Board policy.	Implemented
	4.44	The Department of Education and Early Years should perform due diligence procedures on education agents associated with the PEI International Student Program.	Implemented
	4.52	The Department of Education and Early Years should implement a screening and selection process for homestay providers and regularly monitor the wellbeing of PEI International Student Program students living in homestay accommodations.	Implemented
	4.53	In accordance with CAPS-I Standards of Practice, the Department of Education and Early Years should have agreements with homestay providers.	Implemented
	4.61	The Department of Education and Early Years should obtain reliable program data on a timely basis to enable effective management and oversight of the PEI International Student Program.	Implemented
	4.62	The Department of Education and Early Years should document meeting minutes noting any significant strategic or operational decisions for the PEI International Student Program.	Implemented

\*Recommendation numbers refer to the paragraph numbers in the original audit report.

2021 ANNUAL REPORT  
PERFORMANCE AUDITS AND EXAMINATIONS  
RECOMMENDATIONS

Audit	Para.*	Recommendation	Status of Implementation as at Aug 31, 2024
<b>International Student Program (cont'd)</b>			
Department of Education and Early Years (formerly Department of Education and Lifelong Learning)	4.63	The Department of Education and Early Years should report publically on the performance of the PEI International Student Program on an annual basis.	Implemented
	4.66	The Department of Education and Early Years should monitor student satisfaction with the PEI International Student Program.	Implemented
<b>Crown Corporations Governance Survey</b>			
Treasury Board	5.13	Treasury Board should ensure a formal board orientation program is used by all Crown corporations. It should provide a clear outline of board roles, responsibilities, and structural relationships, along with board by-laws and mandates or terms of reference.	Implemented
	5.15	Treasury Board should ensure regular training opportunities for board members are provided by all Crown corporations.	Implemented
	5.17	Treasury Board should require the board of directors of all Crown corporations to document a strategic plan and regularly update the plan as the goals and mandate of the organization change.	Implemented
	5.19	Treasury Board should require all Crown corporations to include information technology strategies in their strategic plan.	Implemented
	5.21	Treasury Board should ensure Government's public policy objectives are clearly communicated to all boards of directors of Crown corporations.	Implemented
	5.22	Treasury Board should establish a minimum number of board of directors meetings which departmental ministers, or representatives, are to attend annually for each Crown corporation.	Implemented
	5.24	Treasury Board should ensure all boards of directors of Crown corporations report publically on the mandate and performance of the organization, on an annual basis.	Implemented
	5.26	Treasury Board should require all Crown corporations to have members of its board of directors complete a conflict of interest declaration form annually.	Implemented
	5.28	Treasury Board should require Crown corporations to have an audit committee.	Implemented

\*Recommendation numbers refer to the paragraph numbers in the original audit report.

2021 ANNUAL REPORT  
PERFORMANCE AUDITS AND EXAMINATIONS  
RECOMMENDATIONS

Audit	Para.*	Recommendation	Status of Implementation as at Aug 31, 2024
<b>Crown Corporations Governance Survey (cont'd)</b>			
Treasury Board	5.30	Treasury Board should ensure standardized performance evaluations are completed annually for Chief Executive Officers (or equivalent) of Crown corporations.	Implemented
	5.33	Treasury Board should ensure evaluations on the effectiveness of boards of directors for Crown corporations are completed periodically. These evaluations should include documented performance measures which are important to each Crown corporation.	Implemented

\*Recommendation numbers refer to the paragraph numbers in the original audit report.

**2022 AUDIT REPORT  
PERFORMANCE AUDITS AND EXAMINATIONS  
RECOMMENDATIONS**

Audit	Para.*	Recommendation	Status of Implementation as at Aug 31, 2024
<b>Overdue Property Taxes</b>			
Department of Finance	1.29	The Department of Finance should document and implement policies to guide staff in relation to the administration of payment arrangements. These policies should include: <ul style="list-style-type: none"> <li>• taxpayer eligibility criteria for entering a payment arrangement;</li> <li>• acceptable payment terms including length of payment arrangement and payment frequency;</li> <li>• authorization levels required to approve a payment arrangement; and</li> <li>• protocols when a taxpayer defaults on a payment arrangement.</li> </ul>	Implemented
	1.34	The Department of Finance should advertise properties for tax sale according to timelines established in legislation.	Not Implemented
	1.35	The Department of Finance should establish acceptable timelines to sell a property after the Notice of Tax Sale has been sent to a taxpayer via registered mail.	Implemented
	1.51	The Department of Finance should submit uncollectable property tax amounts to Executive Council for cancellation in a timely manner, and no more than twelve months from the end of the fiscal year in which they are determined to be uncollectable.	Implemented
	1.58	The Taxation and Property Records Division of the Department of Finance should update their records retention and disposition schedule to maintain all records for taxpayers who have qualified for the Tax Deferral Program for Senior Citizens until the taxpayer exits the Program.	Not Implemented
	1.62	The Department of Finance should develop guidance for determining which portion of property taxes of multi-use properties and larger acreage properties may be deferred through the Tax Deferral Program for Senior Citizens. This guidance should be made available to the public.	Implemented

\*Recommendation numbers refer to the paragraph numbers in the original audit report.

**2023 AUDIT REPORT  
PERFORMANCE AUDITS AND EXAMINATIONS  
RECOMMENDATIONS**

<b>Audit</b>	<b>Para.*</b>	<b>Recommendation</b>	<b>Status of Implementation as at Aug 31, 2024</b>
<b>Forest Management</b>			
Department of Environment, Energy and Climate Action	1.20	The Department of Environment, Energy and Climate Action should include all information required under section 4(1) of the <i>Forest Management Act</i> in the Forest Policy for the Province.	Not Implemented
	1.24	The Department of Environment, Energy and Climate Action should review the Forest Policy in accordance with section 4(2) of the <i>Forest Management Act</i> . Timelines for regular reviews of the Forest Policy should be established.	Not Implemented
	1.32	The Department of Environment, Energy and Climate Action should provide <i>State of the Forest Reports</i> in accordance with the timelines established in the <i>Forest Management Act</i> .	Not Implemented
	1.37	The Department of Environment, Energy and Climate Action should prepare forest management plans for public forests in accordance with sections 9(3) and 9(4) of the <i>Forest Management Act</i> .	Not Implemented
	1.38	The Department of Environment, Energy and Climate Action should prepare forest operations plans for public forests in accordance with sections 9(5) and 9(6) of the <i>Forest Management Act</i> .	Not Implemented
	1.50	The Department of Environment, Energy and Climate Action should review woodlot management plans at least every five years and revise as necessary, in accordance with the Ecosystem-based Forest Management Standards Manual. Evidence of this review should be documented.	Not Implemented
	1.51	The Department of Environment, Energy and Climate Action should complete and document post-treatment assessments for treatments performed on public forests.	Implemented
	1.60	The Department of Environment, Energy and Climate Action should complete and implemented a plan to monitor and report on the sustainability of wood harvested for biomass to heat public buildings.	Not Implemented
<b>Performance Reporting – Phase I – Reporting Timeliness</b>			
Government departments and reporting entities	2.32	Government departments and reporting entities should submit annual reports for each fiscal year in accordance with Section 70(5) of the <i>Financial Administration Act</i> , Section 5(b)(i)(ii) (formerly Section 7(a)) of Treasury Board Policy 10.01 and best practice.	Implemented

\*Recommendation numbers refer to the paragraph numbers in the original audit report.



**2023 AUDIT REPORT  
PERFORMANCE AUDITS AND EXAMINATIONS  
RECOMMENDATIONS**

<b>Audit</b>	<b>Para.*</b>	<b>Recommendation</b>	<b>Status of Implementation as at Aug 31, 2024</b>
<b>Performance Reporting – Phase I – Reporting Timeliness (cont'd)</b>			
Government departments and reporting entities	2.38	Annual reports of government departments and reporting entities should be made public within six months of the end of their fiscal year in accordance with Section 70(5) of the <i>Financial Administration Act</i> , Section 5(b)(i)(ii) (formerly Section 7(a)) of Treasury Board Policy 10.01 and best practice.	Not Implemented
	2.41	Ministers should provide annual reports of government departments and reporting entities to the Legislative Assembly within timeframes required in Section 70(5) of the <i>Financial Administration Act</i> . Documentation should be maintained to support compliance with these timeframes.	Not Implemented
<b>Performance Reporting – Phase II – Report Content</b>			
Treasury Board, in conjunction with government departments and reporting entities	33	In accordance with Treasury Board Policy 10.01, Sections 5(c)(i, iii, iv & vi) (formerly Sections 8(a, c, d & f)), Treasury Board, in conjunction with government departments and reporting entities, should ensure annual reports include <ul style="list-style-type: none"> <li>• a message endorsed by the Minister or Chair of the Board;</li> <li>• a listing of the Acts the department/reporting entity is responsible for;</li> <li>• an overview statement endorsed by the Deputy Head; and</li> <li>• an organizational chart for the department/reporting entity identifying lines of accountability.</li> </ul>	Not Implemented
	38	In accordance with Treasury Board Policy 10.01, Section 5(c)(ii) (formerly Section 8(b)), Treasury Board, in conjunction with government departments and reporting entities, should ensure annual reports include the organizations: <ul style="list-style-type: none"> <li>• mandate;</li> <li>• mission statement;</li> <li>• vision statement; and</li> <li>• values or description of principles used to meet its vision.</li> </ul>	Not Implemented
	39	Treasury Board, in conjunction with government departments and reporting entities, should ensure annual reports provide readers with a summary overview of what happened in the organization during the reporting period in accordance with Treasury Board Policy 10.01, Section 5(c)(v) (formerly Section 8(e)).	Implemented

\*Recommendation numbers refer to the paragraph numbers in the original audit report.

**2023 AUDIT REPORT  
PERFORMANCE AUDITS AND EXAMINATIONS  
RECOMMENDATIONS**

Audit	Para.*	Recommendation	Status of Implementation as at Aug 31, 2024
<b>Performance Reporting – Phase II – Report Content (cont’d)</b>			
Treasury Board, in conjunction with government departments and reporting entities	43	Treasury Board, in conjunction with government departments and reporting entities, should ensure annual reports include a section which clearly outlines the organization’s goals in accordance with Treasury Board Policy 10.01, Section 5(c)(vii) (formerly Section 8(g)(i)).	Not Implemented
	47	Treasury Board, in conjunction with government departments and reporting entities, should ensure annual reports provide details on goals in accordance with Treasury Board Policy, Section 5(c)(vii) (formerly Section 8(g)(i)), specifically including <ul style="list-style-type: none"> <li>• the timeframe for meeting its goals;</li> <li>• why the results are important;</li> <li>• how performance is measured;</li> <li>• the success or failures over the reporting period; and</li> <li>• how shortcomings will be addressed for the future.</li> </ul>	Not Implemented
	50	Treasury Board, in conjunction with government departments and reporting entities, should ensure annual reports outline the strategies used to obtain the intended results and provide a comparison of resources allocated to those actually used in accordance with Treasury Board Policy 10.01, Section 5(c)(vii) (formerly Section 8(g)(ii)).	Not Implemented
	57	Treasury Board, in conjunction with government departments and reporting entities, should ensure annual reports include a separate section on the organization’s main strategies and programs in accordance with Treasury Board Policy 10.01, Section 5(c)(viii) (formerly Section 8(h)) which identifies: <ul style="list-style-type: none"> <li>• outcomes achieved against intended goals, how the results were measured, and strategies used; and</li> <li>• the relationship of the division’s goals to the organization’s overall goals.</li> </ul>	Not Implemented
	61	Treasury Board, in conjunction with government departments and reporting entities, should ensure annual reports include a section on program activity, sector activity and other data and statistical information which may be of interest to the reader in accordance with Treasury Board Policy 10.01, Section 5(c)(ix) (formerly Section 8(i)).	Implemented

\*Recommendation numbers refer to the paragraph numbers in the original audit report.

**2023 AUDIT REPORT  
PERFORMANCE AUDITS AND EXAMINATIONS  
RECOMMENDATIONS**

Audit	Para.*	Recommendation	Status of Implementation as at Aug 31, 2024
<b>Performance Reporting – Phase II – Report Content (cont’d)</b>			
Treasury Board, in conjunction with government departments and reporting entities	66	Treasury Board, in conjunction with government departments and reporting entities, should ensure annual reports include a section or appendix with financial information which sets out the approved budget, actual results and variances in accordance with Treasury Board Policy 10.01, Section 5(c)(x) (formerly Section 8(j)).	Not Implemented

\*Recommendation numbers refer to the paragraph numbers in the original audit report.

**RECOMMENDATIONS REPORTED BY MANAGEMENT**  
**AS NOT IMPLEMENTED AT AUGUST 31, 2024**  
**2020, 2021, 2022, AND 2023 AUDITS**

We requested a written assessment from management on whether recommendations from our 2020, 2021, 2022, and up to August 31, 2023 performance audits and examinations were complete or not complete at August 31, 2024. This appendix lists all recommendations reported by management as not implemented. We have not conducted any work and provide no assurance on these management responses. They are presented for information purposes

Rec. #*	Recommendation	Management Response
<b>International Student Program - 2021</b>		
4.24	The Department of Education and Early Years should document, approve and implement policies and procedures for the PEI International Student Program.	<p>Actions Taken To Date:</p> <ul style="list-style-type: none"> <li>• PEIISP staff have documented operational processes.</li> <li>• Our website was updated in the fall of 2022.</li> <li>• TrueNorth is fully operational as registration and management tool for the PEIISP.</li> <li>• A Service Agreement was signed between the Government of PEI and the Public Schools Branch enabling the Department of Education and Early Years to collect tuition fees from international students.</li> <li>• The Department of Education and Early Years is exploring potential legislative changes with Legal Services.</li> </ul> <p>Actions Planned:</p> <p>Work with Legal Services will be on-going. Potential legislative changes may also be required.</p>

\*Recommendation numbers refer to the paragraph numbers in the original audit report.

**RECOMMENDATIONS REPORTED BY MANAGEMENT  
AS NOT IMPLEMENTED AT AUGUST 31, 2024  
2020, 2021, 2022, AND 2023 AUDITS**

**We provide no assurance on management responses (for information only)**

Rec. #*	Recommendation	Management Response
<b>Overdue Property Taxes - 2022</b>		
1.34	The Department of Finance should advertise properties for tax sale according to timelines established in legislation.	<p>Actions Taken To Date:</p> <p>The Department of Finance does not have the same interpretation of the timeline established in the legislation. The Department has discussed the differing interpretations of the legislation with a view to crafting wording that is easier to interpret.</p> <p>The Department has first developed the payment arrangement and tax sale timing procedures to assist legislative drafters with determining how to draft legislative language.</p> <p>Actions Planned:</p> <p>Now that the payment arrangement policy noted in 1.29 has been finalized, the Department will work with legislative counsel to add clarity on reasonable timelines for advertising properties, based on interpreting the Act as a whole, including other prescribed requirements for advertising.</p> <p>This initiative was approved for the Department of Finance Legislative work plan for Fall 2023 and is in progress in conjunction with other changes to the Real Property Tax Act Regulations. Those changes were initially expected for the spring, 2024 session of the Legislature, but are now proceeding in the fall of 2024.</p>
1.58	The Taxation and Property Records Division of the Department of Finance should update their records retention and disposition schedule to maintain all records for taxpayers who have qualified for the Tax Deferral Program for Senior Citizens until the taxpayer exits the Program.	<p>Actions Taken To Date:</p> <p>This updated retention schedule has been presented to the archivist by our RIM coordinator.</p> <p>Actions Planned:</p> <p>We understand that the previous archivist has retired, and a replacement is being sought. Once in place, if the new archivist has no comments, they will forward it to the records management committee for approval. We are awaiting approval from the records management committee, however in the interim, no records for active senior tax deferral programs will be removed.</p>

\*Recommendation numbers refer to the paragraph numbers in the original audit report.

**RECOMMENDATIONS REPORTED BY MANAGEMENT  
AS NOT IMPLEMENTED AT AUGUST 31, 2024  
2020, 2021, 2022, AND 2023 AUDITS**

**We provide no assurance on management responses (for information only)**

Rec. #*	Recommendation	Management Response
<b>Forest Management - 2023</b>		
1.20	The Department of Environment, Energy and Climate Action should include all information required under section 4(1) of the <i>Forest Management Act</i> in the Forest Policy for the Province.	<p>Actions Taken To Date:</p> <p>In February 2023, the Department launched a Forestry Commission to advise Government on forestry policy, programs, and legislation in the wake of post-tropical storm Fiona. The Department has been supporting the Commission’s work and is awaiting its final report (expected by March 2025) to help inform renewal of PEI’s Forest Policy.</p> <p>Actions Planned:</p> <p>The Department plans to update PEI’s forest policy once the final report of the Forestry Commission has been received and reviewed.</p>
1.24	The Department of Environment, Energy and Climate Action should review the Forest Policy in accordance with section 4(2) of the <i>Forest Management Act</i> . Timelines for regular reviews of the Forest Policy should be established.	<p>Actions Taken To Date:</p> <p>In February 2023, the Department launched a Forestry Commission to advise Government on forestry policy, programs, and legislation in the wake of post-tropical storm Fiona. The Department has been supporting the Commission’s work and is awaiting its final report (expected by March 2025) to help inform renewal of PEI’s Forest Policy and establishment of timelines for regular reviews.</p> <p>Actions Planned:</p> <p>The Department plans to update PEI’s forest policy once the final report of the Forestry Commission has been received and reviewed.</p>

\*Recommendation numbers refer to the paragraph numbers in the original audit report.

RECOMMENDATIONS REPORTED BY MANAGEMENT  
AS NOT IMPLEMENTED AT AUGUST 31, 2024  
2020, 2021, 2022, AND 2023 AUDITS

We provide no assurance on management responses (for information only)

Rec. #*	Recommendation	Management Response
<b>Forest Management - 2023 (cont'd)</b>		
1.32	The Department of Environment, Energy and Climate Action should provide <i>State of the Forest Reports</i> in accordance with timelines established in the <i>Forest Management Act</i> .	<p>Actions Taken To Date:</p> <p>The 2020 State of the Forest Report was released in December 2023, with a detailed post-Fiona update released in August 2024.</p> <p>The timelines established in the 1988 <i>Forest Management Act</i> are not reasonable for the complex information and analysis (including carbon budgeting) now expected from <i>State of the Forest Reports</i>.</p> <p>In February 2023, the Department launched a Forestry Commission to advise Government on forestry policy, programs, and legislation in the wake of post-tropical storm Fiona. The Department has been supporting the Commission’s work and is awaiting its final report (expected by March 2025) to help inform updating of the <i>Forest Management Act</i> including more appropriate timelines for completion of <i>State of the Forest Reports</i>.</p> <p>Actions Planned:</p> <p>The Department plans to update the <i>Forest Management Act</i>, including timelines for completion of <i>State of the Forest Reports</i>, once the final report of the Forestry Commission has been received and reviewed.</p>

\*Recommendation numbers refer to the paragraph numbers in the original audit report.

**RECOMMENDATIONS REPORTED BY MANAGEMENT  
AS NOT IMPLEMENTED AT AUGUST 31, 2024  
2020, 2021, 2022, AND 2023 AUDITS**

**We provide no assurance on management responses (for information only)**

Rec. #*	Recommendation	Management Response
<b>Forest Management - 2023 (cont'd)</b>		
1.37	The Department of Environment, Energy and Climate Action should prepare forest management plans for public forests in accordance with sections 9(3) and 9(4) of the <i>Forest Management Act</i> .	<p>Actions Taken To Date:</p> <p>The <i>Forest Management Act</i> is more than 30 years old and needs to be updated. In February 2023, the Department launched a Forestry Commission to advise Government on forestry policy, programs, and legislation in the wake of post-tropical storm Fiona. The Department has been supporting the Commission's work and is awaiting its final report (expected by March 2025) to help inform updating of the <i>Forest Management Act</i>.</p> <p>Actions Planned:</p> <p>The Department plans to update the <i>Forest Management Act</i>, including requirements for forest management and operational plans on public land, once the final report of the Forestry Commission has been received and reviewed.</p>
1.38	The Department of Environment, Energy and Climate Action should prepare operations plans for public forests in accordance with section 9(5) and 9(6) of the <i>Forest Management Act</i> .	<p>Actions Taken To Date:</p> <p>The <i>Forest Management Act</i> is more than 30 years old and needs to be updated. In February 2023, the Department launched a Forestry Commission to advise Government on forestry policy, programs, and legislation in the wake of post-tropical storm Fiona. The Department has been supporting the Commission's work and is awaiting its final report (expected by March 2025) to help inform updating of the <i>Forest Management Act</i>.</p> <p>Actions Planned:</p> <p>The Department plans to update the <i>Forest Management Act</i>, including requirements for forest management and operational plans on public land, once the final report of the Forestry Commission has been received and reviewed.</p>

\*Recommendation numbers refer to the paragraph numbers in the original audit report.



**RESULTS OF REVIEW  
GOOD GOVERNANCE CHECKLISTS  
AS REPORTED ON MARCH 22, 2024 CHECKLISTS  
(for those requirements reported as implemented by the reporting entity)**

Items required in Treasury Board Policy 10.03 included on Good Governance Policy Checklist	Department of Finance*						Department of Fisheries, Tourism, Sport and Culture						Department of Health and Wellness		Department of Housing, Land and Communities
	PEI Cannabis Management Corporation		PEI Liquor Control Commission		PEI Lotteries		PEI Marine Science Organization		PEI Museum and Heritage		Tourism PEI		Health PEI		PEI Housing Corporation**
	Per Checklist	Per review <sup>1</sup>	Per Checklist	Per review <sup>1</sup>	Per Checklist	Per review <sup>1</sup>	Per Checklist	Per review <sup>1</sup>	Per Checklist	Per review <sup>1</sup>	Per Checklist	Per review <sup>1</sup>	Per Checklist	Per review <sup>1</sup>	Per Checklist
5(a) Formal board orientation	✓	Yes	✓	Yes	✓	Yes	N/A <sup>2</sup>	-	✓	No	✓	Yes	✓	Yes	N/A
5(b) Regular board training	✓	Yes	✓	Yes	✓	No	N/A <sup>2</sup>	-	X	-	✓	No	✓	Yes	N/A
5(c) Strategic Plan including Information Technology Strategies	✓	Yes	✓	Yes	✓	No	N/A <sup>3</sup>	No	X	-	✓	Yes	✓	Yes	N/A
5(d) Deputy Minister/representative at board meetings	X	-	X	-	✓	Yes	✓	Yes	✓	No	✓	No	✓	No	N/A
5(e) Publicly released annual report	✓	Yes	✓	Yes	✓	Yes	✓	Yes	✓	No	✓	Yes	✓	Yes	✓
5(f) Conflict of Interest declaration forms	✓	Yes	✓	Yes	✓	Yes	✓	No	✓	No	✓	Yes	✓	Yes	N/A
5(g) Annual Board Certifications	✓	Yes	✓	Yes	✓	Yes	N/A <sup>3</sup>	No	✓	No	✓	Yes	✓	Yes	N/A
5(h) Audit Committee/other sub-committees	✓	Yes	✓	Yes	N/A <sup>2</sup>	-	N/A <sup>2</sup>	-	N/A <sup>3</sup>	No	✓	No	✓	Yes	N/A

Source: Compiled based on review work of the Office of the Auditor General of Prince Edward Island.

\*Prince Edward Island Self-Insurance and Risk Management Fund falls under the responsibility of the Department of Finance; however, it is not applicable to our follow-up work as it is not overseen by a Board of Directors and does not complete a checklist.

\*\*Per checklist provided by the Prince Edward Island Housing Corporation (PEIHC) and the response to our request letter issued during our work, as at March 31, 2023 the PEIHC did not have a Board of Directors, as there is no provision in their governing legislation for the creation of a Board of Directors at this time. As such, no additional follow-up work was completed.

**RESULTS OF REVIEW  
GOOD GOVERNANCE CHECKLISTS  
AS REPORTED ON MARCH 22, 2024 CHECKLISTS  
(for those requirements reported as implemented by the reporting entity)**

Items required in Treasury Board Policy 10.03 included on Good Governance Policy Checklist	Department of Finance*						Department of Fisheries, Tourism, Sport and Culture						Department of Health and Wellness		Department of Housing, Land and Communities
	PEI Cannabis Management Corporation		PEI Liquor Control Commission		PEI Lotteries		PEI Marine Science Organization		PEI Museum and Heritage		Tourism PEI		Health PEI		PEI Housing Corporation**
	Per Checklist	Per review <sup>1</sup>	Per Checklist	Per review <sup>1</sup>	Per Checklist	Per review <sup>1</sup>	Per Checklist	Per review <sup>1</sup>	Per Checklist	Per review <sup>1</sup>	Per Checklist	Per review <sup>1</sup>	Per Checklist	Per review <sup>1</sup>	Per Checklist
5(i) Annual CEO Performance evaluation	X	-	X	-	N/A <sup>2</sup>	-	N/A <sup>3</sup>	No	N/A <sup>3</sup>	No	N/A <sup>3</sup>	No	X	-	N/A
5(j) Annual Board effectiveness evaluation	X	-	X	-	X	-	N/A <sup>3</sup>	No	X	-	X	-	✓	Yes	N/A

Source: Compiled based on review work of the Office of the Auditor General of Prince Edward Island.

\*Prince Edward Island Self-Insurance and Risk Management Fund falls under the responsibility of the Department of Finance; however, it is not applicable to our follow-up work as it is not overseen by a Board of Directors and does not complete a checklist.

\*\*Per checklist provided by the Prince Edward Island Housing Corporation (PEIHC) and the response to our request letter issued during our work, as at March 31, 2023 the PEIHC did not have a Board of Directors, as there is no provision in their governing legislation for the creation of a Board of Directors at this time. As such, no additional follow-up work was completed.

<sup>1</sup> Review column indicates where follow-up work was completed. Where the entity indicated not implemented or not applicable, no follow-up work was completed.

<sup>2</sup> Reporting entities indicated not applicable (N/A) based on composition of board members and/or nature of operations.

<sup>3</sup> Reporting entities indicated not applicable (N/A); however, we did not agree with their assessment.

SUMMARY OF GOOD GOVERNANCE POLICY CHECKLIST RESPONSES  
AS REPORTED ON MARCH 22, 2024 CHECKLIST

We provide no assurance on the responses provided by each reporting entity (for information only)

Items required in Treasury Board Policy 10.03 included on Good Governance Policy Checklist	Department of Agriculture		Department of Economic Development, Innovation and Trade					Department of Environment, Energy and Climate Action
	Agriculture Insurance Corp	Grain Elevators Corp	Finance PEI	Innovation PEI	Island Investment Development Inc.	Charlottetown Area Development Corp.	Summerside Regional Development Corp.	PEI Energy Corp.
5(a) Formal board orientation	✓	✓	✓	✓	✓	✓	N/A	✓
5(b) Regular board training	✓	✓	✓	✗	✓	✓	N/A	✓
5(c) Strategic Plan including Information Technology Strategies	✓	✗	✓	✓	✗	✓	✗	✓
5(d) Departmental Minister/representative at board meetings	✓	✗	✓	✓	✓	✓	✓	✓
5(e) Publicly released annual report	✓	✓	✓	✓	✗	✓	✓	✓
5(f) Conflict of Interest declaration forms	✓	✓	✓	✗	✓	✗	N/A	✓
5(g) Annual Board Certifications	✓	✓	✓	✗	✓	✗	N/A	✓
5(h) Audit Committee/other sub-committees	✓	✓	N/A	✗	✓	✓	N/A	✓
5(i) Annual CEO Performance evaluation	✗	✗	✗	✗	✗	✗	N/A	✗
5(j) Annual Board effectiveness evaluation	✓	✓	✗	✗	✗	✗	N/A	✗

Source: Compiled by the Office of the Auditor General of Prince Edward Island.

