

## **Office of the Auditor General of Prince Edward Island** **Press Release**

Charlottetown, PEI - The Auditor General's 2025 Annual Report to the Legislative Assembly was tabled today, March 13, 2025. The report contains chapters on the Office of the Auditor General of Prince Edward Island, the Public Accounts Committee, reports in Accordance with the *Climate Leadership Act* and the *Government Accounting Standards Act*, performance audits on Affordable Housing Development Program and PEI Liquor Control Commission: Agency Stores, Follow-up on previous years recommendations, chapters discussing various issues arising from the audit of Public Accounts, other Financial audits and other reporting matters, and a new chapter related to Capital Spending.

The main highlights from the 2025 Annual Report include:

### **Audit of the Consolidated Financial Statements**

#### **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.

## Issues Noted in Other Financial Audits

### 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.

## Appropriations and Special Warrants

### 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.

## Indicators of Financial Condition

### 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.

## Capital Spending

### 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.

# Affordable Housing Development Program

## What we found

- Program Objective and Performance Measures**
- The AHDP was developed to help support the Housing Action Plan's (HAP) goal to create affordable housing units.
  - The objective of the AHDP is to increase the inventory of affordable rental units for those in core housing need.
  - 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.

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**RECOMMENDATION (paragraph 5.28)**

- Program Evaluations**
- Program information was not kept up to date during our scope period including the effective dates of the funding agreements.
  - 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.
  - The Department and the PEIHC did not maintain the expected completion dates of units approved through the program.

**RECOMMENDATION (paragraph 5.37)**

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

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**RECOMMENDATION (paragraph 5.41)**

- Reporting**
- 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 *Financial Administration Act* and Treasury Board policy.
  - 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.
  - 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.

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**RECOMMENDATIONS (paragraph 5.51 & 5.52)**

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## PEI Liquor Control Commission: Agency Stores

### What we found

- There were no metrics established to assess whether a community location satisfied the requirements of Section 3 of the regulations.  
**RECOMMENDATION (paragraph 6.21)**
- There was no documentation to support whether the requirements in Section 3 of the regulations were considered when selecting community locations for agency stores.  
**RECOMMENDATION (paragraph 6.22)**
- Selection of Locations and Vendors**
  - Two of the 13 agency stores were established without using the request for proposals process required by the regulations.  
**RECOMMENDATION (paragraph 6.26)**
  - There was a lack of documentation to support the rationale for scores assigned in some areas of the assessment process.  
**RECOMMENDATION (paragraph 6.35)**
  - An application received as part of a request to transfer an agency store license was not assessed on all criteria.  
**RECOMMENDATION (paragraph 6.36)**
  - 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.

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- Managing Agency Store Vendors**
  - RECOMMENDATIONS (paragraph 6.41 & 6.42)**
    - Although agreements were in place with all agency store vendors containing terms and conditions in accordance with the *Liquor Agency Policy*, the agreement with one vendor was not dated or signed by the Commission.
  - RECOMMENDATION (paragraph 6.50)**
    - 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.
  - RECOMMENDATION (paragraph 6.61)**
    - 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.

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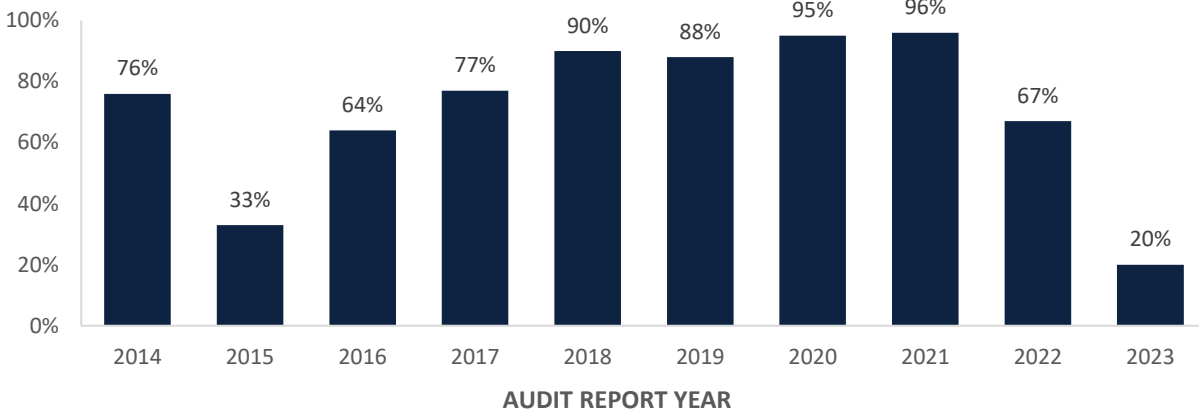
- RECOMMENDATIONS (paragraph 6.67, 6.68 & 6.69)**

## Follow-Up on Performance Audits

### 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.

## Follow-Up with Treasury Board

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.

Each entity audited is required to provide a quarterly update to Treasury Board on the implementation of recommendations of the Auditor General.

### What we found

- Not all entities are providing quarterly updates to Treasury Board on the implementation of recommendations of the Auditor General.

**Climate Leadership Act**

- In accordance with Section 2(3) of the Act, the Auditor General is responsible for reporting annually to the Legislative Assembly on the amount of the levy collected under the Act, and the amounts returned to consumers, businesses and municipalities.
- We report that for the period of April 1, 2023 to March 31, 2024, a total of \$8,810,000 was collected by the Province as carbon levy revenue under the Act. The levies were collected from April 1, 2023 to June 30, 2023. The levies were not collected after June 30, 2023 as the Federal Government imposed a Federal carbon tax on fuel sales effective July 1, 2023. The levies collected were returned to Islanders throughout the year through the following initiatives:

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

**Government Advertising Standards Act**

- In accordance with Section 9(1) of the *Government Advertising Standards Act*, the Auditor General is required to report annually to the Legislative Assembly about any matter that the Auditor General considers appropriate to report under this Act.
- One request was received during the year under Section 5(1), dated May 15, 2024, which was determined to meet the advertising standards established in the *Government Advertising Standards Act*.

The 2025 Annual Report of the Auditor General to the Legislative Assembly is available on our website at [www.assembly.pe.ca/auditorgeneral](http://www.assembly.pe.ca/auditorgeneral)

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