**SUMMARY OF GOOD GOVERNANCE POLICY CHECKLIST RESPONSES  
AS REPORTED ON MARCH 22, 2024 CHECKLIST**

**We provide no assurance on the responses provided by each reporting entity (for information only)**

Items required in Treasury Board Policy 10.03 included on Good Governance Policy Checklist	Department of Transportation and Infrastructure		Department of Workforce, Advanced Learning and Population			Department of Education and Early Years			Department of Justice and Public Safety
	Island Waste Management Corporation	PEI Crown Building Corporation	PEI Employment Development Agency	PEI Student Financial Assistance Corporation	Workers Compensation Board	Public Schools Branch	La Commission Scolaire de langue française	Island Regulatory and Appeals Commission	PEI Human Rights Commission
5(a) Formal board orientation	✓	N/A	✓	✓	✓	✓	✓	<i>N/A – not overseen by a Board of Directors</i>	✓
5(b) Regular board training	✓	X	N/A	N/A	✓	X	✓		✓
5(c) Strategic Plan including Information Technology Strategies	X	N/A	X	X	✓	X	✓		✓
5(d) Deputy Minister/representative at board meetings	✓	N/A	✓	✓	✓	✓	X		N/A
5(e) Publicly released annual report	✓	✓	X	✓	✓	✓	✓		✓
5(f) Conflict of Interest declaration forms	✓	✓	✓	✓	✓	✓	✓		N/A
5(g) Annual Board Certifications	✓	N/A	✓	✓	✓	✓	X		N/A
5(h) Audit Committee/other sub-committees	✓	N/A	N/A	N/A	✓	✓	X		N/A
5(i) Annual CEO Performance evaluation	X	N/A	N/A	N/A	✓	X	X		✓
5(j) Annual Board effectiveness evaluation	✓	N/A	N/A	N/A	✓	X	X		N/A

Source: Compiled by the Office of the Auditor General of Prince Edward Island.

**RESULTS OF REVIEW  
ANNUAL REPORTING FROM BOARDS  
AS PROVIDED TO DEPARTMENTS BY DECEMBER 31, 2023**

Items required in Treasury Board Policy 10.03 to be provided to Departments by December 31st	Department of Finance*			Department of Fisheries, Tourism, Sport and Culture			Department of Health and Wellness	Department of Housing, Land and Communities
	PEI Cannabis Management Corporation	PEI Liquor Control Commission	PEI Lotteries	PEI Marine Science Organization	PEI Museum and Heritage	Tourism PEI	Health PEI	PEI Housing Corporation**
(a) Annual Report	✓	✓	✓	✓	✓	✓	✓	N/A
(b) Conflict of Interest declaration forms	✗	✗	✗	✗	✗	✗	✓	N/A
(c) Board Certification – Fiduciary Duty forms	✗	✗	✗	✗	✗	✗	✓	N/A
(d) Performance Evaluation – CEO or equivalents	✗	✗	N/A	✗	✗	✗	✗	N/A
(e) Performance Evaluation – Board Members	✗	✗	✗	✗	✗	✗	✗	N/A
<b>Formal letter required in Treasury Board Policy 10.03 to be provided by Minister to Boards</b>								
Government's Public Policy Objectives related to each crown	✗	✗	✗	✗	✗	✗	✗	N/A

Source: Compiled based on review work of the Office of the Auditor General of Prince Edward Island.

\*Prince Edward Island Self-Insurance and Risk Management Fund falls under the responsibility of the Department of Finance; however, it is not applicable to our follow-up work as it is not overseen by a Board of Directors and does not complete a checklist.

\*\*Per checklist provided by the Prince Edward Island Housing Corporation (PEIHC) and the response to our request letter issued during our work, as at March 31, 2023 the PEIHC did not have a Board of Directors, as there is no provision in their governing legislation for the creation of a Board of Directors at this time. As such, no additional follow-up work was completed.

RESULTS OF REVIEW  
ANNUAL REPORT CONTENT  
FOR MARCH 31, 2023 ANNUAL REPORTS

Recommendation	Annual reports should include:	Department of Education and Lifelong Learning	Department of Finance	Department of Justice and Public Safety	Innovation PEI	PEI Crown Building Corporation	PEI Housing Corporation
33	a message endorsed by the Minister or Chair of the Board	✓	✓	✓	✓	✓	✓
	a listing of Acts the department/reporting entity is responsible for	✓ <sup>1</sup>	✓ <sup>1</sup>	✓ <sup>1</sup>	✓	✓	✓
	an overview statement endorsed by the Deputy Head	✓	✓	✓	✓	✓	✓
	an organizational chart for the department/reporting entity identifying lines of accountability	✓	✓	X	✓	X	✓
38	organization's mandate	✓	✓	✓	✓	X	✓
	organization's mission statement	X	X	X	✓	X	X
	organization's vision statement	X	X	X	✓	X	X
	organization's values or description of principles used to meet its vision	X	✓	X	✓	X	X
39	a summary overview of what happened in the organization during the reporting period in accordance with Treasury Board Policy 10.01, Section 5(c)(v) (formerly Section 8(e))	✓	✓	✓	✓	N/A <sup>2</sup>	✓
43	a section which clearly outlines the organization's goals in accordance with Treasury Board Policy 10.01, Section 5(c)(vii) (formerly Section 8(g)(i))	✓	✓	✓	✓	N/A <sup>2</sup>	X
47	the timeframe for meetings its goals	X	X	X	X	N/A <sup>2</sup>	N/A <sup>3</sup>
	why the results are important	X	X	X	X	N/A <sup>2</sup>	N/A <sup>3</sup>
	how performance is measured	X	X	X	X	N/A <sup>2</sup>	N/A <sup>3</sup>
	the success or failures over the reporting period	X	X	X	X	N/A <sup>2</sup>	N/A <sup>3</sup>
	how shortcomings will be addressed for the future	X	X	X	X	N/A <sup>2</sup>	N/A <sup>3</sup>

Source: Compiled based on review work of the Office of the Auditor General of Prince Edward Island.

RESULTS OF REVIEW (CONT'D)  
ANNUAL REPORT CONTENT  
FOR MARCH 31, 2023 ANNUAL REPORTS

Recommendation	Annual reports should include:	Department of Education and Lifelong Learning	Department of Finance	Department of Justice and Public Safety	Innovation PEI	PEI Crown Building Corporation	PEI Housing Corporation
50	outlines of the strategies used to obtain the intended results and provide a comparison of resources allocated to those actually used in accordance with Treasury Board Policy 10.01, Section 5(c)(vii) (formerly Section 8(g)(ii))	X	X	X	X	N/A <sup>2</sup>	N/A <sup>3</sup>
57	a separate section on the organization's main strategies and programs in accordance with Treasury Board Policy 10.01, Section 5(c)(viii) (formerly Section 8(h))	✓	✓	✓	✓	N/A <sup>2</sup>	✓
	outcomes achieved against intended goals, how the results were measured, and strategies used	X	X	X	X	N/A <sup>2</sup>	X
	the relationship of the division's goals to the organization's overall goals	X	X	X	X	N/A <sup>2</sup>	N/A <sup>3</sup>
61	a section on program activity, sector activity and other data and statistical information which may be of interest to the reader in accordance with Treasury Board Policy 10.01, Section 5(c)(ix) (formerly Section 8(i))	✓	✓	✓	✓	N/A <sup>2</sup>	✓
66	a section or appendix with financial information which sets out the approved budget, actual results and variances in accordance with Treasury Board Policy 10.01, Section 5(c)(x) (formerly Section 8(j))	X	X	X	X	✓	✓

Source: Compiled based on review work of the Office of the Auditor General of Prince Edward Island.

<sup>1</sup> A listing of Acts the department is responsible for does exist; however, based on testing performed, the listing is not complete.

<sup>2</sup> The only activity of the corporation relates to holding the provincial buildings. It is reasonable that with no activity, the corporation would not have goals to meet or a separate section for programs/divisions.

<sup>3</sup> As there were no goals identified, the remaining items related to goals are considered N/A.

## 9. Introduction to Financial Audits

- 9.1 Government is responsible for the management and control of public resources. Financial statements provide information to describe changes in a government's financial position, and its revenues and expenses for a fiscal period. Information contained in the annual financial statements is used by Members of the Legislative Assembly and the public to hold government accountable for its use and control of public resources.
- 9.2 Management is responsible for the preparation and fair presentation of financial statements, with oversight from those charged with governance. Management is also responsible to establish internal controls necessary to enable the preparation and fair presentation of financial statements. Users of financial statements need to know that the information in the financial statements is reliable, in order to make economic decisions based on what is prepared and presented by management.
- 9.3 The work of an independent auditor provides assurance that the financial statements are fairly presented. Using Canadian Auditing Standards, the auditor
- identifies and assesses the risks of material misstatement;
  - obtains an understanding of internal controls;
  - examines evidence supporting the amounts and disclosures in the financial statements;
  - objectively assesses the accounting principles used, the estimates made, and other management assertions reflected in the financial statements; and
  - evaluates the overall presentation, structure and content of the financial statements.
- 9.4 Canadian Auditing Standards require the auditor to obtain a high level of assurance to determine whether the financial information is free from material misstatement. The auditor obtains sufficient appropriate audit evidence to express an opinion in an independent auditor's report.
- 9.5 The *Audit Act* requires the Auditor General to perform the annual financial audit of the Province's consolidated financial statements. We also perform the annual financial statement audits for the following entities:
- Health PEI
  - PEI Advisory Council on the Status of Women
  - PEI Crown Building Corporation
  - PEI Lotteries Commission
  - PEI Public Sector Pension Plan
  - PEI Self-Insurance and Risk Management Fund
  - PEI Teachers' Pension Plan
  - Public Trustee
  - Supreme Court of PEI Trust Accounts
- 9.6 The *Audit Act* requires the Auditor General to bring to the attention of the Legislative Assembly any matter identified during an audit which in his/her opinion should be brought to its attention.



9.7 The Office has reporting responsibilities under the *Climate Leadership Act* and the *Government Advertising Standards Act*. These responsibilities were reported in Chapters 3 and 4.

9.8 In the chapters that follow, we provide summary financial highlights and comments on indicators of financial condition and capital spending for the Province. We also report on observations and recommendations resulting from our audits of

- the Province's consolidated financial statements;
- the financial statements of Crown corporations, agencies and trust funds; and
- the processing and recording of appropriations and special warrants.

# 10. Audit of the Consolidated Financial Statements – Highlights

## What we did

- We completed our audit of the Province’s consolidated financial statements for the year ended March 31, 2024, and issued a clean, or unqualified, audit opinion on October 7, 2024.
- We provided information on significant observations and recommendations arising from our audit work, along with other items we identified for consideration.
- We provided a summary of amounts due to the Province that had been cancelled or written off under Section 26 of the *Financial Administration Act*.
- We reported surpluses and deficits of the Province’s agencies, boards, funds, and Crown corporations for the year ended March 31, 2024.

## Why it’s important

The consolidated financial statements consolidate the accounts of the Operating Fund with those of the agencies, boards, funds, and Crown corporations owned or controlled by Government. These consolidated financial statements provide the most complete information about the financial position and operating results of the Province. The reported issues, recommendations, and other items for consideration identify opportunities to strengthen internal controls, enhance accountability and transparency, and improve management and accounting processes.

## What we found

- The 2023-24 consolidated financial statements fairly present the Province’s financial results.
- The Province of Prince Edward Island is the only province in Canada that does not have an internal audit function.
- Information required to assess corporate income tax revenues was not received in a timely manner and the Department of Finance did not intend to consider the most up to date tax assessment data in its tax revenue calculations.
- As a result of our audit work, we identified net changes to the contractual obligations disclosures of approximately \$350 million.
- Sufficient supporting documentation was difficult to obtain for several federal revenue amounts selected for testing.
- The Province’s interim payment request submitted under the Disaster Financial Assistance Arrangements program did not include the best estimate of eligible expenses nor was it consistent with the Province’s estimate of federal revenues.
- We noted a number of government employees carrying over significant amounts of accrued vacation time in combination with minimal vacation time usage during the year. Some of these employees have not taken vacation for several years.

# 10. Audit of the Consolidated Financial Statements

## BACKGROUND

- 10.1 The *Financial Administration Act* requires the Comptroller to annually prepare the Province's Public Accounts. Volume I of Public Accounts contains the Province's audited consolidated financial statements. All information and decisions related to these statements are the responsibility of Government. Public Accounts also includes Volume II, which contains the unaudited Operating Fund financial statements and details of revenues and expenditures of the Operating Fund, and Volume III (Part A and B), which contains the available financial statements of agencies, boards, funds, and Crown corporations that have been audited.
- 10.2 The *Financial Administration Act* requires the Minister of Finance to annually table the Province's Public Accounts in the Legislative Assembly. Public Accounts for the fiscal year ended March 31, 2024 were tabled on October 11, 2024.

## OBJECTIVES AND SCOPE

- 10.3 The *Audit Act* requires the Auditor General to annually audit the Province's consolidated financial statements and provide an independent auditor's report stating whether the statements are fairly presented.
- 10.4 Under Section 17 of the *Audit Act*, the Auditor General is not required to audit or report on the accounts of any agency of

Government where another auditor has been designated to audit its accounts. As part of the audit of the consolidated financial statements, the Auditor General reviews, as necessary, audit work performed by the external auditors of those government entities.

- 10.5 In the following sections, we provide information on our independent audit opinion on the Province's consolidated financial statements for the fiscal year ended March 31, 2024. We also include observations and recommendations arising from our work and provide information to address other reporting requirements under the *Audit Act*.

## AUDIT OPINION

- 10.6 Our audit was conducted in accordance with Canadian Auditing Standards. On October 7, 2024, the Auditor General issued a clean, or unqualified, audit opinion on the Province's consolidated financial statements for the fiscal year ended March 31, 2024. The independent audit opinion stated that the Province's consolidated financial statements for the year ended March 31, 2024 were fairly presented in accordance with Canadian Public Sector Accounting Standards. As part of our audit report, we also disclosed a key audit matter encountered during our audit of the Province's consolidated financial statements.

## OBSERVATIONS AND RECOMMENDATIONS

10.7 The consolidated financial statements are the responsibility of Government and are prepared by the Office of the Comptroller. Our audit involves performing procedures to obtain sufficient and appropriate audit evidence to provide a basis for the audit opinion.

10.8 As part of the audit process, we evaluate the financial statements and the information supporting the amounts and note disclosures. We identify any audit adjustments required and provide those adjustments to management. We request that all adjustments be posted to the financial statements. We also identify issues related to internal controls and financial reporting that require improvement. The following paragraphs provide details on some of the more significant observations and recommendations resulting from our audit, along with other items we noted for consideration.

10.9 **Appendix A** of this chapter includes a listing of the recommendations resulting from our audit as well as management responses to our recommendations.

### Internal Audit Function

10.10 In a December 2021 value-for-money report issued by the Office of the Auditor General of Ontario related to Ontario's provincial comptrollership framework, the Province of Prince Edward Island was the only jurisdiction to have no publicly available information on its internal audit function. This is because the Province does not have an internal audit function.

10.11 An internal audit function would assist the Province in accomplishing its objectives by providing it with internal auditing services. These services would provide a systematic approach for evaluating and advising government on the effectiveness of its internal controls, governance processes, and risk management. It could support the Province's operations by assessing

- the reliability of information produced and used by the Province;
- compliance with legislation, policies and accounting standards; and
- the effectiveness of program administration, internal control operations and exposure to fraud.

10.12 The internal audit function could help identify and address a number of issues that have been reported in this chapter. Although the Province has been working on establishing an internal audit function, it is still not in place approximately one year after committing to it.

#### Recommendation

**10.13 The Department of Finance should establish an internal audit function to help support the Province's operations.**

### Corporate Income Tax Revenues

10.14 Corporate income tax (CIT) revenues are one of the Province's largest revenue streams, totalling \$157.8 million for the fiscal year ended March 31, 2024. The Province uses detailed tax assessment data provided by the Canada Revenue Agency to estimate CIT revenues and personal income tax revenues. Detailed and summary tax assessment data is provided monthly for May to December and

can significantly impact income tax revenue estimates. This is especially true for CIT revenues, which are more volatile than personal income tax revenues. CIT revenues are a significant estimate for the Province and significant differences may arise between initial economic estimates and final tax assessments.

10.15 During our audit, we noted that CIT revenues for the year ended March 31, 2024 were initially estimated using July's detailed tax assessment data and the Department of Finance did not intend to consider the most up to date August summary tax assessment data that was available prior to completion of the audit. Due to the volatile nature of CIT revenues, by not using the most up to date tax assessment data available, the Province's reported CIT revenues may not be capturing significant adjustments potentially required as a result of the updated tax assessment data. To ensure future estimates of CIT revenues are as accurate as possible, the most recent tax assessment data should be considered in estimate calculations.

10.16 A new methodology for estimating CIT revenues was developed and implemented by the Province during the 2023-24 fiscal year. During our audit, we encountered significant delays when attempting to schedule walkthroughs to assess the new methodology. We also experienced delays with regard to the receipt of the Province's CIT revenues estimate based on July detailed tax assessment data, which was not received until a few weeks prior to the expected audit completion date. Due to the significance of the CIT estimate, such delays have the potential to hold up our audit work and impact audit completion timelines.

Therefore, it is vital that information required to assess the estimate of CIT revenues is provided to our Office on a timely basis.

#### **Recommendations**

**10.17 The Department of Finance should consider the most up to date tax assessment data in its tax revenue calculations.**

**10.18 The Department of Finance should ensure that information required to assess the corporate income tax revenue estimate is provided to our Office on a timely basis.**

## Contractual Obligations and Contractual Rights

10.19 Disclosure of significant contractual obligations provides information to users of the consolidated financial statements about government resources that have already been committed for future spending. Contractual rights disclosures provide information about future resources that will be available to meet obligations or finance operations. Consistent with prior periods, we noted incomplete information and errors in the schedules of contractual obligations and contractual rights provided for audit.

10.20 As a result of our audit work, we identified net changes to disclosures of approximately \$350 million for contractual obligations and \$7 million for contractual rights. While the net change to contractual rights disclosures was not significant due to offsetting adjustments, the number and size of changes we identified warrants concern with regard to the completeness and accuracy of the schedule of contractual rights that was provided for audit. The Office of the

Comptroller recorded the changes recommended by our Office.

10.21 Formal policies and procedures promote consistency in accounting treatment and serve as a reference for new and existing staff. While we acknowledge that a documented process exists for preparing these disclosures, it is evident that additional support should be provided to assist staff with the preparation of the contractual obligations and contractual rights disclosures.

**Recommendation**

**10.22 The Office of the Comptroller should provide additional support to assist staff with the preparation of contractual obligations and contractual rights disclosures to ensure that the information presented in the consolidated financial statements is complete and accurate.**

## Supporting Documentation for Government of Canada Revenues

10.23 As part of our audit work related to Government of Canada revenues (federal revenues), we request supporting documentation for samples selected to assess whether federal revenues are being recognized in accordance with Public Sector Accounting Standard *PS 3410 Government Transfers*. Supporting documentation for our audit of federal revenues can include, but is not limited to, related funding agreements, claims, and records of expenditures incurred in connection with the funding being recognized.

10.24 During the audit, sufficient supporting documentation was difficult to obtain for several federal revenue amounts selected for

testing. Initial supporting documentation provided was often inadequate and, in some instances, departments did not have information readily available for audit. We also noted that the Office of the Comptroller did not assess documentation coming from the departments to ensure it was sufficient for audit purposes. Overall, this led to significant correspondence and delays in the completion of our federal revenue testing.

10.25 Sufficient documentation to support the recognition of federal revenues in accordance with Public Sector Accounting Standards should be readily available. This will reduce delays, and the level of correspondence required in our audit of federal revenues.

**Recommendation**

**10.26 Departments should ensure that sufficient documentation to support the recognition of federal revenues in accordance with Public Sector Accounting Standard *PS 3410 Government Transfers*, is readily available.**

## Disaster Financial Assistance Arrangements Programs – Interim Payment Request

10.27 As a result of the damage caused by Post-Tropical Storm Fiona (the storm), the Province was eligible for Federal Government assistance through the Disaster Financial Assistance Arrangements program (DFAA). The purpose of the DFAA is to assist provinces with the costs of dealing with a disaster, when those costs would otherwise place a significant burden on the provincial economy.

10.28 Under DFAA Guidelines – Section 2.9, interim payments may be made from time to time to assist with recovery efforts if requested in writing and if the situation warrants such payments. Such requests must be supported by adequate documentation, including information detailing actual interim expenditures and any estimate revisions. Due to the significance of recovery efforts related to the storm, the Department of Justice and Public Safety (the Department) submitted an interim payment request in March 2024.

10.29 During our audit work, we noted that the interim payment request submitted to Public Safety Canada included an additional \$15.7 million in expenditures compared to the total used by the Province to calculate its share of response and recovery federal revenues reported in the consolidated financial statements. This discrepancy initially triggered concerns for our Office around the completeness and accuracy of the federal revenues reported. Upon further investigation, our Office was told that the Province’s reported amount of federal revenues is more accurate and reflects those expenditures which are likely to be reimbursed. The Department’s response indicated that the interim payment request included higher expenditures in the event Public Safety Canada’s internal review approved all claimed expenditures under the program. Based on these comments, it is reasonable to conclude that a significant amount of potentially ineligible expenditures were included on the interim payment request.

#### **Recommendation**

**10.30 The Department of Justice and Public Safety should ensure that any payment requests submitted under the DFAA are in accordance with program guidelines, include the best estimate of eligible expenses, and are consistent with the Province’s estimate of federal revenues.**

### Vacation Time Usage

10.31 Taking regular vacation time is essential for employee well-being from both a mental health and physical health perspective. It is associated with several benefits including increased productivity and job satisfaction, reduced stress and the maintenance of a healthy work-life balance. To encourage the use of vacation time earned, government employees generally have a limit on the amount of vacation time that they are entitled to carry over each fiscal year, and any carry over in excess of their limit requires an appropriate level of approval. Unused vacation balances at year end represent an accrued liability for the Province that can only be extinguished through employees using their vacation time or the Province paying it out.

10.32 During our audit, we noted a number of government employees carrying over significant amounts of accrued vacation time in combination with minimal vacation usage during the 2023-24 fiscal year. Within this population, we noted some employees who have not taken any vacation hours for several years. While unexpected work requirements can arise that limit vacation time usage in some circumstances, these rates of vacation time usage are unusual, especially given the general expectation that employees will use

their vacation time in the year it is earned, and could be an indication that regular vacation is not being taken, or, is not being reported.

**Recommendation**

**10.33 All levels of Government should ensure vacation time usage is monitored on a regular basis and that employees are encouraged to take regular vacation time. Any unusual trends in vacation time should be investigated.**

## Real Property Taxes – Utility Corporations

10.34 The Province is responsible for calculating and collecting both the municipal and provincial portion of real property taxes on utility transmission and distribution systems. Such systems would generally include power lines and substations. Based on the contents of Section 4 of the *Real Property Tax Act*, we would expect these real property taxes to be calculated based on the assessed market value of the real property. Market value, as defined in the *Real Property Assessment Act*, “means, in respect of real property, the most probable sale price of that real property as of comparable properties and the value indicated by rentals or anticipated net income.”

10.35 During our audit work, we noted that the assessed market value of utility transmission and distribution systems is calculated by the Department of Finance through applying an income-based approach using a percentage of gross utility corporation revenues. The percentage rate differs among the various utility corporations. This method for calculating an implied assessment value has

been in place for many years and no documentation to support the negotiated rate or methodology used in the calculation could be provided. Due to the lack of support for the methodology used, we were not able to determine whether the implied assessment value calculated is a reasonable assessment of market value and in accordance with the *Real Property Assessment Act*. An unreasonable market value assessment would lead to an inaccurate amount of real property taxes being levied.

10.36 In addition, we were also advised that the revenue figures used in these calculations are submitted by the utility corporations and no process is in place to verify the accuracy of the revenue figures submitted. As these are large corporations with significant revenues, a verification process should be implemented by the Department of Finance. This would address the risk of corporations having an inherent bias to pay the lowest amount of taxes possible.

**Recommendations**

**10.37 The Department of Finance should document and approve its methodology for calculating the assessed market values of utility transmission and distribution systems to support that they are being appropriately assessed in accordance with the *Real Property Assessment Act*.**

**10.38 Revenue figures submitted by utility corporations should be verified by the Department of Finance to ensure they are fair and accurate.**



## Asset Retirement Obligations

10.39 An asset retirement obligation (ARO) is a legal obligation associated with the retirement of a tangible capital asset (TCA). This includes a legal requirement to remove hazardous materials, such as lead and asbestos. When an ARO exists, Public Sector Accounting Standard *PS 3280 Asset Retirement Obligations* (the standard) requires public sector entities to recognize the legally obligated costs associated with the retirement or decommissioning of assets on acquisition, construction or development.

10.40 An ARO liability should be estimated based on information available at the financial statement date and should result in the best estimate of the amount required to retire or decommission the related asset(s) at the financial statement date. In terms of subsequent measurement, the standard requires the carrying amount of an ARO liability to be reconsidered at each financial reporting date as the liability is generally long term in nature and the measurement of the amount is likely to change as new information becomes available.

10.41 During our audit, we noted instances where new information was not considered for its impact on the carrying amount of the ARO liability. In particular, we identified several invoices for remediation work completed during the year that were not considered as part of the liability assessment. Remediation work performed provides valuable information on current actual cost rates associated with the remediation of hazardous substances and on whether the estimated timing of retirement of TCA is still reasonable. This information should be used

when evaluating existing estimates and assumptions to determine if any adjustments are required as it could directly impact the ARO liability. We also noted instances where new hazardous material assessments completed during the year were not considered. The results of these assessments could increase or decrease the ARO liability depending on what is identified.

### Recommendation

**10.42 The Office of the Comptroller should ensure that relevant new information is considered each year when reassessing the carrying amount of the ARO liability, as required by Public Sector Accounting Standard *PS 3280 Asset Retirement Obligations*.**

## Other Recurring Issues

10.43 Other recurring issues relate to observations and recommendations provided in our prior year's report that have not already been identified above. These repetitive issues need to be addressed and are summarized in the following paragraphs.

### Asbestos Management Plan

10.44 As part of our audit work on *PS 3280 Asset Retirement Obligations*, we continued to note that an up to date asbestos management plan, including a current record of asbestos-containing materials (ACMs) and remediation work, was not available. Section 49.6 of the *Occupational Health and Safety Act – General Regulations* requires that an asbestos management plan be developed to prevent ACMs from becoming airborne in the workplace as well as to protect the health and safety of workers if ACMs become

airborne in the workplace. This report should be reviewed and updated at least annually and provide a complete summary of ACMs in the workplace, as required by the legislated regulations.

**Recommendation**

**10.45 The Department of Transportation and Infrastructure should prepare a complete and up to date asbestos management plan as required by the *Occupational Health and Safety Act – General Regulations*. This asbestos management plan should be reviewed and updated annually.**

Estimated Useful Life of Buildings

10.46 The Province's Tangible Capital Asset Policy (the Policy) defines amortization of tangible capital assets (TCA) as the process of allocating the cost of TCA over its estimated useful life in order to match expenditures with revenues generated or public services provided. As a result, the useful life is the estimated period over which TCA are expected to be used by the Province.

10.47 As noted in the prior year, the average age of buildings and schools has exceeded the 40-year estimated useful life that is disclosed in Section 8 of the Policy. Additionally, many of these buildings are expected to be used well beyond this amortization period based on the assumptions used for the retirement of these assets under the Asset Retirement Obligations (ARO) accounting standard.

10.48 As a result, the Policy should reflect an appropriate useful life estimate for buildings that are considered to have longer useful lives. Regular review of estimated useful life is required under paragraph 29 of *PS 3150*

*Tangible Capital Assets* and several factors should be considered in estimating the useful life for buildings. Amortization expense is an important part of the costs associated with providing government services and the estimated useful life is a key factor in ensuring TCA are amortized over the period they are used by the Province.

**Recommendation**

**10.49 The Office of the Comptroller should review the Province's Tangible Capital Asset Policy to ensure that the estimated useful life of buildings reflects the best estimate of expected useful life for this class of tangible capital assets.**

Tangible Capital Asset Policy

10.50 Section 6 of the Province's TCA Policy (the Policy) states that TCA are grouped based on specified asset categories in order to calculate amortization expense over their expected useful lives. During our audit, we continued to note that the treatment of TCA related to golf courses is not consistent with the Policy. Other assets, described at paragraph 6(g) of the Policy, include the non-land portion of TCA that do not fit into other capital asset classes described in the section. Included in the other assets of the Province is \$13.9 million related to golf courses, which are not being amortized. This is inconsistent with Section 7 of the Policy, which states that golf courses should be amortized on a straight-line basis between 5 and 20 years. Guidance should be reviewed and consistently applied; otherwise, the policy should be updated to reflect the Province's treatment of these golf courses.

**Recommendation**

**10.51 The Office of the Comptroller should ensure that the tangible capital assets are classified and amortized according to the Province’s Tangible Capital Asset Policy.**

Social Programs Overpayments

10.52 Social programs receivable in the March 31, 2024 consolidated financial statements includes \$10.2 million of accumulated social programs overpayments that have been set up as doubtful of collection through a provision. This balance continues to grow each year and no write-offs have occurred since 2016. The current year increase to this balance of almost \$1.2 million is the largest yearly increase in recent years and uncollected overpayments of almost \$3.8 million have occurred in the last five years. Most of this balance relates to adjustments, errors, and misrepresentations associated with client income levels and living arrangements.

**Recommendation**

**10.53 The Department of Social Development and Seniors should improve processes and controls around social programs payments, specifically those related to the verification of client income levels and living arrangements.**

New Accounting Standards

10.54 The Canadian Public Sector Accounting Board has issued new or amended standards for the public sector that become effective April 1, 2026. These standards include *The Conceptual Framework for Financial*

*Reporting in the Public Sector and PS 1202 Financial Statement Presentation*. Each of these new standards should be reviewed to assess the potential impacts of adoption on the Province.

**Recommendation**

**10.55 The Office of the Comptroller should be proactive in preparing for new accounting standards in order to achieve timely implementation.**

Other Items for Consideration

10.56 In addition to the observations and recommendations provided above, we would like to call attention to other opportunities we have identified for enhancing the Province’s accountability and transparency, improving current practices and processes, and ensuring the adequacy of internal controls prior to the implementation of new software systems.

Disclosure of Supplemental Information

10.57 Other jurisdictions including Nova Scotia and New Brunswick provide supplementary information as part of their reporting on Public Accounts. This includes the public disclosure of information such as cumulative payments within the fiscal year to individuals and suppliers for things like salaries, travel expenses, supplier payments, grants and other payments. Such amounts typically must meet a minimum threshold for disclosure. The disclosure of such information would enhance accountability and transparency for the Province.

## Audit Readiness and Interim Audit Testing

10.58 In recent years, our Office and the Office of the Comptroller have been working towards an earlier completion of the Public Accounts audit at the request of the Department of Finance. Part of achieving this goal involves implementing earlier audit readiness dates to ensure sufficient time is available to complete our audit work. While certain timelines have been shifted back to assist with early completion, focus must be placed on sections where interim testing can be completed. An example of this would be federal revenues given the significance of this section to the Public Accounts audit. Quarterly reconciliations would allow for more timely reporting and more accurate forecasting of federal revenues. It would also enable our Office to incorporate interim federal revenue testing into the audit – a vital component to ensuring early completion timelines can be met.

## Treasury Board Policy and Procedures Manual

10.59 During our audit, we noted that several sections of the Treasury Board Policy and Procedures Manual (the manual) were reviewed and updated. It is our understanding that the review process is ongoing and will continue to assess additional areas such as rates, thresholds and other policy type decisions. This review is a significant undertaking by the Treasury Board Secretariat to ensure that documented policy and procedures are serving their intended purposes throughout Government. Subsection 1.01 states that it is the responsibility of every reporting entity to be aware of the contents of the manual. Considering this, the manual is a vital

resource for Government employees. Treasury Board Secretariat should continue to review and update the Treasury Board Policy and Procedures Manual regularly to ensure it aligns with current Acts and regulations.

## Implementation of Enterprise Customer Relationship Management Software Systems

10.60 The Province is currently in the process of streamlining its digital services and modernizing existing software through the development and implementation of enterprise customer relationship management software systems (ECRM systems). These ECRM systems will allow the Province to manage its relationships with individuals, businesses and other government departments and agencies. It is our understanding that the implementation of several ECRM systems is in progress at this time. To safeguard confidential information and ensure the ECRM systems work as intended, the Province should be proactive in ensuring that adequate controls and safeguards are in place and functioning properly before the systems go live.

10.61 We have communicated our findings and recommendations to the Minister of Finance, Provincial Comptroller and Treasury Board Secretariat. Management responses to our recommendations are included in **Appendix A**, at the end of this chapter.

10.62 As part of our audit of the Province's consolidated financial statements, we follow-up on the issues included in our previous management letters to determine if those issues have been addressed. We acknowledge that management is working to

address the noted issues and some progress is being made. However, sufficient work had not been completed by the Province at the time of our audit to warrant removal of certain issues from our management letters. We encourage the Province to implement our recommendations.

surpluses/deficits of the Province’s Crown corporations, agencies and funds.

**Exhibit 10.2** includes the surplus or deficit of each entity for the year ended March 31, 2024.

## OTHER REPORTING

### Amounts Cancelled and Written Off

10.63 Section 16 of the *Audit Act* requires the Auditor General to report the total amount of any claims, obligations, debts, or moneys due to the Province that have been cancelled under Section 26 of the *Financial Administration Act*. For the year ended March 31, 2024, the amounts cancelled under Section 26(1) are detailed in **Exhibit 10.1**. Also included are amounts written off under Section 26.1(1).

**EXHIBIT 10.1  
AMOUNTS CANCELLED  
AND WRITTEN OFF  
YEAR ENDED MARCH 31, 2024**

	Cancellations Section 26(1)	Write-offs Section 26.1(1)
Health PEI	\$ 29,891	\$ 588,604
<i>Real Property Tax Act</i>	44,800	-
PEI Grain Elevators Corporation	19,056	1,112
Various Departments	20,067	54,764
<b>Total</b>	<b>\$113,814</b>	<b>\$644,480</b>

Source: Orders-In-Council April 1, 2023 - March 31, 2024.

### Surplus (Deficit) Crown Corporations, Agencies and Funds

10.64 Consistent with our prior reports, we continue to include information on

**EXHIBIT 10.2**  
**SURPLUS (DEFICIT)**  
**CROWN CORPORATIONS, AGENCIES AND FUNDS**  
**YEAR ENDED MARCH 31, 2024**

	Annual Surplus (Deficit) \$
Charlottetown Area Development Corporation*	1,105,662
Finance PEI	5,187,755
Health PEI	7,444,538
Innovation PEI	274,177
Island Investment Development Inc.	9,176,588
Island Waste Management Corporation	(431,074)
La Commission scolaire de langue française	19,912
PEI Advisory Council on the Status of Women**	(662)
PEI Agricultural Insurance Corporation	(13,863,006)
PEI Cannabis Management Corporation	3,035,779
PEI Crown Building Corporation**	40,459
PEI Energy Corporation	3,837,699
PEI Grain Elevators Corporation (July 31, 2023)	(189,013)
PEI Housing Corporation	69,406,819
PEI Human Rights Commission	84,511
PEI Liquor Control Commission	24,196,320
PEI Lotteries Commission	21,792,930
PEI Marine Science Organization	(3,206)
PEI Museum and Heritage Foundation	(23,896)
PEI Regulatory and Appeals Commission	274,201
PEI Self-Insurance and Risk Management Fund	5,418,039
PEI Student Financial Assistance Corporation	400,000
Public Schools Branch	(5,063)
Summerside Regional Development Corporation	170,831
Tourism PEI	-

Source: The Province's Volume III (Part A and B) Public Accounts March 31, 2024.

\*Includes the Province's portion only

\*\*Based on draft financial statements

RECOMMENDATIONS*	MANAGEMENT RESPONSE
<p><b>Recommendation 10.13</b> The Department of Finance should establish an internal audit function to help support the Province’s operations.</p>	<p>Efforts are underway to implement the Internal Audit Function, including the public procurement of a consultant. Selected in the Fall of 2024, the consultant is providing expert guidance on establishing an appropriately-sized internal audit function for P.E.I. This process is well underway and the Department of Finance is committed to its successful implementation.</p>
<p><b>Recommendation 10.17</b> The Department of Finance should consider the most up to date tax assessment data in its tax revenue calculations.</p>	<p>The Department of Finance agrees it is important to utilize all information available to determine Corporate Income Tax (CIT), including expert knowledge about the levels of detail to be received and the factors driving the tax filing results received from the Federal Government at any particular point in time. In consideration of these realities and with the aim to reduce variability, the Department has implemented updates to the model used for CIT estimation throughout the year to look at data by industry including how many have filed at a point in time compared to the same point as in prior years. Prior to the finalization of Public Accounts each Fall, the Department does consider most recent data for income taxes to determine the extent of differences from already accrued revenues. If there are material differences, the appropriate adjustments are made.</p>
<p><b>Recommendation 10.18</b> The Department of Finance should ensure that information required to assess the corporate income tax revenue estimate is provided to our Office on a timely basis.</p>	<p>The Department of Finance supports the timely submission of information for audit purposes. Delays this year were due to the departure of key personnel and Department staff summer vacations. We have since worked with the Office of the Auditor General to establish clear timelines for this information in the upcoming Public Accounts year.</p>
<p><b>Recommendation 10.22</b> The Office of the Comptroller should provide additional support to assist staff with the preparation of contractual obligations and contractual rights disclosures to ensure that the information presented in the consolidated financial statements is complete and accurate.</p>	<p>The Office of the Comptroller continues to consider solutions to improve the gathering of information from departments, who are responsible for contract tracking, to meet the disclosure requirements on contractual rights and obligations. Efforts include educating government departments, proactively tracking Treasury Board Minutes, cross-referencing prior year disclosures, and following up with departments on any missing contract disclosure.</p>

RECOMMENDATIONS*	MANAGEMENT RESPONSE
<p><b>Recommendation 10.26</b> Departments should ensure that sufficient documentation to support the recognition of federal revenues in accordance with Public Sector Accounting Standard <i>PS 3410 Government Transfers</i>, is readily available.</p>	<p>The Office of the Comptroller agrees with the Office of the Auditor General’s recommendation.</p>
<p><b>Recommendation 10.30</b> The Department of Justice and Public Safety should ensure that any payment requests submitted under the DFAA are in accordance with program guidelines, include the best estimate of eligible expenses, and are consistent with the Province’s estimate of federal revenues.</p>	<p>The Department of Justice and Public Safety submitted the Disaster Financial Assistance claim with expenses that it believes may be eligible for reimbursement. The federal government, which administers the program, is the final authority on interpretations of what expenses are eligible under the program. The estimate provided for Public Accounts was based on a conservative figure that the Department felt confident in.</p>
<p><b>Recommendation 10.33</b> All levels of Government should ensure vacation time usage is monitored on a regular basis and that employees are encouraged to take regular vacation time. Any unusual trends in vacation time should be investigated.</p>	<p>The Office of the Comptroller agrees with this recommendation.</p>
<p><b>Recommendation 10.37</b> The Department of Finance should document and approve its methodology for calculating the assessed market values of utility transmission and distribution systems to support that they are being appropriately assessed in accordance with the <i>Real Property Assessment Act</i>.</p>	<p>The Department of Finance acknowledges the long-standing practice of calculating the assessed market values of utility lines and intends to formally document this practice in the near future.</p>
<p><b>Recommendation 10.38</b> Revenue figures submitted by utility corporations should be verified by the Department of Finance to ensure they are fair and accurate.</p>	<p>The Department of Finance agrees with this recommendation.</p>
<p><b>Recommendation 10.42</b> The Office of the Comptroller should ensure that relevant new information is considered each year when reassessing the carrying amount of the ARO liability, as required by Public Sector Accounting Standard <i>PS 3280 Asset Retirement Obligations</i>.</p>	<p>The Office of the Comptroller adheres to Public Sector Accounting Standards and agrees relevant new information should be considered when reassessing the carrying amount of the ARO Liability. We continue to improve our process with this challenging standard.</p>



RECOMMENDATIONS*	MANAGEMENT RESPONSE
<p><b>Recommendation 10.45</b> The Department of Transportation and Infrastructure should prepare a complete and up to date asbestos management plan as required by the <i>Occupational Health and Safety Act – General Regulations</i>. This asbestos management plan should be reviewed and updated annually.</p>	<p>The Department of Transportation and Infrastructure is in compliance with the asbestos management requirements of the Occupational Health and Safety Act and General Regulations. While the information may not be in a format interpreted by the Office of the Auditor General to meet Occupational Health and Safety requirements, the Department maintains two files to track information on tasks completed as part of the Asbestos Management Plan, including communicating with required personnel and department managers.</p> <p>In response to the Office of the Auditor General’s recommendation, the Department has committed to reviewing and updating the Asbestos Management Plan on an annual basis.</p>
<p><b>Recommendation 10.49</b> The Office of the Comptroller should review the Province’s Tangible Capital Asset Policy to ensure that the estimated useful life of buildings reflects the best estimate of expected useful life for this class of tangible capital assets.</p>	<p>The Office of the Comptroller annually reviews the TCA policy and updates are made as necessary. We continue to appreciate areas the Office of the Auditor General identifies as areas for improvement.</p>
<p><b>Recommendation 10.51</b> The Office of the Comptroller should ensure that the tangible capital assets are classified and amortized according to the Province’s Tangible Capital Asset Policy.</p>	<p>The Office of the Comptroller intends to update the TCA policy before the end of the current fiscal year to address this issue.</p>
<p><b>Recommendation 10.53</b> The Department of Social Development and Seniors should improve processes and controls around social programs payments, specifically those related to the verification of client income levels and living arrangements.</p>	<p>The Department of Social Development and Seniors is working to improve the process and controls for social programs payments, specifically those related to the verification of client income levels and living arrangements while also working with clients when overpayments do occur. The Department acknowledges the importance of ensuring Islanders with the greatest needs are being served, while ensuring responsible management of support payments. In 2024-25, the Department wrote off multiple accounts and continues its collection efforts for the balance.</p>
<p><b>Recommendation 10.55</b> The Office of the Comptroller should be proactive in preparing for new accounting standards in order to achieve timely implementation.</p>	<p>The Office of the Comptroller continues to be proactive in implementing new accounting standards and work is ongoing for the newest standards. We expect to be able to implement these standards on time.</p>

\*Recommendation numbers refer to the paragraph numbers.

# 11. Issues Noted in Other Financial Audits – Highlights

## What we did

- We provided summary comments and recommendations on significant issues noted in the management letters arising from our financial statement audits.
- We reviewed management letters issued by external auditors of government entities for significant issues to report.
- We summarized the total number and percentage of recurring issues included in management letters issued by our Office and external auditors.
- We reported on the timeliness of annual report filings for reporting entities and departments.

## Why it's important

Management letters are provided to management, and those charged with governance, to assist them in fulfilling their responsibilities. The reported issues and recommendations identify opportunities to strengthen internal controls and improve management and accounting processes.

## What we found

- For management letters issued by our Office, 68 percent of issues identified were recurring issues. For management letters issued by external auditors, 54 percent of issues identified were recurring issues. Recurring issues are previously reported issues that have not been addressed.
- Accounting concerns identified mainly related to the completeness and accuracy of information provided for audit and the need for improved transparency in financial reporting.
- We identified instances of non-compliance with Treasury Board policies, the *Public Trustee Act*, the *Health Services Act*, and the *Occupational Health and Safety Act – General Regulations*.
- Reportable internal control issues related to potential overpayments to physicians, the lack of formal service agreements with other provincial health authorities, monitoring of service and funding agreements, the slow collection of rebates and receivables, establishing investment strategies for excess funds, the need to wind up an inactive company, and delayed approval of financial statements.
- Of the 27 reporting entities, 19 did not meet the *Financial Administration Act's* annual reporting deadline for their most recent fiscal year.
- Of the 13 government departments, seven did not meet the annual reporting deadline established by the *Treasury Board Policy and Procedures Manual* for the most recent fiscal year.
- Reportable issues identified through external audits related to the lack of formal approval for program assistance extensions, missing or inaccurate employment forms and contracts, and outstanding accounts receivable balances exceeding approved credit limits.

# 11. Issues Noted in Other Financial Audits

## BACKGROUND

- 11.1 Our Office conducts independent audits and examinations that provide objective information, advice, and assurance to the Legislative Assembly. A significant portion of our work relates to financial audits.
- 11.2 It is important to note that an audit is not designed to express an opinion on the adequacy or effectiveness of the system of internal controls established by management. It cannot be relied upon to detect all internal control weaknesses, defalcations, irregularities, and/or other areas which may be of interest to management.
- 11.3 Our financial audits are conducted in accordance with Canadian Auditing Standards and include such tests and other procedures we consider necessary in the circumstances. These standards require the auditor to communicate to management, and those charged with governance, any significant issues or matters identified during an audit.
- 11.4 At the completion of an audit, any issues identified as significant are communicated through a management letter. A management letter provides recommendations for improvements in various areas, such as the entity's system of internal controls, proper accounting for transactions, adequate disclosures, compliance with policies and agreements, or any other matter the auditor concludes

should be brought to the attention of management and those charged with governance. Our audits may also identify matters of a less significant nature, which are verbally communicated to management.

- 11.5 Prior to finalizing a management letter, we communicate our findings and recommendations to management for feedback. We also request written responses to our management letters. A copy of each management letter is provided to the Secretary to Treasury Board and to the Office of the Comptroller.

## SCOPE

- 11.6 In this chapter, we provide summary comments on significant issues noted in the management letters arising from the financial statement audits conducted by our Office. We also provide a summary of reportable issues identified in the management letters issued by external auditors related to the financial audits of entities included in the Province's consolidated financial statements. This chapter does not include findings and recommendations related to our audit of the Province's consolidated financial statements, as they were discussed in Chapter 10.

## SUMMARY OBSERVATIONS

- 11.7 We issued management letters for all financial statement audits that we

completed since our last annual report, as summarized in **Appendix A**. Our management letters included several recurring issues as 68 percent of all issues were previously reported and not addressed.

- 11.8 The main issues identified and detailed in our management letters can be categorized into three areas: accounting concerns, compliance issues, and internal control weaknesses. The following sections of the chapter provide a description of each of these categories and summarize the issues identified in our financial statement audits.

## Accounting Concerns

- 11.9 Financial statements are prepared in accordance with accounting standards. An objective of these standards is to enable users of the financial statements to understand the information and for the information to be fairly presented. The majority of accounting concerns identified related to the completeness and accuracy of information provided for audit and the need for improved transparency in financial reporting.

- 11.10 During our audit of the Prince Edward Island Lotteries Commission, we noted concerns with respect to the completeness of its commitments disclosures. As a result of our audit work, a commitment of \$23.2 million for the provision of grant funding to one organization up to the 2026-2027 fiscal year was disclosed. In addition to this, we recommended that the Commission disclose a further \$40.6 million in grant funding up to the 2030-2031 fiscal year, based on a letter sent to the same grant recipient. In our

opinion, the letter sent by the Commission constitutes a commitment for future funding as it clearly outlines annual funding commitments and does not specify any stipulations to be met in order to receive the funding. Information related to this long-term funding commitment would be significant to the users of the financial statements, as it will have a significant impact on the Commission's future expenses. The Commission should disclose all significant commitments in its financial statements.

- 11.11 During our audit of the Prince Edward Island Self-Insurance and Risk Management Fund, we noted errors impacting the accuracy of the balance of the reserve for unsettled claims which resulted in adjustments totalling over \$700 thousand. Management should monitor and update claim balances included in the reserve for unsettled claims on a timely basis to ensure the reserve balance is complete and accurate.

- 11.12 As part of our audit of the Public Trustee, we continued to note accounting concerns related to the accuracy of year-end information provided for audit and the application of accounting policies, both of which contributed to audit adjustments totaling over \$1 million. The Public Trustee should improve its processes to ensure the financial information provided for audit is complete and accurate.

- 11.13 The Public Trustee prepares financial statements on a disclosed basis of accounting. The needs of the intended users of the financial statements should be a key factor in determining the appropriate accounting policies and disclosures. During

our audit, we identified a few areas where accounting policies and disclosures should be updated to better meet the needs of the intended users and improve the financial reporting transparency. This includes recommendations to update accounting policies for clients' real and other property along with providing a more detailed reporting of additions and disbursements in the statement of continuity schedule.

## Compliance Issues

- 11.14 Governments have objectives and establish regulations, policies, and procedures to clearly communicate expectations. We noted several compliance issues during our financial statement audits. These issues related to compliance with legislation and Treasury Board policies.
- 11.15 We identified that Health PEI's business and strategic plans are not being submitted to the Minister of Health and Wellness for approval on a timely basis, as required by the *Health Services Act*. Health PEI's Board of Directors is responsible for approving the business and strategic plans prior to submission to the Minister. These documents set out strategic objectives, performance measures, targets, and key tactical actions for Health PEI. Business and strategic plans should be completed and approved prior to the start of the fiscal year(s) to which they relate. The fiscal 2023-24 business plan was not approved until after the fiscal year ended. As of early December 2024, neither the fiscal 2024-25 business plan nor the 2025-28 strategic plan were available to the public. Health PEI should submit its business and strategic plans to the Minister prior to the year(s)

they pertain to in order to comply with the timelines specified in the *Health Services Act*.

- 11.16 As part of our audit work surrounding Public Sector Accounting Standard *PS 3280 Asset Retirement Obligations*, we found that Health PEI did not have an asbestos management plan in place for all buildings containing hazardous materials. An asbestos management plan is a requirement under Section 49.6 of the *Occupational Health and Safety Act – General Regulations*. The plan helps prevent asbestos containing materials (ACMs) from becoming airborne in the workplace and protects the health and safety of workers in the case of ACMs becoming airborne. Health PEI should prepare complete and up-to-date asbestos management plans as required by the *Occupational Health and Safety Act – General Regulations*. These asbestos management plans should be reviewed and updated annually.
- 11.17 During our audit of the Prince Edward Island Lotteries Commission, we noted compliance issues related to grant funding arrangements. The Commission provided grant funding to two organizations without signed agreements in place. In addition, a grant to one of the organizations was over the threshold requiring Treasury Board approval, which was not obtained. The Commission should enter into funding agreements that have been approved in accordance with Treasury Board policies prior to providing funding to the recipients.
- 11.18 The *Public Trustee Act* states that all property held by the Public Trustee, and not claimed within five years after the death of a

client, is to be converted to cash and paid to the Province. During our audit of the Public Trustee, we noted 34 trust balances for clients who have been deceased for more than five years. These trust balances totaled approximately \$255 thousand and were not paid out to the Province in accordance with the Act. The Public Trustee should formalize procedures to identify heirs of deceased clients and adhere to the *Public Trustee Act* by paying out unclaimed balances older than five years to the Province.

11.19 The Public Trustee's office has developed and approved a policy to facilitate the transfer of interest revenue earned in the Master Trust bank account to the Province. The Public Trustee should obtain authority from the Lieutenant Governor in Council to set such a policy to comply with Section 13 of the *Public Trustee Act*.

## Internal Control Weaknesses

11.20 Internal controls help to ensure transactions are appropriately recorded and authorized. They also help to ensure business processes are operating as intended. Weaknesses in internal controls can expose an entity to business and financial risks. The most significant internal control weaknesses identified were related to

- potential overpayments to physicians;
- the lack of formal service agreements with other provincial health authorities;
- monitoring of service and funding agreements;
- the slow collection of rebates and receivables;

- establishing investment strategies for excess funds;
- the need to wind up an inactive company; and
- the delayed approval of financial statements.

11.21 As noted in previous years, significant increases in after-hours premiums paid for emergency services were identified for a particular physician group during our financial audit of Health PEI. It was determined that some of these increases resulted from an update to the physician group's billing system that caused the above-noted emergency premiums to be applied to after-hours claims regardless of whether they were emergency in nature. We recommended that the vacant physician claims auditor position be filled to perform a physician claims audit into the potential overpayments. However, this position has not been filled to date and it remains unclear as to what extent possible overpayments may still be occurring.

11.22 An audit plan, to examine possible overpayments of emergency premiums among this physician group, was approved by Health PEI's Audit Advisory Committee in January 2022. However, due to the delay in filling the vacant physician claims auditor position, the audit has not taken place to date. As of December 2024, it is our understanding that Health PEI is working to finalize an agreement with an external consultant for the provision of auditing services. However, the scope of auditing services to be provided, and whether it will include pursuit of the above audit plan, is yet to be determined. Health PEI should fill the vacant physician claims auditor position

and ensure that physician audits are completed on a regular basis and in a timely manner.

11.23 Health PEI currently has an agreement with a private contractor for the provision of teleradiology services. As per the terms of the agreement, services for emergency imaging studies related to inpatients and patients seen in the emergency department are to be completed in 60 minutes or less of the contractor receiving the imaging. The contractor is entitled to additional premiums for emergency imaging studies.

11.24 During our audit, we noted that an emergency study for a patient in the emergency department was not read by the contractor until 16 hours after the image was taken. Based on the information available, we were not able to determine when the imaging was sent to the contractor or what may have caused the delay. Upon further inquiry, we were informed that the 60 minutes or less timeline is difficult to enforce and that premiums are paid for services related to emergency imaging studies even if the timeline is not met. This is concerning, as the contractor is the exclusive provider of diagnostic radiology services for emergency cases during the agreed upon hours of service. To ensure that timely diagnostic radiology services are being received in emergency cases, Health PEI should monitor the services being provided by the contractor and ensure that they are in compliance with the teleradiology services agreement.

11.25 Health PEI and the residents of Prince Edward Island are dependent on other

provincial health authorities, especially those in neighboring provinces, for the provision of health care services. This relationship is essential to meeting the health care needs of many Islanders as some health care services are only accessible out of province. During our audit, we noted that Island patients requiring health services not available on the Island were refused care by a New Brunswick hospital due to capacity issues. While Health PEI indicated that it has understandings for services with some out-of-province health care centres, no formal service agreements exist to guarantee that Islanders have access to out-of-province health care services. This is very concerning given the national health care crises that continues to further strain capacity at health care centres across the country, including those that Islanders have historically depended on for health services. This situation, along with the fact that the Island's population has been growing at a fast rate in recent years, shows that the need to implement formal agreements to ensure Islanders have access to necessary out-of-province health care services has never been more important. Health PEI should implement formal service agreements with other provincial health authorities to ensure Islanders have guaranteed access to necessary health care services.

11.26 Health PEI receives drug product rebates on eligible drug purchases. During our audit, we continued to note that Health PEI is a year behind in billing suppliers for these rebates, which has slowed the collection of funds owed to Health PEI. It has also resulted in an estimated accrual at year end of \$23.3 million for drug product rebates receivable,

which is less accurate than an accrual based on actual billings. Health PEI should complete billings and collection of drug product rebates on a more timely basis to ensure a quicker collection of funds and allow for a more accurate accrual to be set-up for these rebates.

11.27 During our audit of the Prince Edward Island Lotteries Commission, we noted that a funding recipient had not submitted a final report, including financial statements, in accordance with the terms of the funding agreement. The Commission should ensure that funding recipients are complying with any reporting requirements included in the terms of funding agreements.

11.28 The Attorney General must approve the Public Trustee's financial statements prior to our Office being able to provide an audit report. For the 2023-2024 fiscal year, our audit completion and the issuance of the audited financial statements were delayed as this approval was not received until four months after it was requested. The Public Trustee should ensure that the financial statements are approved in a timely manner in order to limit delays in the issuance of the audited financial statements.

11.29 As noted in prior years, the Supreme Court of Prince Edward Island lacks internal policies and procedures that would provide guidance regarding funds paid into the court and held in trust. Funds held in trust earn interest through bank accounts and investments with the Province. There are no specific policies in place for how to invest these funds, which would set clear expectations on how to maximize earnings. Also, the interest earned has grown to

approximately \$413 thousand and is included with the cash balance and reported as accumulated surplus of the Supreme Court Trust Accounts. No guidelines have been established to specify the intended use of the growing accumulated surplus funds.

11.30 During our audit of the Prince Edward Island Teachers' Pension Plan, we noted several long-standing receivable balances related to benefit overpayments to members that have no repayment terms in place. These overpayments date back to 2013, and total about \$127 thousand. They are reported as receivable balances and have been fully setup as doubtful accounts. Management confirmed that the full balance is still under investigation and that these members are still receiving pension payments. Reasonable efforts should be made to collect benefit overpayments while there is still an opportunity to do so. If such amounts are deemed uncollectable, they should be written off in accordance with the Plan's policies and included in an annual submission to Treasury Board outlining the write-offs of the Plan.

11.31 The Prince Edward Island Crown Building Corporation was established in 1974 and has many objectives including the ability to purchase, lease, exchange, construct, maintain, alter and sell property, as well as to borrow, remunerate, and invest funds. The Corporation has been inactive with no financial transactions since 2012. Operating an inactive company creates an unnecessary administrative burden and can also lead to unnecessary costs. This became more evident since the 2022-2023 fiscal year, as the implementation of Public Sector Accounting Standard *PS 3280 Asset*



*Retirement Obligations* was costly, requiring the use of experts along with many additional hours of work to complete the accounting and auditing functions for the new standard. If there are no plans to utilize the Corporation, we recommend that it be wound up and the assets transferred to the Province.

11.32 The Prince Edward Island Housing Corporation is required to submit audited financial reports to the Canadian Mortgage and Housing Corporation (CMHC) in order to receive funding in a timely manner. As at March 31, 2024, the Corporation was behind on the submission of these reports resulting in approximately \$6.8 million of grant funding being withheld by CMHC related to prior years. While we were advised that this funding would be received by the end of calendar 2024, report submissions to CMHC should be completed on a more timely basis to enable faster collection of federal funds.

## Annual Reporting

11.33 During our audits, we continued to identify a common issue among reporting entities and government departments related to the timeliness of annual report publishing. Our review of annual reporting compliance includes all reporting entities and departments of the Province. Annual reports serve as accountability documents to permit stakeholders to assess the performance of departments and reporting entities, and the results achieved for money spent.

11.34 The *Financial Administration Act* requires that annual reports of reporting entities be made public within six months of the

financial year end. Reporting entities are identified in the *Financial Administration Act* under Schedules B, C and D. Based on our review, 19 of 27 reporting entities did not meet their most recent annual reporting deadline.

11.35 Government departments are not reporting entities, as defined in the *Financial Administration Act*; however, they are subject to Treasury Board policy that requires annual reports of departments to be made public within two months after the date of tabling of Public Accounts. Public Accounts were tabled on October 11, 2024 so the deadline for departments to publish their annual reports was December 11, 2024. Based on our review, seven of 13 government departments did not publish an annual report for fiscal 2023-2024 by this deadline. Our review of historical annual reports indicates that timely reporting has been an issue for the past number of years. We have seen some improvement as most of the older annual reports, which had been outstanding for many years, were published during calendar 2024.

## External Audits

11.36 We reviewed all management letters issued to externally audited government reporting entities during the reporting period and discussed certain items with the external auditors to obtain further clarification. We have summarized the management letters issued by external auditors in **Appendix B**. We reviewed a total of 39 management letter issues, 54 percent of which were recurring issues from previous years. Reportable issues identified during this

review related to the lack of formal approval for program assistance extensions, missing employment forms and contracts, and outstanding accounts receivable balances in excess of approved credit limits.

11.37 During the audit of Innovation PEI, it was noted that approximately \$1.3 million was included in payables for program assistance extending past approved end dates. Without formal approval for program assistance extensions, there is a risk that funds could be paid out to businesses and organizations that no longer qualify for funding.

11.38 During the audit of the Prince Edward Island Liquor Control Commission, it was noted that appropriate supporting documentation was not on file for all casual and permanent employees. The external auditor noted instances where employment contracts could not be located for permanent employees and an inconsistent use of casual employment forms among store locations. Employment forms and contracts are important because they outline the terms and conditions of employment and can facilitate settlement in the event of a disagreement.

11.39 During the audit of the Prince Edward Island Grain Elevators Corporation, it was noted that several accounts receivable balances outstanding, totaling approximately \$2.5 million, were in excess of their approved limits. The Corporation should ensure accounts receivable balances stay within approved credit limits and if adjustments to credit limits are required, they should be properly approved.

## Follow-up

11.40 As part of our financial audits, we follow-up on the issues included in our previous management letters to determine if those issues have been addressed. We acknowledge that management is working to address the noted issues and some progress is being made. However, sufficient work had not been completed by the audited entities at the time of our audits to warrant removal of certain issues from our management letters. We encourage auditees to implement our recommendations.

## SUMMARY OF MANAGEMENT LETTERS ISSUED BY OUR OFFICE\*

Entity	Number of Issues	Number of Recurring Issues	Percentage of Recurring Issues
Health PEI	10	8	80%
PEI Lotteries Commission	4	2	50%
PEI Self-Insurance and Risk Management Fund	2	1	50%
PEI Teachers' Pension Plan	2	1	50%
Public Trustee	8	5	63%
Supreme Court of PEI Trust Accounts	2	2	100%
<b>Total</b>	<b>28</b>	<b>19</b>	<b>68%</b>

\*Fiscal 2023-2024 financial audits have not yet been completed for the PEI Crown Building Corporation, PEI Public Sector Pension Plan and PEI Advisory Council on the Status of Women. Management letters for these audits will be considered in next year's annual report.

## SUMMARY OF MANAGEMENT LETTERS ISSUED BY EXTERNAL AUDITORS\*

Entity	Management Letter Issued	Number of Issues	Number of Recurring Issues	Percentage of Recurring Issues
Charlottetown Area Development Corporation	No	-	-	-
Finance PEI	Yes	2	0	0%
Innovation PEI	Yes	3	2	67%
Island Investment Development Inc.	Yes	1	1	100%
Island Waste Management Corporation	Yes	3	3	100%
La Commission scolaire de langue Francaise	Yes	3	3	100%
PEI Agricultural Insurance Corporation	No	-	-	-
PEI Cannabis Management Corporation	Yes	1	0	0%
PEI Energy Corporation	Yes	2	1	50%
PEI Grain Elevators Corporation	Yes	4	2	50%
PEI Housing Corporation	Yes	3	1	33%
PEI Human Rights Commission	No	-	-	-
PEI Liquor Control Commission	Yes	8	6	75%
PEI Marine Science Organization	No	-	-	-
PEI Museum and Heritage Foundation	Yes	4	0	0%
PEI Regulatory and Appeals Commission	No	-	-	-
PEI Student Financial Assistance Corporation	Yes	3	0	0%
Public Schools Branch	Yes	2	2	100%
Summerside Regional Development Corporation Ltd.	No	-	-	-
Tourism PEI	No	-	-	-
<b>Total</b>		<b>39</b>	<b>21</b>	<b>54%</b>

\*The Employment Development Agency was excluded from this list as a financial statement audit was not completed for the 2023-2024 fiscal year.

## 12. Appropriations and Special Warrants – Highlights

### What we did

- We examined the process around current and capital appropriations, special warrants, appropriation transfers and sequestrations.
- We provided a comparison of current and capital appropriations to actual expenditures for the fiscal year ended March 31, 2024.
- We listed in detail the appropriations made by special warrants applicable to the fiscal year ended March 31, 2024, and the purpose of such appropriations, as required by the *Audit Act*.

### Why it's important

Government's annual spending authority is approved by Members of the Legislative Assembly through an Appropriation Act. Additional expenditures not included in the Appropriation Acts (Current and Capital) require special warrants, transfers of previously appropriated amounts in the Appropriation Acts, or sequestrations. Our work provides assurance that special warrants, transfers and sequestrations comply with applicable legislation and Treasury Board policies.

### What we found

- Special warrants for the March 31, 2024 fiscal year provided an additional \$77.3 million in authorized spending for current expenditures, which represents an additional 2.5 percent of the approved appropriation.
- Special warrants for the March 31, 2024 fiscal year provided an additional \$155.1 million in authorized spending for capital expenditures. However, \$126.8 million of the capital special warrants were related to sequestrations. Therefore, there was a net increase in authorized capital expenditures of \$28.3 million, representing an additional 9.2 percent of the approved appropriation.
- Special warrants were partially offset by \$2.6 million in additional revenue.
- Consistent with prior years, expenditures were incurred for the year ended March 31, 2024 without special warrants being authorized, as is required by the *Financial Administration Act*.
- Thirteen late special warrants were issued between June 1, 2024 and October 31, 2024, totalling approximately \$21 million.

## 12. Appropriations and Special Warrants

### BACKGROUND

- 12.1 The *Appropriation Act (Current Expenditures) 2023* authorized \$3.1 billion in current expenditures for the fiscal year ended March 31, 2024. The *Appropriation Act (Capital Expenditures) 2023* authorized capital spending of \$308.1 million for the fiscal year ended March 31, 2024.
- 12.2 Authorization for a department/entity to exceed the initial amount set by an appropriation requires the issuance of a special warrant, the transfer of a previously appropriated amount, or an additional Appropriation Act approved by the Legislative Assembly.
- 12.3 Special warrants are used when the Legislative Assembly is not in session and funds are needed for operations in addition to amounts that were included in the *Appropriation Act*. Unlike Appropriation Acts, which require the approval of the Legislative Assembly, special warrants must only be approved by the Lieutenant Governor in Council through an Order-in-Council.
- 12.4 There are three types of special warrants:
- Spending warrants are warrants that are not offset by revenue and are made throughout the year for the public good. These warrants will increase expenditures and net debt.
  - Special warrants with offsets are warrants that have full or partial revenue offsets, or sequestration transfers which have varying degrees of effect on revenues, expenditures and net debt.
  - Accounting warrants are warrants relating to expenditures which are the result of a financial adjustment required during the preparation of the consolidated financial statements of the Province.
- 12.5 We examined the processes for recording current and capital appropriations for the fiscal year ended March 31, 2024. We also examined the approvals, processing, and recording of special warrants, appropriation transfers, and sequestrations made related to the fiscal year. This chapter provides comments and recommendations resulting from our audit work. In addition to the information provided in this chapter, readers should also consider the Province's consolidated financial statements and our independent auditor's report on those consolidated financial statements.
- 12.6 For definitions of some of the more commonly used terminology, please refer to the **Glossary** at the end of this chapter.

## Special Warrants

- 12.7 **Appendix A** of this chapter provides a comparison of current and capital appropriations to actual expenditures for the fiscal year ended March 31, 2024. Our report includes all appropriations, special warrants and sequestrations authorized for the fiscal year ended March 31, 2024.
- 12.8 For the fiscal year ended March 31, 2024, special warrants in the amount of \$77.3 million were issued for current expenditures which represented an additional 2.5 percent of the approved appropriation.
- 12.9 Special warrants in the amount of \$155.1 million were issued for capital expenditures. However, \$126.8 million of the capital special warrants were related to sequestrations. This resulted in a net increase in authorized capital expenditures of \$28.3 million, or an additional 9.2 percent of the approved appropriation.
- 12.10 Sequestrations are transfers of appropriated funds into special accounts for the purpose of “freezing” funds. Treasury Board approval is required for transfers out of sequestration accounts. The sequestrations were required due to the reorganization of government departments approved by Executive Council on April 14, 2023, after the capital budget received royal assent on December 1, 2022. This created new departments and transferred the responsibility of programs, requiring sequestrations from departments that no longer exist. **Exhibit 12.1** provides a

summary of these sequestrations by departments.

**EXHIBIT 12.1**  
**SUMMARY OF CAPITAL SEQUESTRATIONS**  
**MARCH 31, 2024**

Department*	Sequestrations
Agriculture and Land	\$ 50,000
Economic Growth, Tourism and Culture	1,650,000
Education and Lifelong Learning	60,310,000
Fisheries and Communities	25,000
Social Development and Housing	64,797,100
<b>Total Sequestrations</b>	<b>\$126,832,100</b>

Source: Orders-In-Council

\*Department names prior to April 14, 2023.

- 12.11 **Exhibit 12.2** provides a summary of the special warrants by Department/Entity and **Exhibit 12.3** provides a breakdown of the 22 special warrants by type. The *Audit Act* requires the Auditor General to list in detail, appropriations made by special warrant and the purpose of such appropriations. This information is included in **Appendix B** of this chapter.

**EXHIBIT 12.2**  
**SUMMARY OF SPECIAL WARRANTS**  
**MARCH 31, 2024**

Department/ Entity	Special Warrants
Current:	
Environment, Energy and Climate Action	\$ 28,800,000
Housing, Land and Communities	747,800
La Commission scolaire de langue française	1,355,000
PEI Agricultural Insurance Corporation	15,216,000
PEI Housing Corporation	1,752,700
PEI Student Financial Assistance Corporation	335,900
Public Schools Branch	5,200,000
Social Development and Seniors	14,684,000
Tourism PEI	1,184,000
Workforce, Advanced Learning and Population	7,139,300
Interest Charges on Debt	919,500
Total Current	<b>77,334,200</b>
Capital:	
Agriculture	50,000
Education and Early Years	60,310,000
Fisheries, Tourism, Sport and Culture	2,159,600
Housing, Land and Communities	62,602,300
Social Development and Seniors	3,890,000
Transportation and Infrastructure	25,920,000
Workforce, Advanced Learning and Population	185,300
Total Capital	<b>155,117,200</b>
<b>Total Special Warrants</b>	<b>\$232,451,400</b>

Source: Orders-In-Council

12.12 Special warrants were partially offset by \$2.6 million in additional revenue and \$126.8 million in sequestrations.

**EXHIBIT 12.3**  
**SUMMARY OF SPECIAL WARRANTS BY TYPE**  
**YEAR ENDED MARCH 31, 2024**

	Number of Warrants	Dollar Value of Warrants
Spending Warrants	11	\$ 102,592,000
Special Warrants with Offsets	9	129,467,200
Accounting Warrants	2	392,200
<b>Total Special Warrants</b>	<b>22</b>	<b>\$232,451,400</b>

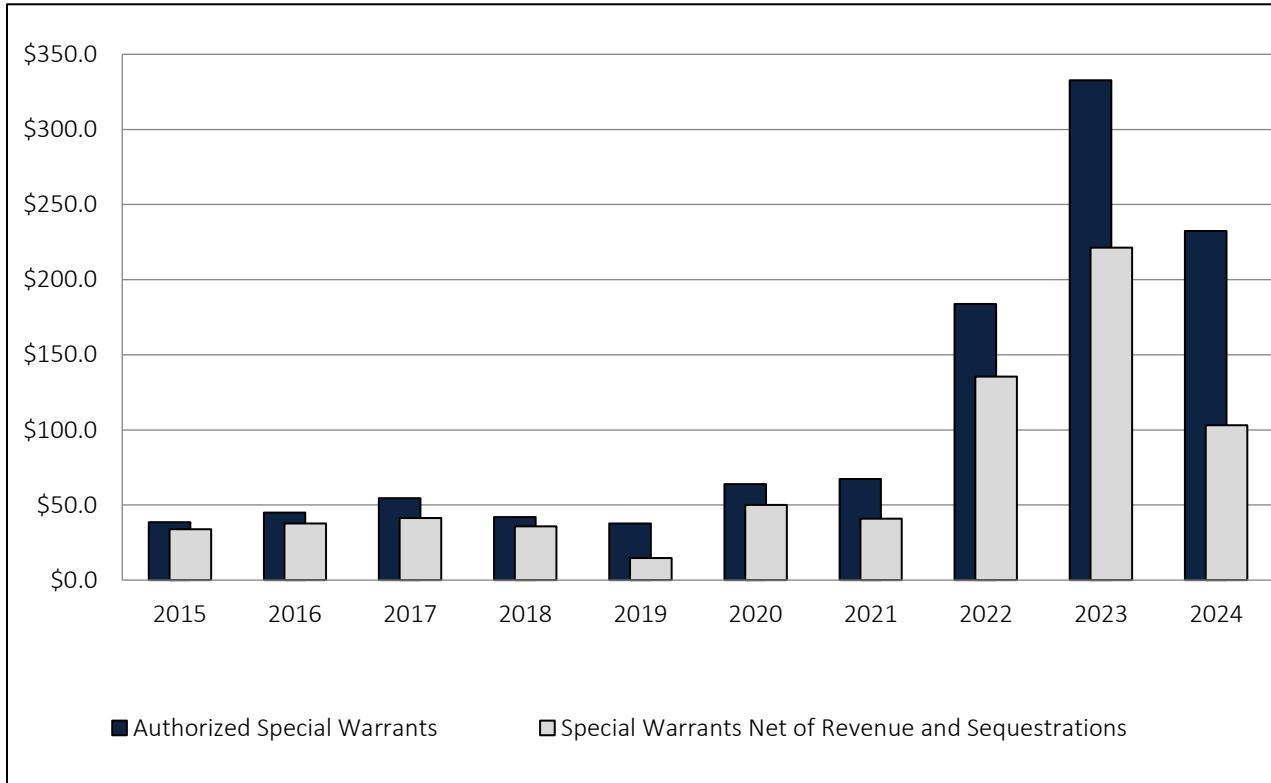
Source: Orders in Council

12.13 Total authorized special warrants, and special warrants net of revenue and sequestrations, for each of the last ten years are presented in **Exhibit 12.4**. Note that the 2022-2023 figures were restated for two additional special warrants that were authorized in February 2024, subsequent to our 2024 annual report, totalling \$6.1 million. These special warrants are included in **Appendix C**. Total special warrants for the year ended March 31, 2023, as presented in **Exhibit 12.4** and **Exhibit 12.5**, reflect these additional special warrants.

12.14 Between 2015 and 2021, special warrants net of revenue and sequestrations ranged from \$14.8 million to \$50.1 million, whereas for the 2021-2022, 2022-2023 and 2023-2024 fiscal years, net special warrants increased significantly to \$135.4 million, \$221.4 million, and \$103 million respectively. This remains a concerning trend and still a sign of weakness in the appropriations process. As a result, we are again recommending that Government consider tabling an additional Appropriation Act when there is a large amount of additional spending.



**EXHIBIT 12.4  
SPECIAL WARRANTS  
YEAR ENDED MARCH 31  
(\$ Millions)**



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Authorized Special Warrants	\$38.5	\$44.9	\$54.5	\$41.9	\$37.7	\$63.9	\$67.4	\$183.9	\$332.8	\$232.4
Revenue and Sequestrations	(4.6)	(7.2)	(13.2)	(6.1)	(22.9)	(13.8)	(26.4)	(48.5)	(111.4)	(129.4)
Special Warrants Net of Revenue and Sequestrations	<u>\$33.9</u>	<u>\$37.7</u>	<u>\$41.3</u>	<u>\$35.8</u>	<u>\$14.8</u>	<u>\$50.1</u>	<u>\$41.0</u>	<u>\$135.4</u>	<u>\$221.4</u>	<u>\$103.0</u>

Source: Orders-In-Council

## Recommendation

**12.15 Government should consider tabling additional Appropriations Acts when unexpected events occur, requiring a significant financial outlay, in order to promote debate in the Legislative Assembly and reduce the use of special warrants.**

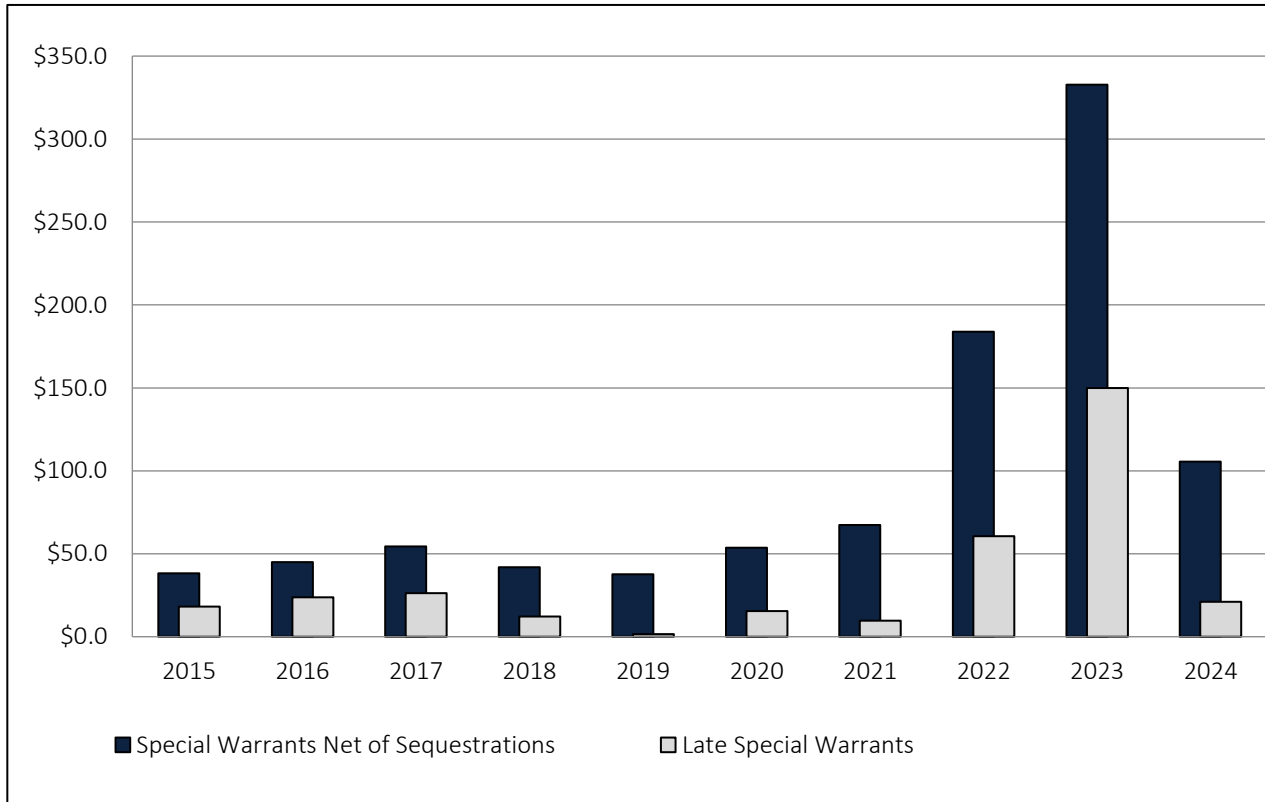
### Delay in Issuing Special Warrants

12.16 The *Financial Administration Act* prohibits expenditures from being incurred unless provided for by an appropriation. When it is expected that an appropriation will be exceeded, a special warrant should be obtained prior to the expenditure being incurred. Based on our findings, there is a disregard for the process around special warrants. Expenditures continue to be incurred without authorized appropriation in place, as required by the *Financial Administration Act*.

12.17 Consistent with prior years, our audit identified instances where special warrants were not authorized prior to the expenditure being incurred. There was a total of 13 late special warrants required to cover overspending for the March 31, 2024 fiscal year. The 13 late special warrants, issued subsequent to the related expenditures already being incurred, totalled approximately \$21 million, and were authorized by Orders-In-Council between June 1, 2024 and October 31, 2024. Eleven of the late special warrants were spending warrants and special warrants with offset, and two were accounting warrants.

12.18 We have reported on this issue for a number of years. In the prior year, we reported that there were 25 late special warrants authorized after the expenditure was incurred totalling \$149.9 million. **Exhibit 12.5** presents total special warrants and late special warrants, net of sequestrations, over the past 10 years.

**EXHIBIT 12.5  
LATE SPECIAL WARRANTS  
YEAR ENDED MARCH 31  
(\$ Millions)**



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Special Warrants Net of Sequestrations*	\$38.5	\$44.9	\$54.4	\$41.9	\$37.7	\$53.7	\$67.4	\$183.9	\$332.8	\$105.6
Late Special Warrants	\$18.1	\$23.8	\$26.3	\$12.1	\$1.6	\$15.5	\$9.6	\$60.6	\$149.9	\$21.0
Number of Late Special Warrants	7	7	10	6	6	7	4	8	25	13

Source: Orders-In-Council

\*Special warrants that were authorized to offset sequestrations are not included.

**Recommendation**

**12.19** In accordance with the *Financial Administration Act*, special warrants should be obtained prior to expenditures being incurred, when the authorized appropriation will be exceeded.

12.20 We have discussed our findings and recommendations with the Treasury Board Secretariat, whose responses can be seen in **Appendix D**.

CURRENT APPROPRIATIONS

	APPROPRIATION ACT 2023	SPECIAL WARRANTS	TOTAL APPROPRIATIONS	EXPENDITURES 2024	UNDER EXPENDITURES 2024
<b>CURRENT</b>					
AGRICULTURE	\$ 21,104,700	\$ -	\$ 21,104,700	\$ 18,839,374	\$ 2,265,326
CONSOLIDATED AGENCIES	70,202,900	-	70,202,900	64,401,441	5,801,459
ECONOMIC DEVELOPMENT, INNOVATION AND TRADE	2,983,600	-	2,983,600	2,392,876	590,724
EDUCATION AND EARLY YEARS	102,707,800	-	102,707,800	102,700,281	7,519
EMPLOYEE BENEFITS	51,710,000	-	51,710,000	29,147,805	22,562,195
EMPLOYMENT DEVELOPMENT AGENCY	6,840,100	-	6,840,100	6,759,254	80,846
ENVIRONMENT, ENERGY AND CLIMATE ACTION	111,720,200	28,800,000	140,520,200	138,435,444	2,084,756
EXECUTIVE COUNCIL	12,080,000	-	12,080,000	10,715,623	1,364,377
FINANCE	78,404,600	-	78,404,600	74,275,005	4,129,595
FISHERIES, TOURISM, SPORT AND CULTURE	24,355,500	-	24,355,500	23,801,906	553,594
GENERAL GOVERNMENT	49,232,100	-	49,232,100	29,655,150	19,576,950
HEALTH AND WELLNESS	87,470,700	-	87,470,700	74,469,591	13,001,109
HEALTH PEI	957,691,100	-	957,691,100	947,358,911	10,332,189
HOUSING, LAND AND COMMUNITIES	44,631,800	747,800	45,379,600	45,379,581	19
INNOVATION PEI	66,262,900	-	66,262,900	65,523,923	738,977
JUSTICE AND PUBLIC SAFETY	82,291,000	-	82,291,000	81,930,746	360,254
LA COMMISSION SCOLAIRE DE LANGUE FRANÇAISE	23,292,000	1,355,000	24,647,000	24,643,705	3,295
LEGISLATIVE ASSEMBLY	14,130,600	-	14,130,600	13,352,663	777,937
PEI AGRICULTURAL INSURANCE CORPORATION	53,519,300	15,216,000	68,735,300	68,636,127	99,173
PEI HOUSING CORPORATION	56,639,700	1,752,700	58,392,400	58,392,390	10
PEI PUBLIC SERVICE COMMISSION	11,473,100	-	11,473,100	10,867,744	605,356
PEI STUDENT FINANCIAL ASSISTANCE CORPORATION	14,235,000	335,900	14,570,900	14,570,879	21
PUBLIC SCHOOLS BRANCH	277,366,700	5,200,000	282,566,700	282,549,067	17,633
SOCIAL DEVELOPMENT AND SENIORS	162,326,100	14,684,000	177,010,100	176,977,814	32,286
TOURISM PEI	26,586,500	1,184,000	27,770,500	27,769,841	659
TRANSPORTATION AND INFRASTRUCTURE	254,261,800	-	254,261,800	233,731,837	20,529,963
WORKFORCE, ADVANCED LEARNING AND POPULATION	145,773,200	7,139,300	152,912,500	152,912,401	99
AMORTIZATION OF TANGIBLE CAPITAL ASSETS	120,758,800	-	120,758,800	116,727,661	4,031,139
INTEREST CHARGES ON DEBT	<u>162,699,500</u>	<u>919,500</u>	<u>163,619,000</u>	<u>163,618,984</u>	<u>16</u>
<b>TOTAL CURRENT</b>	<b>\$3,092,751,300</b>	<b>\$77,334,200</b>	<b>\$3,170,085,500</b>	<b>\$3,060,538,024</b>	<b>\$109,547,476</b>

Expenditures are presented in accordance with the classifications in the Appropriation Acts 2023 and approved special warrants for the 2023/24 fiscal year. This format differs from the Province's Operating Fund financial statements.

CAPITAL APPROPRIATIONS

	APPROPRIATION ACT 2023	SPECIAL WARRANTS	SEQUESTRATIONS	TOTAL APPROPRIATIONS	EXPENDITURES 2024	UNDER EXPENDITURES 2024
<b>CAPITAL</b>						
AGRICULTURE AND LAND	\$ 50,000	\$ -	\$ (50,000)	\$ -	\$ -	\$ -
AGRICULTURE	-	50,000	-	50,000	23,088	26,912
ECONOMIC GROWTH, TOURISM AND CULTURE	1,650,000	-	(1,650,000)	-	-	-
EDUCATION AND EARLY YEARS	-	60,310,000	-	60,310,000	55,200,466	5,109,534
EDUCATION AND LIFELONG LEARNING	60,310,000	-	(60,310,000)	-	-	-
ENVIRONMENT, ENERGY AND CLIMATE ACTION	5,022,100	-	-	5,022,100	4,810,462	211,638
FINANCE	13,572,300	-	-	13,572,300	11,780,042	1,792,258
FISHERIES AND COMMUNITIES	25,000	-	(25,000)	-	-	-
FISHERIES, TOURISM, SPORT AND CULTURE	-	2,159,600	-	2,159,600	2,159,504	96
HEALTH AND WELLNESS	26,031,100	-	-	26,031,100	12,914,413	13,116,687
HEALTH PEI	51,611,300	-	-	51,611,300	26,592,738	25,018,562
HOUSING, LAND AND COMMUNITIES	-	62,602,300	-	62,602,300	62,602,264	36
JUSTICE AND PUBLIC SAFETY	4,762,400	-	-	4,762,400	3,195,438	1,566,962
SOCIAL DEVELOPMENT AND HOUSING	64,797,100	-	(64,797,100)	-	-	-
SOCIAL DEVELOPMENT AND SENIORS	-	3,890,000	-	3,890,000	1,514,775	2,375,225
TRANSPORTATION AND INFRASTRUCTURE	80,264,000	25,920,000	-	106,184,000	103,302,498	2,881,502
WORKFORCE, ADVANCED LEARNING AND POPULATION	-	185,300	-	185,300	185,298	2
<b>TOTAL CAPITAL</b>	<b>\$ 308,095,300</b>	<b>\$155,117,200</b>	<b>\$ (126,832,100)</b>	<b>\$ 336,380,400</b>	<b>\$ 284,280,986</b>	<b>\$ 52,099,414</b>
<b>GRAND TOTAL</b>	<b>\$3,400,846,600</b>	<b>\$232,451,400</b>	<b>\$ (126,832,100)</b>	<b>\$3,506,465,900</b>	<b>\$3,344,819,010</b>	<b>\$161,646,890</b>

Expenditures are presented in accordance with the classifications in the Appropriation Acts 2023 and approved special warrants for the 2023/24 fiscal year. This format differs from the Province's Operating Fund financial statements.

ORDER-IN-  
COUNCIL

SPECIAL WARRANTS FOR CURRENT EXPENDITURES 2024 FISCAL YEAR

ENVIRONMENT, ENERGY AND CLIMATE ACTION

EC2024-114  
Feb 13, 2024

ENVIRONMENT AND WATER – WASTE REDUCTION, RECOVERY AND RECYCLING

Materials, Supplies and Services – Beverage Containers \$ 178,000

SUSTAINABILITY – ENERGY AND EFFICIENCY

Grants 8,455,000

Grants – Electricity Rebate Program 3,357,000

Grants – Research and Development 600,000

SUSTAINABILITY – OFFICE OF NET ZERO

Grants – Free Heat Pump Program 16,210,000

Total Department of Environment, Energy and Climate Action \$28,800,000

**Spending Warrant:** To appropriate funding to support increased program demand, including the Free Heat Pump, Free Domestic Hot Water Electrification, Free Home Insulation, Solar Energy Rebate, PEI Energy Rebate, and the Beverage Container programs.

HOUSING, LAND AND COMMUNITIES

EC2024-881  
Sept 24, 2024

MUNICIPAL AFFAIRS

Grants – Real Property Tax Credit \$747,800

**Spending Warrant:** To fund additional expenditures related to the Real Property Tax Credit Program.

ORDER-IN-  
COUNCIL

SPECIAL WARRANTS FOR CURRENT EXPENDITURES 2024 FISCAL YEAR

LA COMMISSION SCOLAIRE DE LANGUE FRANÇAISE

EC2024-877      LA COMMISSION SCOLAIRE DE LANGUE FRANÇAISE – GENERAL  
Sept 24, 2024

Grants – School Unit Transportation	\$ 235,000
Salaries – School Units – Instructional	<u>1,120,000</u>
Total la Commission scolaire de langue française	<u>\$1,355,000</u>

**Spending Warrant:** To fund additional expenditures related to the operation of la Commission scolaire de langue française.

PEI AGRICULTURAL INSURANCE CORPORATION

EC2024-93      PEI AGRICULTURAL INSURANCE CORPORATION – GENERAL  
Jan 30, 2024

Grants – AgrilInsurance Program	<u>\$15,216,000</u>
---------------------------------	---------------------

**Spending Warrant:** To fund additional expenditures related to AgrilInsurance Program claims.

PEI HOUSING CORPORATION

EC2024-882      PEI HOUSING CORPORATION – GENERAL  
Sept 24, 2024

Grants – Home Heating Program	<u>\$1,752,700</u>
-------------------------------	--------------------

**Spending Warrant:** To fund additional client grant expenditures related to the delivery of the Home Heating Program.

PEI STUDENT FINANCIAL ASSISTANCE CORPORATION

EC2024-885      PEI STUDENT FINANCIAL ASSISTANCE CORPORATION – GENERAL  
Sept 24, 2024

Grants – Student Assistance	<u>\$ 335,900</u>
-----------------------------	-------------------

**Special Warrant with Offset:** To fund additional expenditures related to the delivery of the Canada Student Financial Assistance Program, fully offset by Federal revenues.

ORDER-IN-  
COUNCIL

SPECIAL WARRANTS FOR CURRENT EXPENDITURES 2024 FISCAL YEAR

**PUBLIC SCHOOLS BRANCH**

EC2024-878  
Sept 24, 2024

**PUBLIC SCHOOLS BRANCH – GENERAL**

Grants – School Unit Maintenance Account	\$ 1,000,000
Grants – School Unit Program Material	100,000
Grants – School Unit Transportation	1,000,000
Salaries – School Units – Instructional	<u>3,100,000</u>
 Total Public Schools Branch	 <u>\$ 5,200,000</u>

**Spending Warrant:** To fund additional expenditures related to the operation of the Public Schools Branch.

**SOCIAL DEVELOPMENT AND SENIORS**

EC2024-94  
Jan 30, 2024

**SOCIAL PROGRAMS**

Grants – Accessibility Supports Program	\$ 8,407,300
Grants – Seniors Independence Initiative Program	1,750,700
Grants – Social Assistance Benefits Program	2,416,800
Grants – Specialized Residential Supports Program	<u>2,109,200</u>
 Total Social Development and Seniors	 <u>\$14,684,000</u>

**Spending Warrant:** To appropriate funding to support program demand and benefit rate increases.



**TOURISM PEI**

EC2024-557  
June 11, 2024

**CORPORATE SERVICES – GENERAL ADMINISTRATION**

Debt – Financial Activity Fees \$ 5,500

**CORPORATE SERVICES – GOLF COURSES**

Debt – Financial Activity Fees 2,000  
Materials, Supplies and Services – Cleaning Supplies 10,000  
Materials, Supplies and Services – Golf Shop Merchandise 156,000  
Materials, Supplies and Services – Sand 100,000  
Salaries – Wages – Casual Payroll 114,000

**CORPORATE SERVICES – MARK ARENDZ PROVINCIAL SKI PARK AT BROOKVALE**

Materials, Supplies and Services – Electricity 66,000  
Materials, Supplies and Services – Fuel 40,000  
Materials, Supplies and Services – Repairs and Maintenance 61,700

**CORPORATE SERVICES – PARKS OPERATIONS**

Materials, Supplies and Services – Electricity 33,000  
Materials, Supplies and Services – Field Supplies 15,000  
Materials, Supplies and Services – Fuel 7,500  
Salaries – Wages – Casual Payroll 348,300

**STRATEGIC INITIATIVES – STRATEGY AND EVALUATION**

Professional Services – Consultant 15,000

**TOURISM MARKETING COMMUNICATIONS – ADVERTISING AND PUBLIC RELATIONS**

Materials, Supplies and Services – Media Advertising and Promotion 210,000

Total Tourism PEI \$ 1,184,000

**Special Warrant with Offset:** To fund additional expenditures related to Tourism PEI operations, fully offset by additional revenues from golf and park operations and ACOA funding.

ORDER-IN-  
COUNCIL

SPECIAL WARRANTS FOR CURRENT EXPENDITURES 2024 FISCAL YEAR

WORKFORCE, ADVANCED LEARNING AND POPULATION

<p><b>EC2024-884</b> Sept 24, 2024</p>	<p><b>POST-SECONDARY AND CONTINUING EDUCATION – POST SECONDARY GRANTS</b></p> <p>Grants – Maritime Provinces Higher Education Commission <span style="float: right;">\$ 7,036,000</span></p> <p><b>Spending Warrant:</b> To fund additional expenditures related to post-secondary education, including \$3 million to Holland College for various capital projects and \$4 million to UPEI for operational costs related to creating a medical program at the new Faculty of Medicine.</p>
<p><b>EC2024-953</b> Oct 25, 2024</p>	<p><b>POPULATION AND SETTLEMENT</b></p> <p>Grants – Federal Programs <span style="float: right;"><u>103,300</u></span></p> <p><b>Accounting Warrant:</b> To fund additional expenditures related to post-secondary education, fully offset by Federal revenues.</p> <p>Total Department of Workforce, Advanced Learning and Population <span style="float: right;"><u>\$ 7,139,300</u></span></p>

INTEREST CHARGES ON DEBT

<p><b>EC2024-879</b> Sept 24, 2024</p>	<p><b>INTEREST CHARGES ON DEBT – INTEREST</b></p> <p>Loans and Treasury Notes <span style="float: right;">\$ 630,600</span></p> <p><b>Special Warrant with Offset:</b> To fund additional interest expenditure due to rate fluctuations, fully offset by additional interest revenue earned in the cash reserve fund.</p>
<p><b>EC2024-952</b> Oct 25, 2024</p>	<p><b>INTEREST CHARGES ON DEBT – INTEREST</b></p> <p>Debentures <span style="float: right;"><u>288,900</u></span></p> <p><b>Accounting Warrant:</b> To fund additional interest expenditure due to year-end accounting adjustments, fully offset by additional interest revenue earned in the cash reserve fund.</p> <p>Total Interest Charges on Debt <span style="float: right;"><u>\$ 919,500</u></span></p>

**TOTAL SPECIAL WARRANTS FOR CURRENT EXPENDITURES** \$77,334,200

ORDER-IN-  
COUNCIL

SPECIAL WARRANTS FOR CAPITAL EXPENDITURES 2024 FISCAL YEAR

AGRICULTURE

EC2023-806  
Sept 18, 2023

CAPITAL PURCHASES

Equipment and Machinery	<u>\$ 50,000</u>
-------------------------	------------------

**Special Warrant with Offset:** To appropriate funding for the 2023-2024 Capital Budget for the department as a result of an Order in Council (EC2023-293, April 14, 2023) which amalgamated, established, and changed the name of departments. Appropriation is fully offset by sequestered funds.

EDUCATION AND EARLY YEARS

EC2023-807  
Sept 18, 2023

CAPITAL PROJECTS

Computer Hardware	\$ 2,080,000
Equipment and Machinery	450,000

CAPITAL PURCHASES

Vehicle Purchases – Buses	10,250,000
---------------------------	------------

NEW SCHOOL CONSTRUCTIONS

Buildings – New	29,974,000
-----------------	------------

SCHOOL IMPROVEMENTS

Buildings – Restoration and Renovation	<u>17,556,000</u>
--	-------------------

Total Department of Education and Early Years	<u>\$60,310,000</u>
---	---------------------

**Special Warrant with Offset:** To appropriate funding for the 2023-2024 Capital Budget for the department as a result of an Order in Council (EC2023-293, April 14, 2023) which amalgamated, established, and changed the name of departments. Appropriation is fully offset by sequestered funds.

ORDER-IN-  
COUNCIL

SPECIAL WARRANTS FOR CAPITAL EXPENDITURES 2024 FISCAL YEAR

FISHERIES, TOURISM, SPORT AND CULTURE

EC2023-808  
Sept 18, 2023

**CAPITAL PROJECTS**

Property Improvements \$ 1,450,000

**CAPITAL PROJECTS – CULTURE**

Property Improvements 200,000

**CAPITAL PURCHASES**

Equipment and Machinery 25,000 \$ 1,675,000

**Special Warrant with Offset:** To appropriate funding for the 2023-2024 Capital Budget for the department as a result of an Order in Council (EC2023-293, April 14, 2023) which amalgamated, established, and changed the name of departments. Appropriation is fully offset by sequestered funds.

EC2024-556  
June 11, 2024

**CAPITAL IMPROVEMENTS**

Museums and Heritage Sites 50,500

**EQUIPMENT**

Tourism Marketing and Reservation System 434,100 484,600

**Special Warrant with Offset:** To fund additional capital expenditures related to capital repairs at Museums and Heritage sites and a new customer relationship system for Tourism PEI, partially offset by insurance recoveries of \$57,800.

Total Department of Fisheries, Tourism, Sport and Culture \$ 2,159,600

**ORDER-IN-COUNCIL SPECIAL WARRANTS FOR CAPITAL EXPENDITURES 2024 FISCAL YEAR**

**HOUSING, LAND AND COMMUNITIES**

<b>EC2023-809</b> Sept 18, 2023	<b>CAPITAL PROJECTS</b>		
	Buildings – New	\$ 57,297,100	
	Buildings – Restoration and Renovations	<u>3,610,000</u>	\$60,907,100
	<b>Special Warrant with Offset:</b> To appropriate funding for the 2023-2024 Capital Budget for the department as a result of an Order in Council (EC2023-293, April 14, 2023) which amalgamated, established, and changed the name of departments. Appropriation is fully offset by sequestered funds.		
<b>EC2024-880</b> Sept 24, 2024	<b>CAPITAL IMPROVEMENTS</b>		
	Portable Units	1,661,200	
	<b>VEHICLES</b>		
	Vehicle Purchase – Light	<u>34,000</u>	<u>1,695,200</u>
	<b>Spending Warrant:</b> To fund additional capital expenditures for Housing, Land and Communities and the PEI Housing Corporation.		
	Total Department of Housing, Land and Communities		<u>\$ 62,602,300</u>

ORDER-IN-  
COUNCIL

SPECIAL WARRANTS FOR CAPITAL EXPENDITURES 2024 FISCAL YEAR

**SOCIAL DEVELOPMENT AND SENIORS**

EC2023-810  
Sept 18, 2023

**CAPITAL PROJECTS**

Buildings – New	\$ 3,630,000
Buildings – Restoration and Renovations	120,000

**CAPITAL PURCHASES**

Computer Hardware	<u>140,000</u>
-------------------	----------------

Total Department of Social Development and Seniors	<u>\$ 3,890,000</u>
--	---------------------

**Special Warrant with Offset:** To appropriate funding for the 2023-2024 Capital Budget for the department as a result of an Order in Council (EC2023-293, April 14, 2023) which amalgamated, established, and changed the name of departments. Appropriation is fully offset by sequestered funds.

**TRANSPORTATION AND INFRASTRUCTURE**

EC2023-594  
July 27, 2023

**CAPITAL IMPROVEMENTS – HIGHWAYS**

Bridges	\$ 6,400,000
National and Collector Highways	8,100,000
Provincial Paving	8,000,000

**LAND**

Land Purchases	<u>3,420,000</u>
----------------	------------------

Total Department of Transportation and Infrastructure	<u>\$25,920,000</u>
---	---------------------

**Spending Warrant:** To fund additional capital expenditures to support land purchases and government infrastructure.

ORDER-IN-  
COUNCIL

SPECIAL WARRANTS FOR CAPITAL EXPENDITURES 2024 FISCAL YEAR

WORKFORCE, ADVANCED LEARNING AND POPULATION

EC2024-883  
Sept 24, 2024

CAPITAL IMPROVEMENTS

Buildings – Restoration and Renovations \$ 185,300

**Spending Warrant:** To fund additional capital expenditures for Skills PEI.

TOTAL SPECIAL WARRANTS FOR CAPITAL EXPENDITURES \$155,117,200

TOTAL SPECIAL WARRANTS ISSUED FOR THE 2024 FISCAL YEAR \$232,451,400

ORDER-IN-  
COUNCIL

ADDITIONAL SPECIAL WARRANTS FOR CURRENT EXPENDITURES ISSUED FOR 2023 FISCAL YEAR\*

PEI HOUSING CORPORATION

EC2024-112  
Feb 13, 2024

PEI HOUSING CORPORATION – GENERAL

Accretion	\$ 610,400
Administration – Property Tax	280,000
Grants	4,028,900
Materials, Supplies and Services – Fuel	422,600
Salaries	<u>672,000</u>
 Total PEI Housing Corporation	 <u>\$ 6,013,900</u>

**Spending Warrant:** To fund additional operating expenditures for the PEI Housing Corporation.

PEI STUDENT FINANCIAL ASSISTANCE CORPORATION

EC2024-113  
Feb 13, 2024

PEI STUDENT FINANCIAL ASSISTANCE CORPORATION – GENERAL

Grants	<u>\$ 48,800</u>
--------	------------------

**Spending Warrant:** To fund additional operating expenditures related to the George Coles Bursary.

TOTAL SPECIAL WARRANTS FOR CURRENT EXPENDITURES SUBSEQUENTLY ISSUED  
FOR 2023 FISCAL YEAR

\$ 6,062,700

\*Issued subsequent to the Auditor General’s 2024 Annual Report



RECOMMENDATIONS*	MANAGEMENT RESPONSE
<p><b>Recommendation 12.15</b> Government should consider tabling additional Appropriations Acts when unexpected events occur, requiring a significant financial outlay, in order to promote debate in the Legislative Assembly and reduce the use of special warrants.</p>	<p>Treasury Board Secretariat remains committed to following all the provisions of the <i>Financial Administration Act</i>. Per section 37(3) of the <i>Financial Administration Act</i>, all Special Warrants authorized since the last sitting of the Legislative Assembly are required to be presented through a Supplementary Appropriation Act at the next sitting of the Legislative Assembly where it is tabled and debated by members. Special Warrants are also displayed publicly through Orders-in-Council when they are authorized. These processes are important for transparency and accountability, and continue to be followed by Treasury Board Secretariat.</p> <p>When unexpected events occur, they may require an urgent response. Timing may not allow for the tabling of additional Appropriation Acts during a sitting of the Legislative Assembly.</p> <p>As well, there may also be instances when additional spending is required to continue to operate essential programs and services (for example: Social Assistance and AccessAbility Supports, education resources, etc.). In these cases, timing may not align to the sitting times of the Legislature.</p>
<p><b>Recommendation 12.19</b> In accordance with the <i>Financial Administration Act</i>, special warrants should be obtained prior to expenditures being incurred, when the authorized appropriation will be exceeded.</p>	<p>The Treasury Board Secretariat continues to work with all departments to identify situations where there may be changes to the approved expenditure plan that may cause a department to exceed their approved appropriation vote. For these situations, departments are encouraged to submit a request for Special Warrant.</p> <p>There may be situations that can lead to a subsequent Special Warrant, such as expenditures that are accrued or paid with respect to one fiscal year that are later determined to belong in another fiscal year. There are other situations where the Office of the Comptroller, through discussion with the Auditor General’s office, decides a particular accounting treatment for a transaction and records an adjustment to departmental expenses. This in turn may also cause expenses to exceed the approved appropriation prior to a Special Warrant being authorized.</p> <p>Treasury Board Secretariat respects the requirements of the <i>Financial Administration Act</i>. The Treasury Board Secretariat continues to make best efforts to ensure that supplementary authority is provided prior to payments being authorized that would cause a department to exceed their approved appropriation vote.</p>

\*Recommendation numbers refer to the paragraph numbers.

## GLOSSARY

**Accounting warrant** means a warrant relating to an expenditure which is the result of a financial adjustment required during the preparation of the financial statements in accordance with Generally Accepted Accounting Principles. These could include entries for pension/benefit adjustments, amortization of capital assets, and provisions regarding guarantee of debt and write offs.

**Accretion expense** is the increase in the carrying amount of a liability for asset retirement obligations due to the passage of time.

**Appropriation** is the government authorized budget of each department/entity for the year. This is sometimes referred to as an appropriation vote for each department/entity.

**Appropriation Act** is the budget approval by the Legislative Assembly.

**Appropriation transfers** are transfers of appropriated funds either within a department/entity or from one department/entity to another.

**Capital expenditures** are incurred in the purchase and/or improvement of tangible capital assets owned by the Province and include land, buildings, roads, bridges, equipment, motor vehicles, and computer hardware and software.

**Current expenditures** are operating or non-capital expenditures of the Province that are consumed within the fiscal period. Examples of current expenditures are salaries and benefits, transfer payments, professional services, materials, supplies, and debt costs.

**Order-in-council** is a public document issued by the Lieutenant Governor on the advice of the Executive Council directing that a certain action be undertaken under authority of legislation.

**Sequestrations** are transfers of appropriated funds into special accounts for the purpose of “freezing” funds. Treasury Board approval is required for transfers out of sequestration accounts.

**Special warrants** represent authorized spending above the original appropriation for a department/entity related to the fiscal period.

**Special warrants with offset** means full or partial revenue offset or sequestration transfers which have varying degrees of effect on revenues, expenditures and net debt.

**Spending warrant** means a warrant which is not offset by revenue and is made throughout the year for the public good. This warrant will increase expenditures and net debt.

# 13. Indicators of Financial Condition – Highlights

## What we did

- We presented summary financial information and key financial indicators of the Province for the last five fiscal years.
- We provided commentary on the Province’s 2024 audited consolidated financial results in comparison to budgeted amounts and the results of prior years.
- We reported on a number of selected indicators of financial condition to assess the Province’s sustainability, flexibility, and vulnerability.

## Why it’s important

The condition of the Province’s finances is important. It affects all residents of Prince Edward Island through the levels of taxation, government spending, services provided, and the impact on the provincial economy. This chapter presents information to assist legislators, the public, and other users to better understand the financial condition of the Province.

## What we found

- The Province reported a deficit of \$14.8 million in fiscal 2023-24. This was a significant difference from the originally budgeted deficit of \$97.6 million. The Province's economy performed better than expected, which led to higher tax revenues and contributed to a reduced annual deficit.
- As at March 31, 2024, the net debt of the Province reached its highest level ever, as the Province’s investment in tangible capital assets continues to rise. Net debt now sits at \$2.65 billion, which represents an increase of \$205.9 million during the year, and \$442.7 million since 2020.
- The ratios of net debt to GDP and net debt to total revenues have both increased during the year after following a decreasing trend in recent years. This indicates net debt is now growing at a rate faster than the growth in the economy and total revenues, which is unfavorable.
- Net debt per capita increased from \$14,208 per person at March 31, 2023 to \$14,932 per person at March 31, 2024.
- Interest charges reached a new high, totaling \$164.5 million in fiscal 2023-24. These interest charges consumed 5.5 percent of total revenues that, otherwise, could have gone toward program spending.
- The Province’s spending in proportion to GDP was the highest of all Canadian provinces at 30.5 percent. This indicates that PEI’s economy is more dependent on government spending than any other Canadian province.
- The Province’s ratio of federal revenues to total revenues was the highest of all Canadian provinces at 38.7 percent. This indicates that PEI has the highest level of vulnerability, in terms of being the most dependent Canadian province on federal funding.

# 13. Indicators of Financial Condition

## BACKGROUND

- 13.1 Several resources are used in assessing the financial condition of a province. Consolidated financial statements provide an overview of the financial condition of a province at its year end, comparing current year results to the budget and prior year. However, financial statements do not provide a complete perspective on how a province is performing in relation to the overall economic and fiscal environments. To assist users in understanding the financial condition of the Province, we provide information on a number of indicators of financial condition in this chapter.
- 13.2 The Public Sector Accounting Board's *Statement of Recommended Practice* suggests a number of indicators to assist in assessing a government's financial condition. These indicators help provide insight into a government's ability to maintain its programs and services, the flexibility it has to respond to economic changes, and its vulnerability to being dependent on external sources of funding.
- 13.3 This chapter provides financial information and indicators for the last five fiscal years. The most recent estimates of nominal gross domestic product (GDP) and population were used in the determination of various indicators. Consistent with other jurisdictions, nominal GDP is presented on a calendar year basis. For definitions of nominal GDP and other commonly used

terminology, please refer to the **Glossary** at the end of this chapter.

## SUMMARY FINANCIAL INFORMATION

### Financial Highlights

- 13.4 **Exhibit 13.1** summarizes the Province's financial position, operating results, and nominal gross domestic product for the last five fiscal years.

**EXHIBIT 13.1**  
**SUMMARY FINANCIAL INFORMATION**  
**YEAR ENDED MARCH 31**  
**(\$ Millions)**

	2020	2021	2022	2023	2024
<b>Statement of Financial Position</b>					
Financial Assets	\$ 1,365.1	\$1,687.4	\$1,935.7	\$2,027.7	\$1,853.6
Liabilities	<u>3,570.1</u>	<u>3,986.7</u>	<u>4,282.7</u>	<u>4,469.5</u>	<u>4,501.3</u>
Net Debt	(2,205.0)	(2,299.3)	(2,347.0)	(2,441.8)	(2,647.7)
Non-Financial Assets	<u>1,197.5</u>	<u>1,308.9</u>	<u>1,418.4</u>	<u>1,542.4</u>	<u>1,731.9</u>
Accumulated Deficit	<u>(\$1,007.5)</u>	<u>(\$ 990.4)</u>	<u>(\$ 928.6)</u>	<u>(\$ 899.4)</u>	<u>(\$ 915.8)</u>
<b>Statement of Operations</b>					
Revenues	\$2,187.6	\$2,364.6	\$2,652.7	\$2,876.9	\$3,015.9
Expenses	<u>2,165.6</u>	<u>2,370.2</u>	<u>2,570.5</u>	<u>2,862.8</u>	<u>3,030.7</u>
Annual Surplus (Deficit)	<u>\$ 22.0</u>	<u>(\$ 5.6)</u>	<u>\$ 82.2</u>	<u>\$ 14.1</u>	<u>(\$ 14.8)</u>
Nominal Gross Domestic Product*	<u>\$7,440.0</u>	<u>\$7,461.0</u>	<u>\$8,567.0</u>	<u>\$9,461.0</u>	<u>\$9,924.0</u>

Source: Derived from the Province's consolidated financial statements with restatements as identified in Public Accounts.

\*Statistics Canada published November 7, 2024. Nominal GDP is presented on a calendar year basis.

### Financial Assets and Liabilities

13.5 **Exhibit 13.1** shows that financial assets decreased by \$174.1 million since March 31, 2023. The main reasons for the decrease were a decrease in cash and short-term investments, as well as a decrease in sinking fund investments, which were partially offset by an increase in accounts and taxes receivable. Cash and short-term investments decreased by \$224 million mainly due to a decrease in the liquidity reserve, as reserves were used to help fund the Province's operations, investments in tangible capital assets and debt payments. Sinking fund investments decreased by \$43 million, as funds were required to assist with payments for maturing debentures. Accounts and taxes receivable increased by \$79.4 million mainly due to an increase in receivables from the Government of Canada for corporate income tax and the Oil to Heat Pump Affordability Program.

13.6 **Exhibit 13.1** also shows that total liabilities increased by \$31.8 million since March 31, 2023. The main reason for the increase was debentures increasing by \$129 million. New debentures were used to fund the Province's operational spending and investments in tangible capital assets. This increase in debentures was offset by a \$59 million decrease in loans payable, resulting from scheduled loan payments, and a \$45.5 million decrease in accounts payable and accrued liabilities.

13.7 As at March 31, 2024, the Province had outstanding short-term loans payable, long-term loans payable, and debentures totaling \$3.85 billion. These government borrowings are partially offset by sinking fund assets of \$319.2 million.

### Net Debt

13.8 An important and widely accepted measure of the financial condition of government is net debt. Net debt is the difference between liabilities and financial assets. It provides a

measure of the amount of future revenue that will be required to pay for past operations.

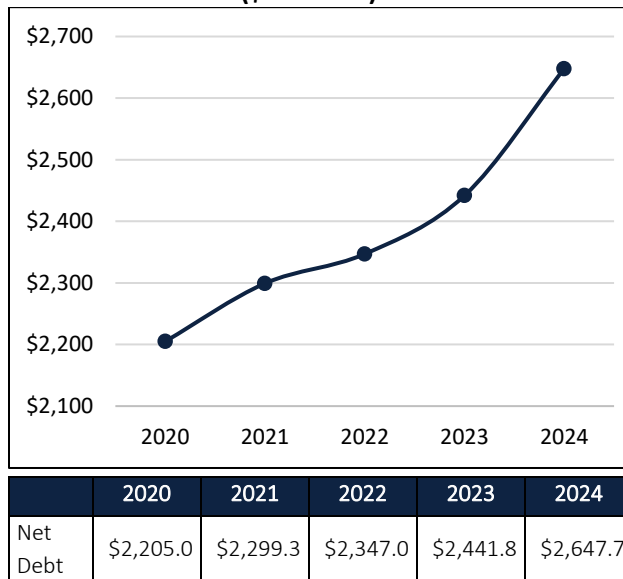
with the rising debt levels, taking money away from programs and services that could be offered by the Province.

13.9 **Exhibit 13.2** shows that net debt increased during the year by \$205.9 million, and was \$2.65 billion as at March 31, 2024. The increase in net debt was mainly due to an increase in the net investment in tangible capital assets of \$182.5 million.

### Non-Financial Assets

13.11 Non-Financial assets increased by \$189.5 million since March 31, 2023. Most of the increase is from investments in tangible capital assets and includes upgrades and new construction related to buildings, roads, and bridges.

**EXHIBIT 13.2**  
**NET DEBT**  
**YEAR ENDED MARCH 31**  
**(\$ Millions)**



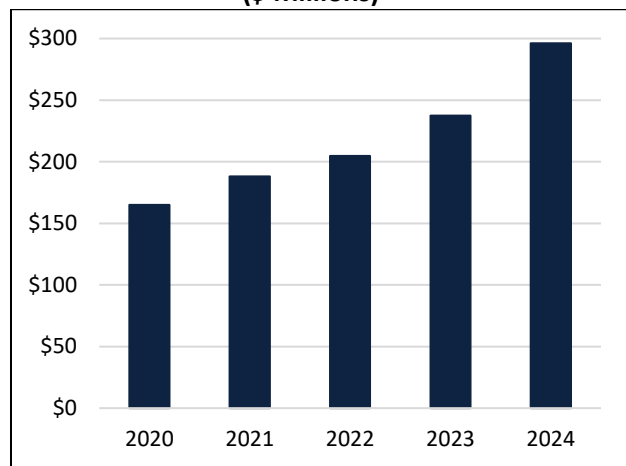
Source: Derived from the Province’s consolidated financial statements with restatements as identified in Public Accounts.

### Tangible Capital Assets

13.12 Tangible capital assets include land and improvements, buildings and improvements, leasehold improvements, roads and bridges, equipment, motor vehicles and other assets. The increase in tangible capital assets for the year ended March 31, 2024 was due to tangible capital asset additions of \$296.3 million, which was partially offset by \$115.3 million of amortization expense for tangible capital assets. **Exhibit 13.3** shows the Province’s total tangible capital asset additions from 2020 to 2024.

13.10 Net debt continues to rise and sits at its highest level ever. The tabled Estimates of Revenue and Expenditures for 2024-25 are forecasting net debt to reach \$3.50 billion by March 31, 2027. This represents an increase of approximately \$852 million, or 32 percent, over the next three years. Escalating net debt puts a tremendous burden on future generations to repay the debt. In addition, interest costs will increase

**EXHIBIT 13.3**  
**TOTAL TANGIBLE CAPITAL ASSET ADDITIONS**  
**YEAR ENDED MARCH 31**  
**(\$ Millions)**



	2020	2021	2022	2023	2024
Tangible Capital Asset Additions	\$165.0	\$188.0	\$204.7	\$237.5	\$296.3

Source: Derived from the Province's consolidated financial statements.

13.13 Tangible capital asset additions have continued to grow, and they are a key contributor to the increasing net debt levels. In Chapter 14, a new chapter related to capital project management, we compare the Province's capital spending over the last five years to budget, and present summary information on several significant capital projects that have either been started or completed over the past three fiscal years. We also provide commentary on any trends identified and their potential impact on future capital spending and net debt levels.

13.14 Although capital spending continues to increase, actual capital spending was still significantly lower than the authorized capital spending of \$336.4 million when special warrants net of sequestrations are included (as noted in Chapter 12). This was due to delays in various capital projects including

- construction projects at Island hospitals and community health centres resulting in Health PEI underspending by \$25 million; and
- construction of mental health and addictions facilities resulting in the Department of Health and Wellness underspending by \$13.1 million.

Annual Surplus/Deficit

13.15 The annual surplus/deficit indicates the extent to which a government spends more or less than what is generated in revenue in a particular year. It indicates whether a government is living within its means.

13.16 For the year ended March 31, 2024, the Province had a deficit of \$14.8 million. Explanations for variances between current and prior year revenues and expenses are provided in the following sections.

Revenues

13.17 Revenues increased by \$139 million from the prior year. The increase was due largely to higher tax revenues of \$40.6 million and additional federal revenues of \$76.4 million.

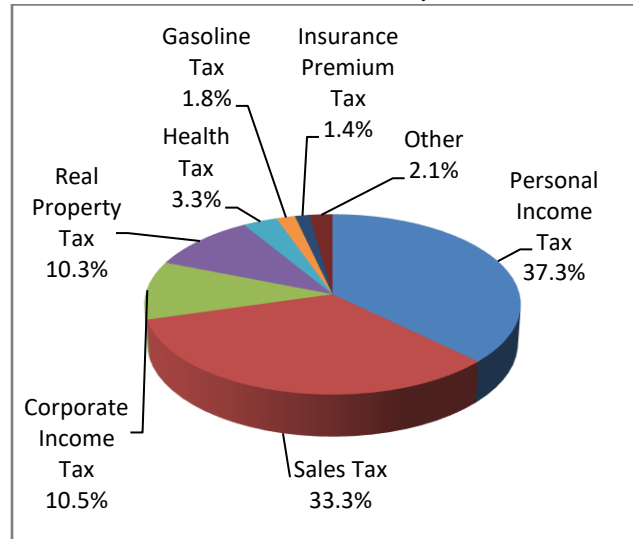
13.18 The increase in tax revenues was mainly driven by higher sales tax revenues. The increase in sales tax revenues resulted from increased economic activity due to the Province's growing population, which is evidenced by the rise in nominal gross domestic product (GDP) totals during the year. While tax revenues from many sources increased during the year, revenues related to the carbon levy decreased from the prior

year, as a federal carbon tax replaced the Province’s carbon levy on July 1, 2023.

13.19 The increase in federal revenues was mainly driven by higher Equalization Program payments and Canada Health Transfers and Social Transfers from the Federal Government. There was also additional funding related to infrastructure programs, energy efficiency programs, early learning and child care agreements, and health care which contributed to higher federal revenues. While federal funding under most programs increased during the year, funding related to the Disaster Financial Assistance Arrangements program and COVID-19 Response and Recovery decreased from the prior year, as the majority of claims for Post-Topical Storm Fiona were accrued for in the previous year and COVID-19 funding ended during the year.

13.20 Provincial tax revenues are the largest source of revenue for the Province and totaled \$1.51 billion for the year ended March 31, 2024. **Exhibit 13.4** shows the various sources of provincial tax revenues for the year ended March 31, 2024.

**EXHIBIT 13.4**  
**PROVINCIAL TAX REVENUES BY SOURCE**  
**YEAR ENDED MARCH 31, 2024**

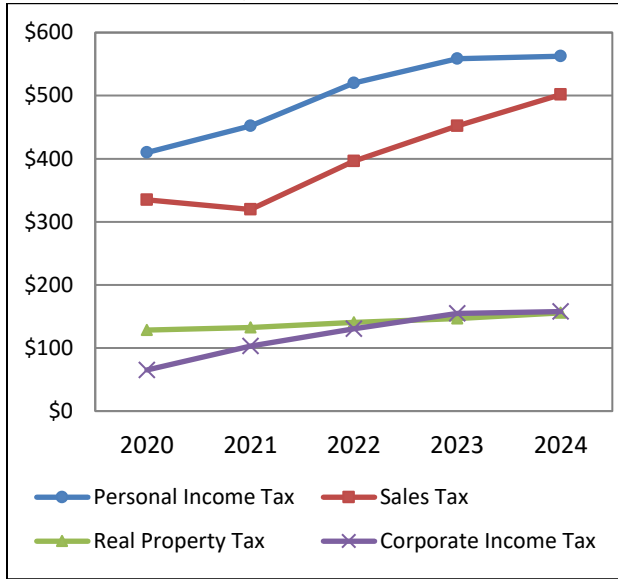


Source: Derived from the Province’s consolidated financial statements.

13.21 **Exhibit 13.5** shows tax revenues from the four largest sources from 2020 to 2024. All of these sources have continued on an upward trend over the past five years.



**EXHIBIT 13.5  
FOUR LARGEST SOURCES OF TAX REVENUES  
YEAR ENDED MARCH 31  
(\$ Millions)**



	2020	2021	2022	2023	2024
Personal Income Tax	\$409.9	\$451.9	\$520.2	\$558.5	\$562.5
Sales Tax	\$334.9	\$319.5	\$396.2	\$452.3	\$501.6
Real Property Tax	\$128.4	\$132.2	\$140.5	\$146.9	\$155.6
Corporate Income Tax	\$65.1	\$103.1	\$130.3	\$154.9	\$157.8

Source: Derived from the Province's consolidated financial statements.

**Expenses**

13.22 Expenses increased by \$167.9 million from the prior year due to additional spending by various departments. The following are areas where significant variances from the prior year were identified:

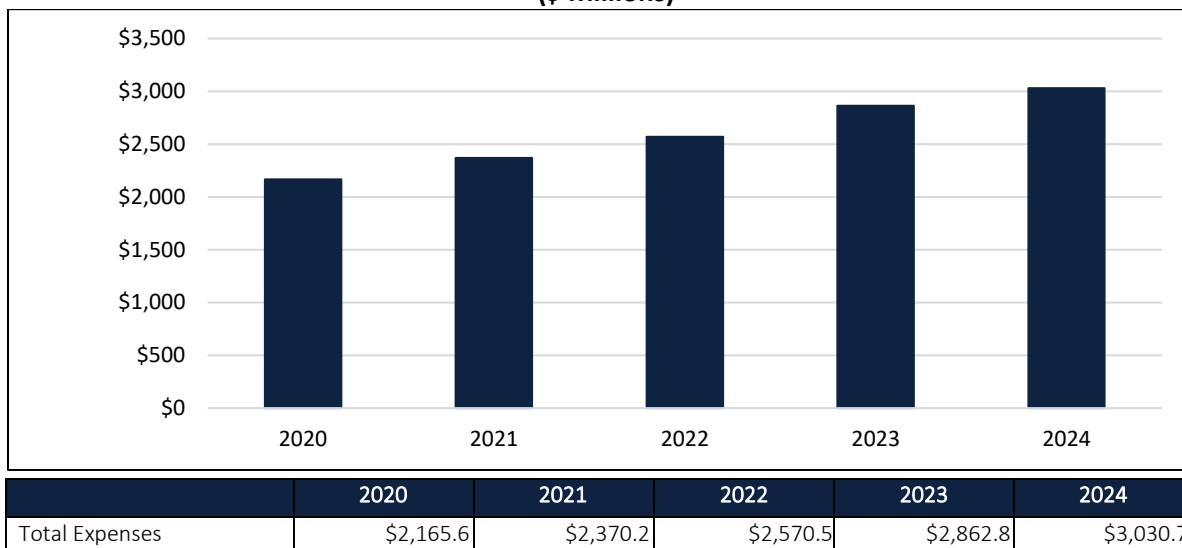
- The Department of Health and Wellness contributed \$114.5 million to the increase, which was largely due to higher compensation costs and other expenses at Health PEI.
- The Department of Education and Early Years contributed \$33.4 million to the increase, which was mainly due to

additional spending on early childhood development initiatives, and rising operational and staffing costs at Island schools.

- The Department of Environment, Energy and Climate Action contributed \$28.9 million to the increase, which related mainly to the expansion and continued implementation of various income-based sustainability programs, including the Free Heat Pump Program, Free Insulation Program, Free Electric Hot Water Heater Program and other energy efficiency programs.
- The Department of Agriculture contributed \$23.8 million to the increase, due mostly to an increase in AgriInsurance indemnity expenses at the PEI Agricultural Insurance Corporation.
- Significant increases were partially offset by the Department of Finance which incurred lower expenses by \$80.4 million, primarily due to the completion of inflationary support payments and COVID-19 programs, and the Department of Justice and Public Safety which incurred lower expenses by \$32 million, as the prior year included significant expenditures resulting from Post-Tropical Storm Fiona.

13.23 Expenses have risen by \$865.1 million since 2020 as more demands are being placed on government programs and services. **Exhibit 13.6** shows total expenses from 2020 to 2024.

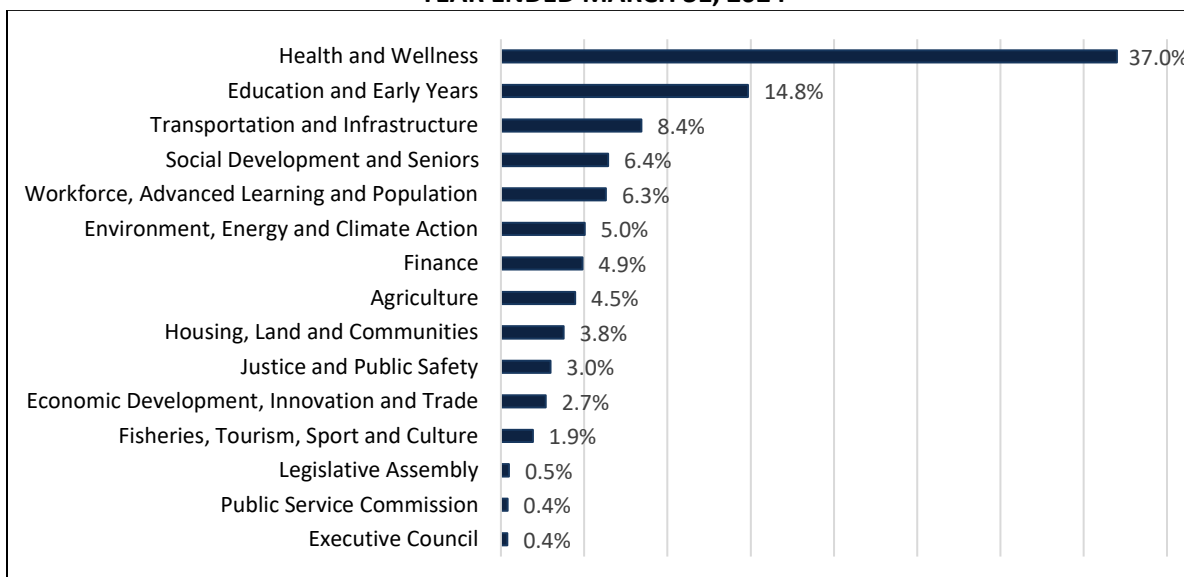
**EXHIBIT 13.6  
TOTAL EXPENSES  
YEAR ENDED MARCH 31  
(\$ Millions)**



Source: Derived from the Province’s consolidated financial statements.

13.24 **Exhibit 13.7** shows program expenses by ministry for the year ended March 31, 2024.

**EXHIBIT 13.7  
PROGRAM EXPENSES BY MINISTRY  
YEAR ENDED MARCH 31, 2024**



Source: Derived from the Province’s consolidated financial statements.

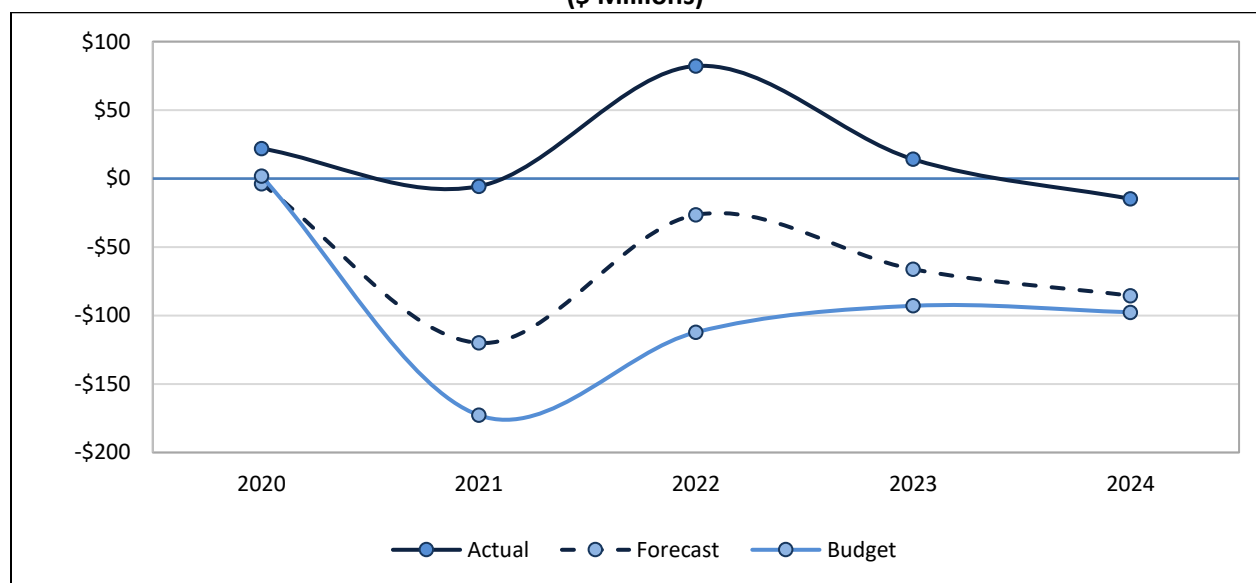
## Budget to Actual

13.25 For the year ended March 31, 2024, the Province incurred a deficit of \$14.8 million. This was a significant variance from the original budgeted deficit of \$97.6 million, and the forecasted deficit of \$85.5 million that was published by the Province in February 2024. **Exhibit 13.8** shows the annual surplus (deficit), forecast, and budget for the past five years. The exhibit shows a significant gap between budgeted and

forecasted amounts as compared to actual results. We would expect the February forecast update to provide a more accurate projection of actual results, as the fiscal year end is only one month away.

13.26 **Exhibit 13.9** provides a summary breakdown of the changes between the amounts originally budgeted and actual results of operations for revenues, expenses, and the annual deficit for the year ended March 31, 2024.

**EXHIBIT 13.8**  
**ANNUAL SURPLUS (DEFICIT)**  
**YEAR ENDED MARCH 31**  
**(\$ Millions)**



	2020	2021	2022	2023	2024
Actual	\$22.0	(\$5.6)	\$82.2	\$14.1	(\$14.8)
Forecast	(\$3.7)	(\$120.0)	(\$26.5)	(\$66.2)	(\$85.5)
Budget	\$1.8	(\$172.7)	(\$112.2)	(\$92.9)	(\$97.6)

Source: Derived from the Province's consolidated financial statements with restatements as identified in Public Accounts.

**EXHIBIT 13.9**  
**SUMMARIZED STATEMENT OF OPERATIONS**  
**BUDGET TO ACTUAL**  
**YEAR ENDED MARCH 31, 2024**  
**(\$ Millions)**

	Budget	Actual	Change from Budget
<b>Revenues</b>			
Tax Revenues	\$1,446.5	\$1,508.4	\$61.9
Government of Canada	1,215.4	1,167.5	(47.9)
Other Provincial Source Revenue	306.8	340.0	33.2
<b>Total Revenues</b>	<b>2,968.7</b>	<b>3,015.9</b>	<b>47.2</b>
<b>Expenses</b>			
Agriculture	108.9	122.6	13.7
Education and Early Years	402.5	407.9	5.4
Environment, Energy and Climate Action	111.1	138.4	27.3
Finance	182.6	134.9	(47.7)
Health and Wellness	1,040.4	1,015.8	(24.6)
Housing, Land and Communities	100.9	103.6	2.7
Social Development and Seniors	162.3	177.0	14.7
Transportation and Infrastructure	252.8	232.1	(20.7)
Workforce, Advanced Learning and Population	166.0	173.5	7.5
Other Program Expenses	255.3	243.8	(11.5)
Interest, Amortization and Accretion	283.5	281.1	(2.4)
<b>Total Expenses</b>	<b>3,066.3</b>	<b>3,030.7</b>	<b>(35.6)</b>
<b>Annual Surplus (Deficit)</b>	<b>(\$97.6)</b>	<b>(\$14.8)</b>	<b>\$82.8</b>

Source: Derived from the Province's consolidated financial statements.

### Budget to Actual Revenues

13.27 Overall, revenues were \$47.2 million higher than the amount originally budgeted. Higher tax revenues and other provincial source revenues were the main reasons for this increase. These increases were partially offset by Government of Canada transfers that were lower than the amount originally budgeted.

13.28 Tax revenues were \$61.9 million higher than the amount originally budgeted. The majority of the increase was attributable to higher than expected sales tax revenues. Sales tax revenues were \$56.9 million higher than the amount originally budgeted. The provincial economy is the main driver of tax revenues and it performed better than projected over the past few years. The

growth in the economy was mainly due to increased exports and increased household spending, which is attributable to the increase in our population.

13.29 Other provincial source revenues were \$33.2 million higher than the amount originally budgeted. This was mostly attributable to a gain resulting from a reduction in the estimated costs associated with the Province's asset retirement obligations, an unbudgeted employer rebate received by Health PEI from the Workers Compensation Board, and the Province receiving its share of the 2023 Canada Games surplus.

13.30 Government of Canada transfers were \$47.9 million lower than the amount originally budgeted. This was mainly due to the

Investing in Canada Infrastructure Program (ICIP) funding and the Working Together to Improve Health Care for Canadians funding coming in lower than budgeted. ICIP funding was under budget by \$30.6 million, largely due to delays in infrastructure projects. Working Together to Improve Health Care for Canadians funding was under budget by \$16.7 million, as related projects were slower to implement than expected.

- Lower than budgeted spending by the above departments was partially offset by the Department of Environment, Energy and Climate Action which was over budget by \$27.3 million, due to higher than expected demand for various income based sustainability programs including the Free Heat Pump Program, Free Insulation Program, Free Electric Hot Water Heater Program and other energy efficiency programs.

## Budget to Actual Expenses

13.31 Overall, expenses were \$35.6 million lower than the amount originally budgeted. The following are areas where significant changes from budget were identified:

- Expenses were \$47.7 million lower than budgeted for the Department of Finance. This was mainly due to general contingencies under general government, as well as employee benefits not requiring the amount of funding that was initially expected.
- Expenses were \$24.6 million lower than budgeted for the Department of Health and Wellness. This was mainly due to delays in various initiatives, as well as staffing vacancies at Health PEI.
- Expenses were \$20.7 million lower than budgeted for the Department of Transportation and Infrastructure. This mainly related to lower than budgeted infrastructure program grants attributable to various delays in the progress of infrastructure projects.

## FINANCIAL INDICATORS

13.32 In this section, we provide information on a number of indicators of financial condition that help assess the Province's sustainability, flexibility, and vulnerability. **Exhibit 13.10** provides a summary of these indicators for the past five years.

**EXHIBIT 13.10**  
**SUMMARY OF FINANCIAL INDICATORS**  
**YEAR ENDED MARCH 31**

	2020	2021	2022	2023	2024
<b>Sustainability</b>					
Net Debt to GDP (Exhibit 13.11)	29.6%	30.8%	27.4%	25.8%	26.7%
Net Debt per Capita (Exhibit 13.13)	\$13,921	\$14,340	\$14,175	\$14,208	\$14,932
Net Debt to Total Revenues (Exhibit 13.15)	100.8%	97.2%	88.5%	84.9%	87.8%
Expenses to GDP (Exhibit 13.16)	29.1%	31.8%	30.0%	30.3%	30.5%
<b>Flexibility</b>					
Interest Charges to Total Revenues (Exhibit 13.18)	5.8%	5.1%	4.6%	5.0%	5.5%
Own Source Revenues to GDP (Exhibit 13.20)	18.0%	18.7%	18.9%	18.9%	18.6%
<b>Vulnerability</b>					
Federal Revenues to Total Revenues (Exhibit 13.21)	38.8%	40.9%	39.0%	37.9%	38.7%

Source: Compiled by the Office of the Auditor General of Prince Edward Island.

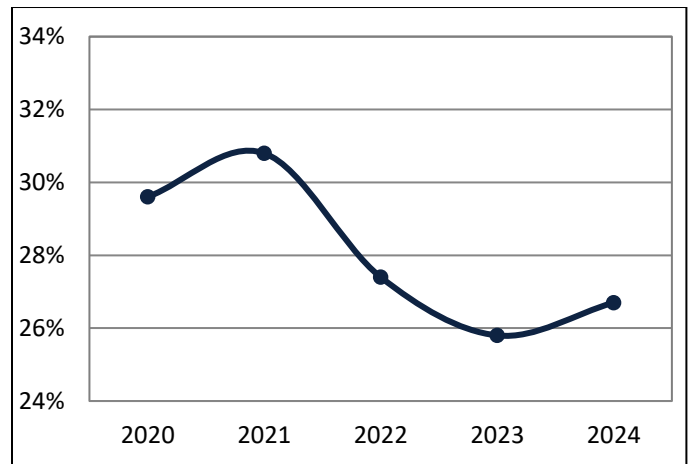
## Sustainability

13.33 Sustainability shows the extent to which programs and services can be maintained, and existing creditor, employee, and other obligations can be met without increasing the debt or tax burden. Sustainability is a significant consideration because of its potential impact on current and future generations of Islanders.

### Net Debt to GDP

13.34 Net debt to GDP provides a measure of the financial demands placed on the economy by the Province's spending and taxation policies. An increasing ratio indicates net debt is growing at a rate faster than the economy, which is unfavorable. The Province's net debt to GDP ratio had been experiencing a decline in recent years. However, the ratio has increased this year, as the Province's increasing net debt, resulting mainly from investments in tangible capital assets, has outpaced growth of the provincial economy. **Exhibit 13.11** shows the ratio of net debt to GDP for the last five years.

**EXHIBIT 13.11**  
**NET DEBT TO GDP**  
**YEAR ENDED MARCH 31**

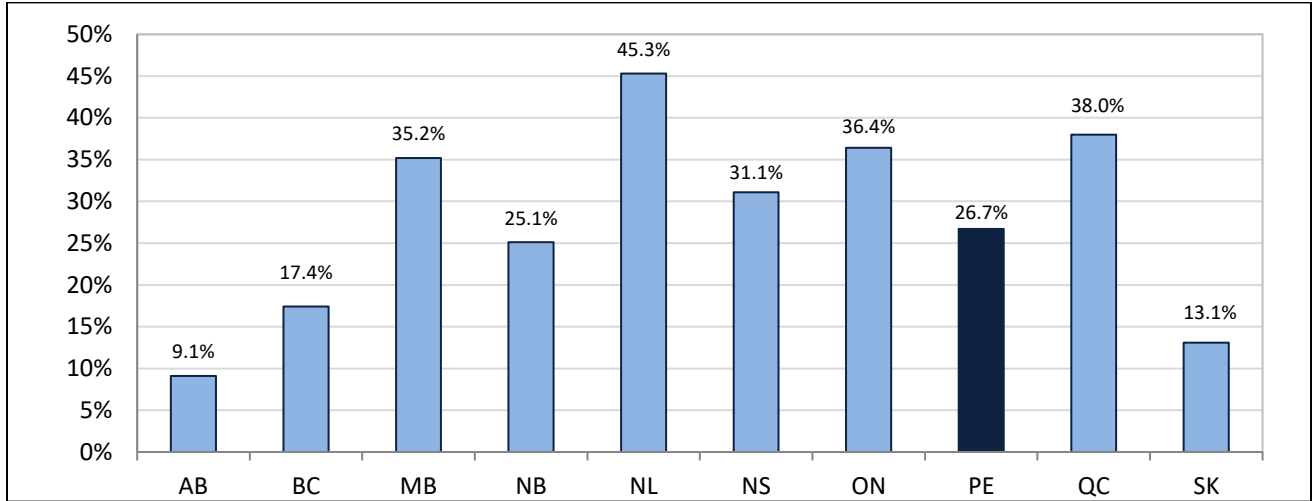


	2020	2021	2022	2023	2024
Net Debt to GDP	29.6%	30.8%	27.4%	25.8%	26.7%

Source: Derived from the Province's consolidated financial statements with restatements as identified in Public Accounts and GDP data from Statistics Canada published November 7, 2024.

13.35 **Exhibit 13.12** compares the Province's net debt to GDP with the other Canadian provinces. As at March 31, 2024, PEI's net debt to GDP ratio is close to the average of all Canadian provinces, making it more favorable than five provinces and less favorable than four provinces.

**EXHIBIT 13.12  
NET DEBT TO GDP FOR CANADIAN PROVINCES  
MARCH 31, 2024**

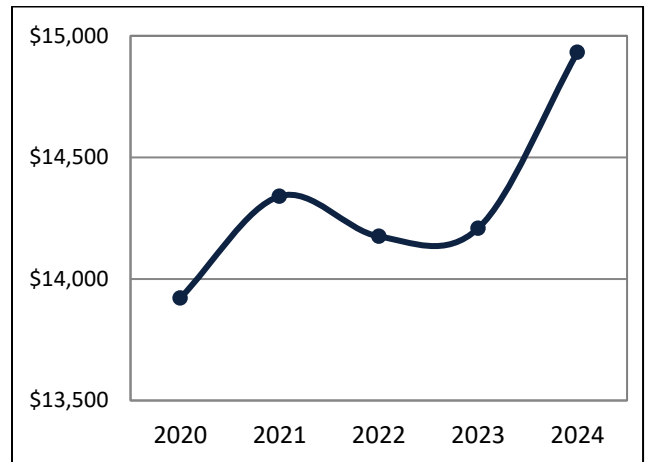


Source: Net debt derived from each province’s consolidated financial statements as at March 31, 2024 and GDP data from Statistics Canada published November 7, 2024.

Net Debt per Capita

13.36 Net debt per capita is the amount of net debt attributable to each resident of the province. The Province’s net debt per capita increased by \$724 to \$14,932 per person as at March 31, 2024, as shown in **Exhibit 13.13**. Overall, net debt per capita has generally increased over the last five years. This is a negative trend, especially when considering the high population growth that the province has experienced.

**EXHIBIT 13.13  
NET DEBT PER CAPITA  
YEAR ENDED MARCH 31**



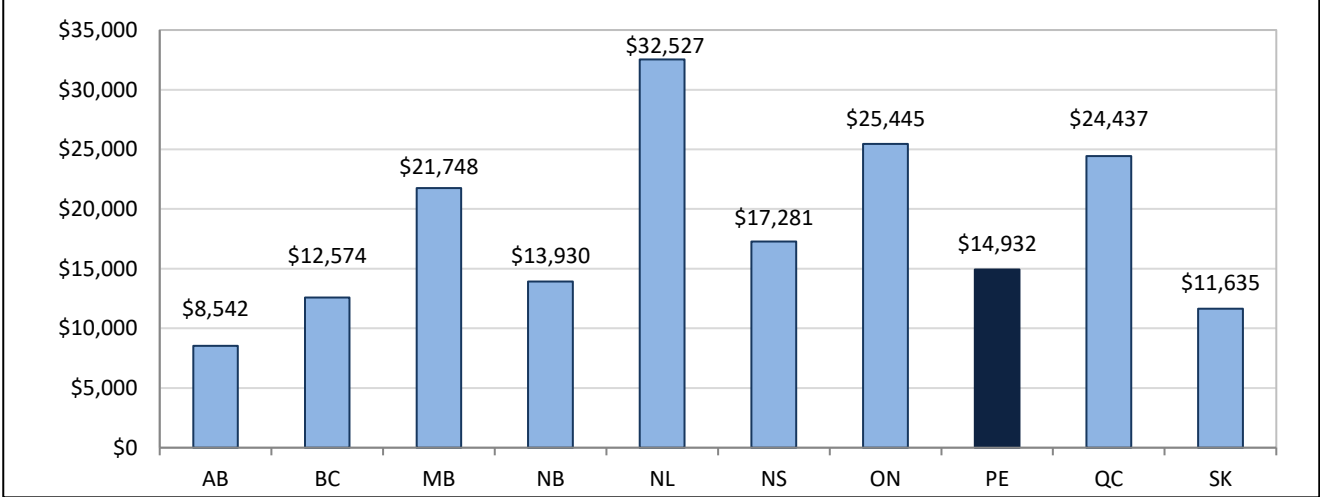
	2020	2021	2022	2023	2024
Net Debt per Capita	\$13,921	\$14,340	\$14,175	\$14,208	\$14,932

Source: Derived from the Province’s consolidated financial statements with restatements as identified in Public Accounts and population data from Statistics Canada published September 25, 2024.

13.37 A comparison of PEI’s net debt per capita to the other Canadian provinces is provided in **Exhibit 13.14**. PEI’s net debt per capita ratio is

more favorable than five provinces and less favorable than four provinces.

**EXHIBIT 13.14**  
**NET DEBT PER CAPITA FOR CANADIAN PROVINCES**  
**MARCH 31, 2024**

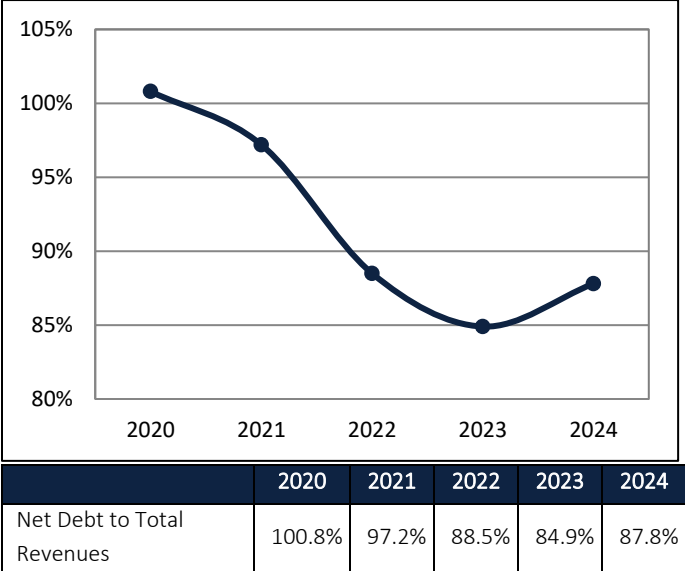


Source: Net debt derived from each province’s consolidated financial statements as at March 31, 2024 and population data from Statistics Canada published September 25, 2024.

Net Debt to Total Revenues

13.38 **Exhibit 13.15** depicts the ratio of net debt to total revenues. This ratio is a measure of the future revenue that will be required to pay for past transactions. The Province’s ratio decreased significantly from 2020 to 2023, which was a positive trend. However, as at March 31, 2024, the Province’s ratio increased, as the increasing net debt has grown at a rate higher than revenues. An increasing ratio indicates more time will be needed to repay debt, which is unfavorable.

**EXHIBIT 13.15**  
**NET DEBT TO TOTAL REVENUES**  
**YEAR ENDED MARCH 31**



Source: Derived from the Province’s consolidated financial statements with restatements as identified in Public Accounts.

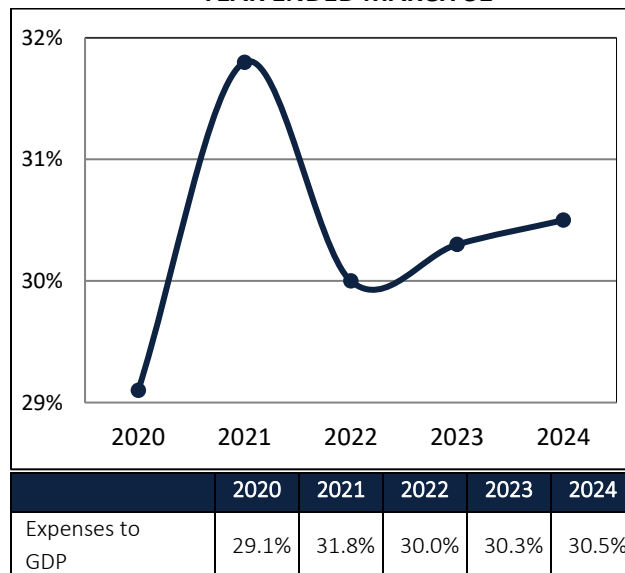


## Expenses to GDP

13.39 During the 2024 fiscal year, government expenses increased by \$167.9 million from the prior year. Comparing expenses to GDP provides the trend of government spending in relation to the growth in the economy. An increasing ratio indicates government spending is growing at a rate faster than the growth in the economy. Expenses as a percentage of GDP increased slightly over the prior year and has increased by 1.4 percent since 2020. **Exhibit 13.16** shows the Province’s expenses to GDP over the last five years. The COVID-19 pandemic was the main reason for the rise in this ratio during 2021, as it contributed to low GDP growth and increased government spending to provide support to individuals and businesses.

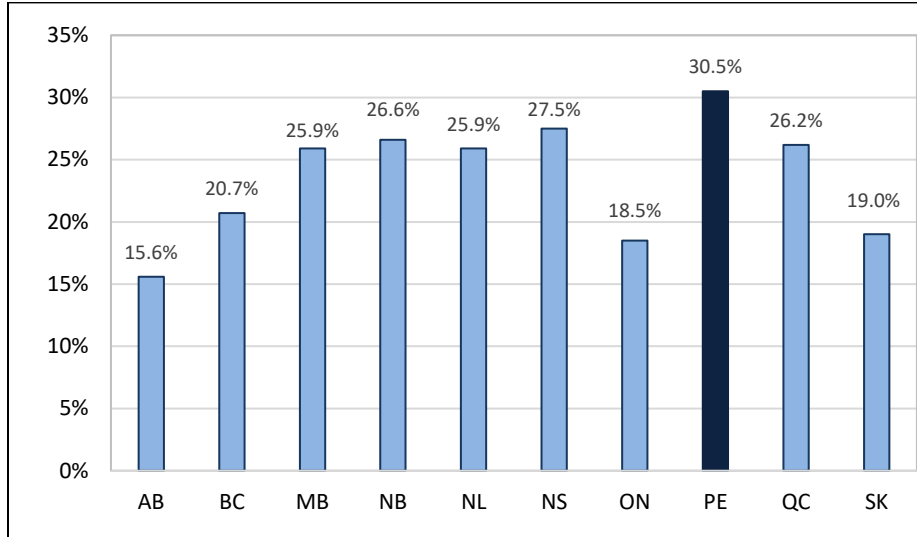
13.40 **Exhibit 13.17** shows a comparison of PEI’s expense to GDP ratio to the other Canadian provinces. For the year ended March 31, 2024, PEI’s expense to GDP ratio was the highest of all Canadian provinces. This is an unfavorable statistic, as it means that PEI’s economy is more dependent on government spending than any other Canadian province.

**EXHIBIT 13.16  
EXPENSES TO GDP  
YEAR ENDED MARCH 31**



Source: Derived from the Province’s consolidated financial statements and GDP data from Statistics Canada published November 7, 2024.

**EXHIBIT 13.17**  
**EXPENSES TO GDP FOR CANADIAN PROVINCES**  
**MARCH 31, 2024**



Source: Expenses derived from each province’s consolidated financial statements as at March 31, 2024 and GDP data from Statistics Canada published November 7, 2024.

## Flexibility

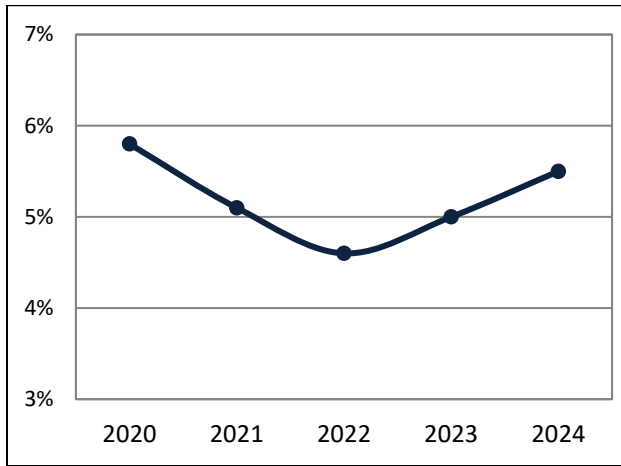
13.41 Flexibility is the degree to which a government can increase its financial resources to respond to rising commitments, by either incurring debt or raising additional revenue. A government meets the test of flexibility when it can respond to changing economic conditions, such as a recession or higher interest rates, without making substantial changes to the way it operates.

13.42 Flexibility provides insight into the management of financial resources. A government that increases its current borrowings reduces its future flexibility to respond to adverse economic circumstances. Similarly, increasing taxation or fees reduces a government’s ability to raise them further in the future, as citizens and businesses have a limit to how much they can, or are willing, to bear.

## Interest Bite and Interest Charges

13.43 One measure of a government’s flexibility is what is known as the interest bite. This is the amount of annual interest charge as a percentage of total revenues as shown in **Exhibit 13.18**. This indicator illustrates the extent to which past borrowing decisions constrain a government’s ability to provide programs and services in the future. The interest charges to total revenues ratio has increased over the past two fiscal years as a result of higher debt and rising interest rates, which is a negative trend.

**EXHIBIT 13.18**  
**INTEREST CHARGES TO TOTAL REVENUES**  
**YEAR ENDED MARCH 31**

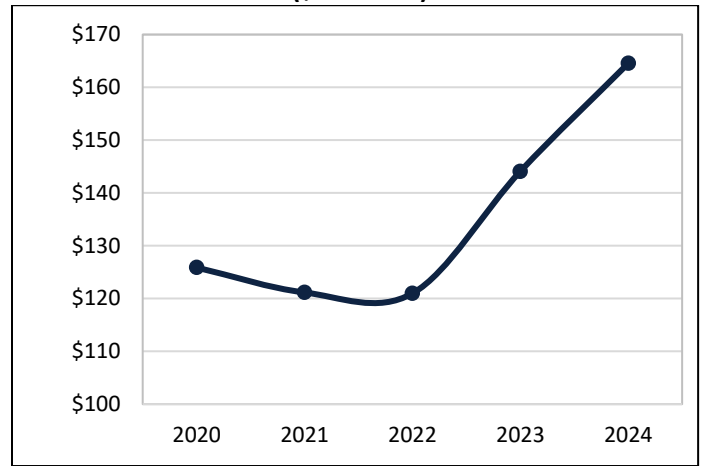


	2020	2021	2022	2023	2024
Interest Charges to Total Revenues	5.8%	5.1%	4.6%	5.0%	5.5%

Source: Derived from the Province's consolidated financial statements with restatements as identified in Public Accounts.

13.44 As shown in **Exhibit 13.19**, interest charges reached a new high, totaling \$164.5 million during the 2023-24 fiscal year. This represents an increase of \$20.4 million, or 14 percent, from the prior year. This means that the first \$164.5 million of revenue must be used to pay interest charges, and is not available for government programs and services. Interest rates have risen over the past few years and, as a result, interest charges will continue to constrain future spending. Investment income also increased during the year to \$40.8 million, which helps offset some of the interest charges.

**EXHIBIT 13.19**  
**INTEREST CHARGES**  
**YEAR ENDED MARCH 31**  
**(\$ Millions)**



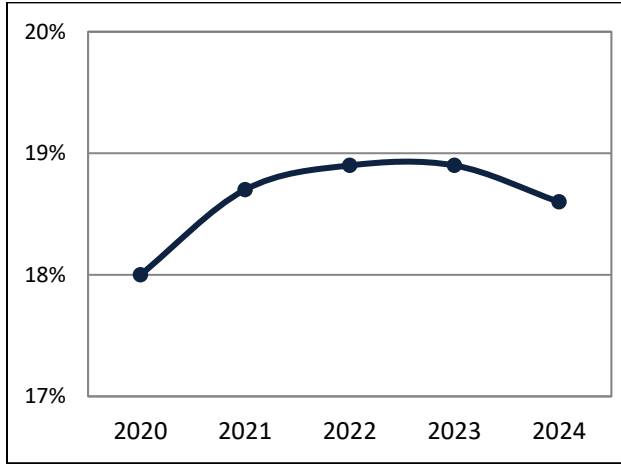
	2020	2021	2022	2023	2024
Interest Charges	\$125.9	\$121.2	\$121.0	\$144.1	\$164.5

Source: Derived from the Province's consolidated financial statements.

#### Own Source Revenues to GDP

13.45 Own source revenues, as a percentage of GDP, indicates the extent to which a government is taking money out of the local economy through taxation, fees, and/or other charges. **Exhibit 13.20** shows that this percentage has been fairly stable for the Province over the last few years.

**EXHIBIT 13.20  
OWN SOURCE REVENUES TO GDP  
YEAR ENDED MARCH 31**



	2020	2021	2022	2023	2024
Own Source Revenues to GDP	18.0%	18.7%	18.9%	18.9%	18.6%

Source: Derived from the Province’s consolidated financial statements with restatements as identified in Public Accounts and GDP data from Statistics Canada published November 7, 2024.

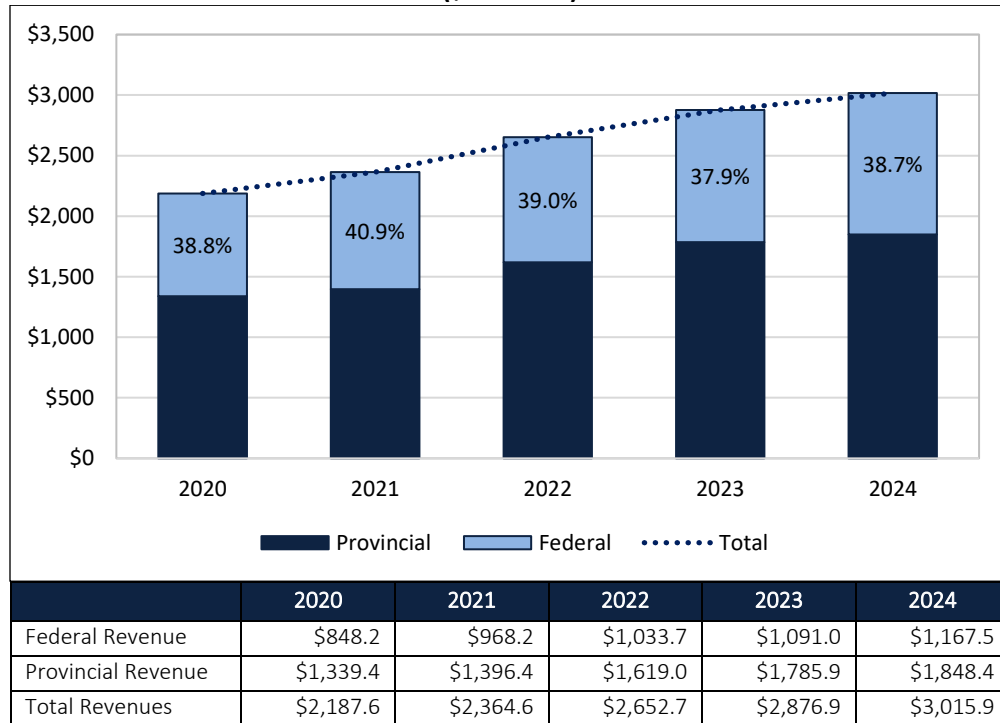
## Vulnerability

13.46 Vulnerability is the degree to which a government depends on sources of funding outside of its control or influence. It provides insight into the risks to the Province that could affect its ability to meet existing service commitments to the public and financial commitments to creditors, employees, and others.

## Federal Revenues to Total Revenues

13.47 As shown in **Exhibit 13.21**, federal revenues as a percentage of total revenues increased over the prior year from 37.9 percent to 38.7 percent. An increasing federal revenue ratio indicates higher vulnerability, as the Province is more dependent on this source of revenue. In fiscal 2023-24, the Federal Government provided 38.7 percent of the Province’s total revenues. The increase in the ratio was driven by higher growth in federal revenues compared to the growth in provincial revenues.

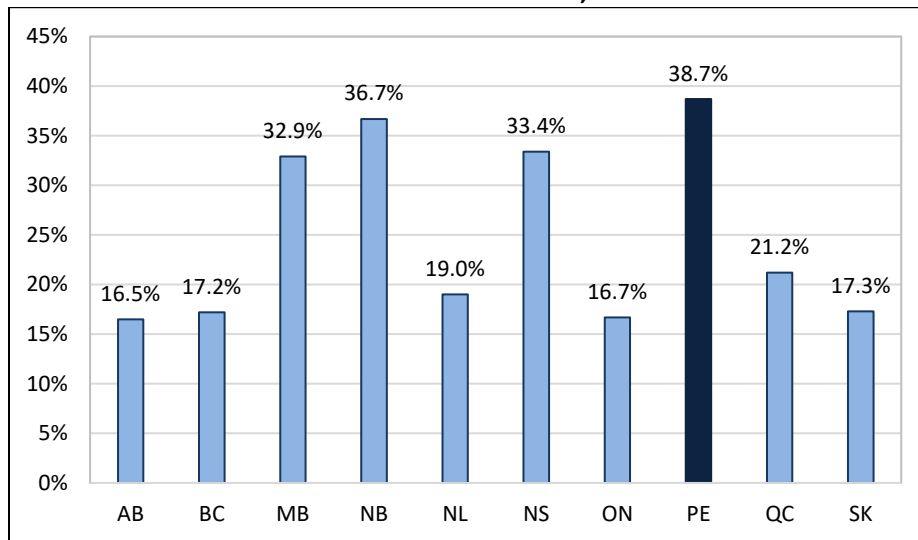
**EXHIBIT 13.21  
FEDERAL REVENUES TO TOTAL REVENUES  
YEAR ENDED MARCH 31  
(\$ Millions)**



Source: Derived from the Province's consolidated financial statements with restatements as identified in Public Accounts.

13.48 The Province's federal revenues to total revenues ratio has been compared to other Canadian provinces in **Exhibit 13.22**. For the year ended March 31, 2024, PEI's ratio of federal revenues to total revenues was the highest of all Canadian provinces. This indicates that PEI has the highest level of vulnerability in terms of being the most dependent Canadian province on federal funding.

**EXHIBIT 13.22**  
**FEDERAL REVENUES TO TOTAL REVENUES FOR CANADIAN PROVINCES**  
**YEAR ENDED MARCH 31, 2024**



Source: Federal revenues and total revenues derived from each province's consolidated financial statements as at March 31, 2024.

## GLOSSARY

**Accumulated deficit** is the sum of all surpluses, deficits, and net remeasurement gains (losses) incurred over the years.

**Annual surplus or deficit** is the difference between a government's revenues and expenses. This measure shows the extent to which revenues raised in the year were sufficient to cover expenses in that year.

**Financial assets** are cash and other assets which could provide resources to pay liabilities or finance future operations.

**Government borrowings** is the total amount of short-term loans payable, long-term loans payable, and debentures.

**Gross domestic product (GDP)** is a measure of the value of all goods and services produced in a jurisdiction in a given period. The Province's GDP is measured and reported by Statistics Canada.

**Interest charge** is the amount required to service the debt, and must be taken from revenues before any expenditures can be made on government programs and services.

**Net debt** is the difference between the government's total liabilities and its financial assets.

**Net remeasurement gain (loss)** includes unrealized gains and losses arising from portfolio investments, derivative financial instruments, foreign currency transactions, and other comprehensive income from government business enterprises.

**Nominal gross domestic product** is gross domestic product given in current market prices, which includes the impact of inflation.

**Non-financial assets** are tangible capital assets such as buildings, roads, and equipment, as well as prepaid expenses and inventories. The book value of tangible capital assets increases as they are acquired, and is reduced over a period of time through amortization. These assets do not normally provide resources to discharge liabilities.

**Total liabilities** are the amounts owed by government. Government's liabilities include outstanding debentures and other amounts payable.

# 14. Capital Spending – Highlights

## What we did

- This chapter presents information to assist legislators, the public, and other users in understanding recent trends with respect to capital spending by the Province and what these trends in capital spending could mean for the future.
- We compared original budgets to actual completed costs for eight significant capital projects that have been completed within the last three fiscal years.
- We compared original budgets to revised budgets for six significant capital projects that were still in progress as at March 31, 2024.
- We provided information on the Fall 2024 Capital Estimates and compared this estimated capital spending to potential capital spending based on recent trends in the Province’s capital spending.
- We provided information on forecasted net debt to the end of the 2029-30 fiscal year under two scenarios of capital spending.

## Why it’s important

In November 2024, the Province released a capital budget with a record level of investment. The Province’s investment in tangible capital assets has grown significantly over the past number of years and is a key contributor to increasing net debt levels. The latest capital budget will have a significant impact on the Province’s net debt, and thereby, on future generations.

## What we found

- The eight significant capital building projects were completed at a cost 49 percent above the amounts originally budgeted.
- The six significant capital building projects still in progress that we reviewed are expected to be completed at a cost 77 percent above the amounts originally budgeted based on revised budget estimates.
- The capital budget released in November 2018 included a five-year capital plan for fiscal years 2020 to 2024 with total spending of \$610.8 million. Actual capital spending over the 2020 to 2024 fiscal years has totaled \$1.09 billion, an increase of 79 percent over the original capital plan.
- Net debt at the end of fiscal 2023-24 was \$2.65 billion. If we increase the forecasted capital spending to match recent trends in the Province’s actual capital spending, net debt could reach \$5.21 billion by the end of fiscal 2029-30.



# 14. Capital Spending

## PURPOSE AND SCOPE

- 14.1 This chapter is not an audit, an evaluation of the completeness or accuracy of government reporting, or an assessment of internal monitoring and risk management processes related to capital budgeting and management of capital projects.
- 14.2 The purpose of this chapter is to present information to assist legislators, the public, and other users in understanding recent trends with respect to capital spending by the Province and what it could mean in the future.

## BACKGROUND

- 14.3 Tangible capital assets (TCAs) are assets with a useful life of more than one year and include items such as land, buildings, and equipment. TCAs are a significant economic resource managed by the Province and a key component in the delivery of many government programs and services.
- 14.4 The Province's TCA categories include land and improvements, buildings and improvements, leasehold improvements, roads and bridges, equipment, motor vehicles, and other. With the exception of land, all of these assets have a limited useful life and, as they age, significant investment is required in order to maintain or replace this infrastructure. The Province's investment in TCAs has grown significantly over the past number of years and is a key contributor to increasing net debt levels.

- 14.5 Section 7 of the *Treasury Board Policy and Procedures Manual* provides guidance on capital projects management. In the fall of each year, the Province releases a capital budget that details estimated spending on infrastructure and capital projects for the upcoming fiscal year. The capital budget also includes a summary five-year capital plan. Budgeting for capital spending is important as capital projects represent a significant portion of the Province's annual cash requirements and also impacts future operating budgets.
- 14.6 The most recent capital budget, released in November 2024, includes a record level of investment with estimated spending of \$482.6 million in the 2025-26 fiscal year, and a total of \$1.65 billion over the next five fiscal years.

## ANALYSIS OF CAPITAL PROJECTS

- 14.7 Completing capital projects within budget is a key aspect of capital project management. Incurring significant costs above original estimates can lead to several negative outcomes including increased debt levels, the delay of other planned capital projects, an impact on the delivery of government programs and services, and the potential need for special warrants. Significant cost increases can also bring into question the accuracy and completeness of the budgeting process and, therefore, the reliability of capital budget information for future planning.

14.8 In the following section, we provide original budget and actual completed cost information for significant capital projects that have been completed within the last three fiscal years. We also provide information on several significant capital projects that were still in progress as at March 31, 2024.

14.9 Capital projects were selected through reviewing TCA information from the Operating Fund, Health PEI, and the Prince Edward Island Housing Corporation. After reviewing the information, we decided to focus our analysis on capital projects related to buildings, including new builds and major additions/renovations. For the purposes of this chapter, significant capital projects were defined as projects exceeding \$3 million.

## Completed Capital Projects

14.10 **Appendix A** of this chapter summarizes the eight significant capital building projects completed within the last three fiscal years. We compared original project budgets to actual completed costs and found that the projects were completed at a cost 49 percent above original budgeted amounts. The original budget amounts for the capital projects were obtained from Treasury Board minutes.

### Schools

14.11 The addition to West Royalty Elementary School had an original budget of \$4.9 million, with construction estimated to be completed by Fall 2021. The total cost of the project ended up being approximately \$5.9 million and was completed in June 2022.

The project was over budget by \$1 million or 20 percent.

14.12 The addition to École-sur-Mer had an original budget of \$5.3 million. The total cost of the project ended up being approximately \$13.4 million and was completed in September 2022. The project was over budget by \$8.1 million or 153 percent.

### Mental Health and Addiction Facilities

14.13 In 2018, the Province undertook a comprehensive review of Mental Health and Addictions (MHA) Services in PEI, which resulted in recommendations for a new MHA campus. The Fall 2019 Capital Budget included \$147.8 million for the new campus to be spent over the following five years. The most significant part of the campus was the replacement of the Hillsborough Hospital with a new Acute Care Facility and Life Skills Centre which is expected to be completed in 2027. The completed projects of the MHA campus are discussed below.

14.14 The Addiction Extended Care Residence had an original budget of \$3 million and was completed in September 2022. The total cost of the project was approximately \$4.4 million and was \$1.4 million, or 47 percent, over budget. The Structured Housing/Day Programming Facility had an original budget of \$4.5 million and was completed in February 2023. The total cost of the project was approximately \$5.4 million and was \$900 thousand, or 20 percent, over budget.

14.15 The Mental Health and Addictions Emergency Department and Short Stay Unit at the Queen Elizabeth Hospital had an original budget of \$5 million. The unit was

available for use by the end of fiscal 2023-24. Total project costs were approximately \$11.7 million as at March 31, 2024. This represents a budget overage of \$6.7 million, or 134 percent.

### West Prince Community Health Centre

14.16 The West Prince Community Health Centre had an original budget of \$8.6 million. The project was completed in fiscal 2023-24 at a total cost of approximately \$7.6 million and was \$1 million, or 12 percent, under budget.

### Provincial Correctional Centre-Women's Unit

14.17 The addition to the Women's Unit at the Provincial Correctional Centre had an original budget of \$13 million. The project was completed in January 2024 at a total cost of approximately \$18 million and was \$5 million, or 38 percent, over budget.

### Social Housing Units

14.18 The construction of two, 10-unit mixed senior and family housing buildings, one each in Georgetown and Morell, had an original total budget of \$5.7 million. Both buildings were completed during fiscal 2023-24 at a combined total cost of approximately \$8 million. The project was over budget by \$2.3 million or 40 percent.

## In Progress Capital Projects

14.19 **Appendix B** of this chapter summarizes six significant capital building projects that were still in progress as at March 31, 2024, but were at least 25 percent completed based on costs incurred in comparison to original

budgets. We compared original project budgets to the latest revised budget estimates for these projects. As a result, we found that these projects are expected to be completed at a cost 77 percent above original budgets.

### Schools

14.20 The infrastructure improvements at Eliot River Elementary School had an original budget of \$5.8 million. Costs incurred to the end of fiscal 2023-24 for this project totaled approximately \$13.6 million. The latest revised budget for this project is \$14.5 million, which is \$8.7 million, or 150 percent, over the original project budget.

14.21 The infrastructure improvements at Montague Consolidated School had an original budget of \$6.7 million. Costs incurred to the end of fiscal 2023-24 for this project totaled approximately \$10.4 million. The latest revised budget for this project is \$10.6 million, which is \$3.9 million, or 58 percent, over the original project budget.

14.22 The replacement of the existing Sherwood Elementary School had an original budget of \$19.2 million. As at March 31, 2024, costs incurred on the project totaled approximately \$24.5 million and the latest revised budget for the project is \$35.1 million, with completion estimated to be in fiscal 2025-26. This represents a budget increase of \$15.9 million, or 83 percent, over the original budget.

## Social Housing Units

14.23 The construction of a 32-unit family housing building in Summerside was originally budgeted at \$6.7 million. Costs incurred to the end of fiscal 2023-24 for this project totaled approximately \$8.9 million. The latest revised budget for this project has increased to \$12.2 million, and the number of units has been reduced to 31. This represents a budget increase of \$5.5 million, or 82 percent, over the original budget.

14.24 The construction of a 30-unit seniors housing building in Charlottetown was originally budgeted at \$6.7 million. Costs incurred to the end of fiscal 2023-24 for this project totaled approximately \$4.4 million. The latest revised budget for this project is \$9.6 million. This represents a budget increase of \$2.9 million, or 43 percent, over the original budget.

## Kings County Highway Depot

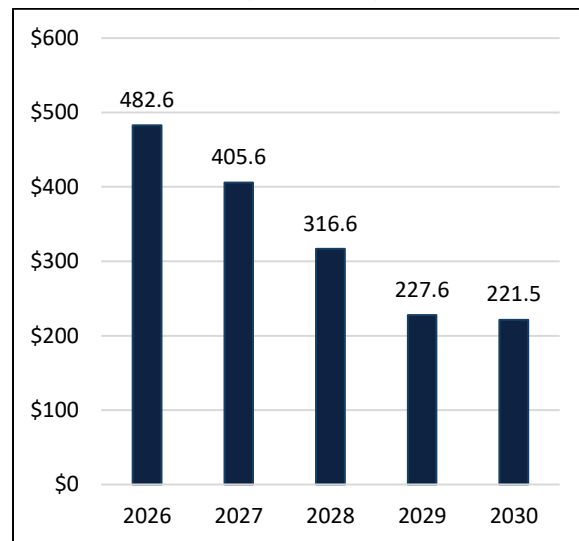
14.25 The addition to the Kings County Highway Depot in Bridgetown had an original budget of \$9.5 million. Costs incurred to the end of fiscal 2023-24 for this project totaled approximately \$14.6 million. The latest revised budget is \$14.7 million, for a total budget increase of \$5.2 million or 55 percent.

## CAPITAL BUDGETS

14.26 As shown in **Exhibit 14.1**, the 2025-26 Capital Budget released in November 2024 includes estimated capital spending of \$482.6 million for the 2025-26 fiscal year, and a five-year capital plan total of \$1.65

billion. The budget for the 2025-26 fiscal year is now 37 percent higher than the \$352.1 million amount that was included in last year's capital budget for the same fiscal year.

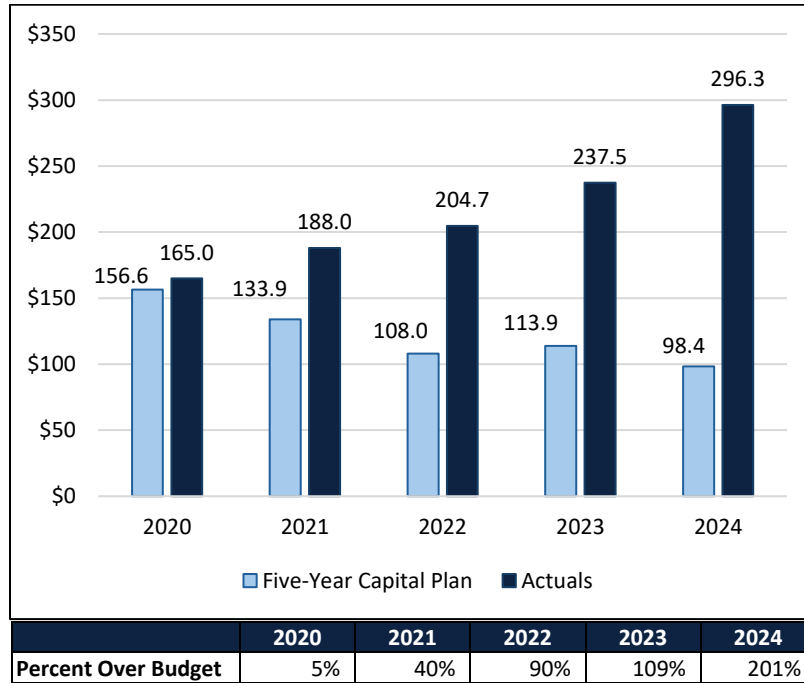
**EXHIBIT 14.1**  
**FIVE-YEAR CAPITAL PLAN**  
**FISCAL YEARS 2026-2030**  
**(\$ Millions)**



Source: PEI Capital Estimates 2025-2026

14.27 While **Exhibit 14.1** shows a decrease in estimated capital spending after the 2025-26 fiscal year, these figures are estimates and may not accurately reflect actual future investments in TCAs moving forward. For instance, as shown in **Exhibit 14.2**, the 2019-20 Capital Budget released in November 2018 included a five-year capital plan for fiscal years 2020 to 2024 with estimated capital spending totaling \$610.8 million. However, actual capital spending over the last five fiscal years has totaled \$1.09 billion, an increase of 79 percent over the original five-year capital plan.

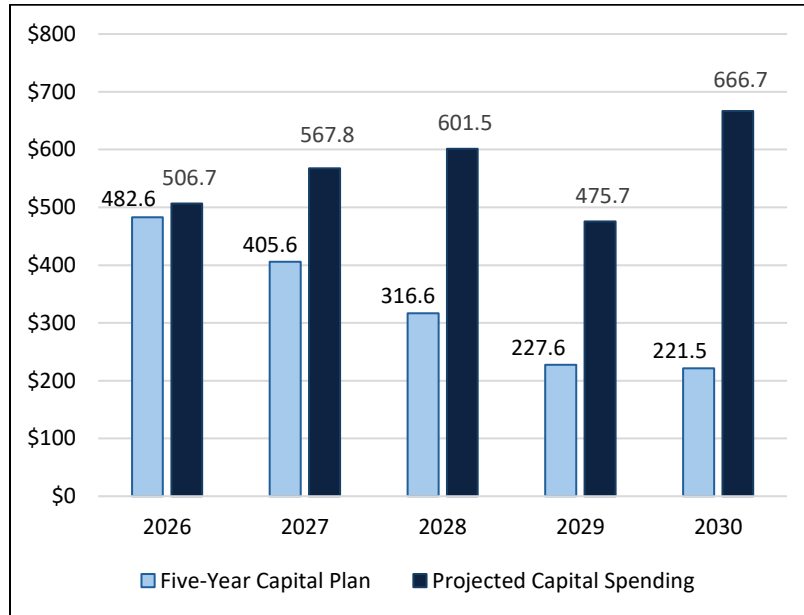
**EXHIBIT 14.2**  
**FIVE-YEAR CAPITAL PLAN TO ACTUALS**  
**FISCAL YEARS 2020-2024**  
**(\$ Millions)**



Source: PEI Capital Estimates 2019-2020 and the Province's consolidated financial statements.

14.28 **Exhibit 14.2** shows that as the five-year capital plan goes through later years, the budget becomes less accurate. In year one of the five-year capital plan, actual capital spending was only five percent over budget. However, in year two actual capital spending was 40 percent over budget, and years three to five were 90 percent, 109 percent, and 201 percent, over budget, respectively. Based on this trend, it is reasonable to expect that the Province's actual capital spending over the next five years will be higher than the estimated spending included in the latest capital budget. If we apply these same yearly percentage increases over budget to the current five-year capital plan, total estimated capital spending over the next five fiscal years would increase to \$2.82 billion, as shown in **Exhibit 14.3**.

**EXHIBIT 14.3**  
**PROJECTED FIVE-YEAR CAPITAL SPENDING**  
**FISCAL YEARS 2026-2030**  
**(\$ Millions)**



Source: Derived from the PEI Capital Estimates 2025-2026 with projected capital spending based on the actual results presented in **Exhibit 14.2**.

**NET DEBT**

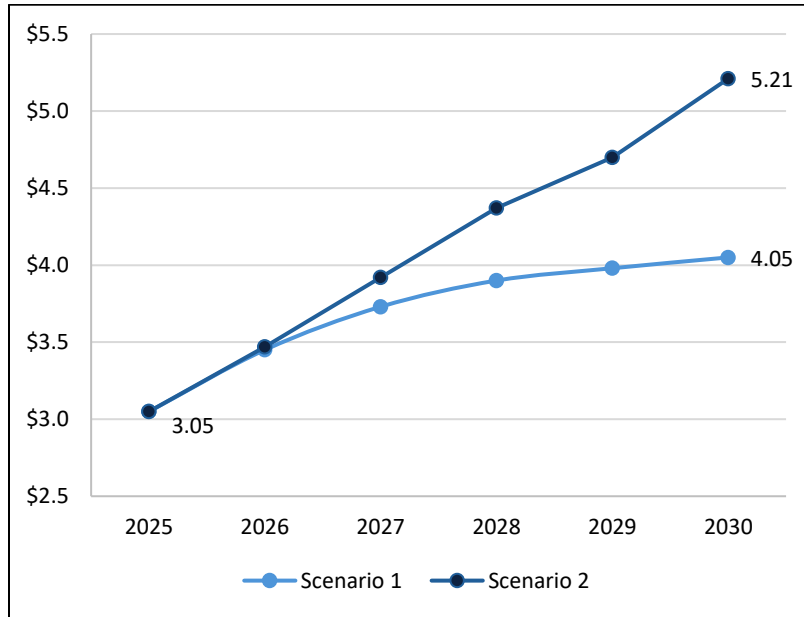
14.29 Typically, capital spending is covered through increasing the Province’s net debt, which is the difference between liabilities and financial assets. Net debt provides a measure of the amount of future revenue that will be required to pay for past expenditures. The Province’s net debt at the end of fiscal 2023-24 was \$2.65 billion.

14.30 In **Exhibit 14.4**, we present two scenarios where net debt is forecasted to the end of fiscal 2029-30. Under scenario one, using the Province’s latest operating and capital estimates and forecasts, net debt is

projected to reach \$4.05 billion<sup>1</sup> by the end of fiscal 2029-30. Under scenario two, estimated capital spending for each fiscal year was increased to match **Exhibit 14.3**. Under this scenario, net debt is expected to reach \$5.21 billion by fiscal 2029-30.

<sup>1</sup> The net debt projection has decreased from the \$4.07 billion that was noted in our *Long-Term Fiscal Sustainability* report based on information obtained from the Province’s 2024-2025 Fiscal and Economic Update.

**EXHIBIT 14.4**  
**NET DEBT FORECAST**  
**FISCAL YEARS 2025-2030**  
**(\$ Billions)**



Source: Derived from PEI Estimates of Revenue and Expenditures 2024-2025, Capital Estimates 2025-2026 and projected capital spending based on **Exhibit 14.3**.

14.31 As noted in our November 2024 *Long-Term Fiscal Sustainability* report, escalating net debt puts a tremendous burden on future generations to repay the debt. In addition, interest costs will increase with the rising debt levels, taking money away from programs and services that could be offered by the Province.

**FUTURE REPORTING**

14.32 This is the first year we have provided analysis on capital spending in our annual report and we are planning to continue this reporting in future years. Our goal in providing this information is to encourage the Province to improve capital budgeting as well as the management of capital projects.

**Significant Capital Building Projects Completed Within the Last Three Fiscal Years\***  
**Comparison of Original Budget to Actual Completed Costs**  
**(\$ Millions)**

<b>Project</b>	<b>Original Capital Budget</b>	<b>Original Budget \$</b>	<b>Actual Completed Costs \$</b>	<b>Over/(Under) Budget \$</b>	<b>Over/(Under) Budget %</b>
West Royalty Elementary	Fall 2017	\$4.9	\$5.9	\$1.0	20%
École-sur-Mer	Fall 2017	5.3	13.4	8.1	153%
Mental Health and Addictions – Addiction Extended Care	Fall 2019	3.0	4.4	1.4	47%
Mental Health and Addictions – Housing and Day Programming	Fall 2019	4.5	5.4	0.9	20%
Mental Health and Addictions – Emergency Department and Short Stay Unit	Fall 2020	5.0	11.7	6.7	134%
Morell and Georgetown Housing – 10 Units Each	Fall 2019	5.7	8.0	2.3	40%
West Prince Community Health Centre	Fall 2021	8.6	7.6	(1.0)	(12%)
Provincial Correctional Centre – New Women’s Unit	Fall 2018	13.0	18.0	5.0	38%
<b>Total</b>		<b>\$50.0</b>	<b>\$74.4</b>	<b>\$24.4</b>	<b>49%</b>

Source: Original capital budget information was taken from Treasury Board minutes. Actual completed costs were derived from financial information provided to our Office during the Public Accounts audit.

\*For the purposes of this chapter, significant capital projects are defined as projects exceeding \$3 million.



**Significant Capital Building Projects In Progress as at March 31, 2024\***  
**Comparison of Original Budget to Revised Budget**  
**(\$ Millions)**

<b>Project**</b>	<b>Original Capital Budget</b>	<b>Original Budget \$</b>	<b>Revised Budget \$</b>	<b>Costs Incurred March 31, 2024 \$</b>	<b>Budget Increase \$</b>	<b>Budget Increase %</b>
Eliot River Elementary	Fall 2019	\$5.8	\$14.5	\$13.6	\$8.7	150%
Montague Consolidated	Fall 2019	6.7	10.6	10.4	3.9	58%
Sherwood Elementary	Fall 2018	19.2	35.1	24.5	15.9	83%
Summerside Housing – 31 Units	Fall 2019	6.7	12.2	8.9	5.5	82%
Charlottetown Housing – 30 Units	Fall 2019	6.7	9.6	4.4	2.9	43%
Kings County Highway Depot	Fall 2021	9.5	14.7	14.6	5.2	55%
<b>Total</b>		<b>\$54.6</b>	<b>\$96.7</b>	<b>\$76.4</b>	<b>\$42.1</b>	<b>77%</b>

Source: Original and revised capital budget information was taken from Treasury Board minutes. Costs incurred up to March 31, 2024 were derived from financial information provided to our Office during the Public Accounts audit.

\*For the purposes of this chapter, significant capital projects are defined as projects exceeding \$3 million.

\*\*This listing includes significant capital building projects that were still in progress as at March 31, 2024, but were at least 25 percent completed based on costs incurred in comparison to original budgets.

**Office of the Auditor General**  
**80 Grafton Street**  
**Charlottetown, Prince Edward Island C1A 1K7**  
*[www.assembly.pe.ca/auditorgeneral](http://www.assembly.pe.ca/auditorgeneral)*