



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

Independent Assurance Report

Health PEI Executive Leadership Team Compensation

October 2024



Prince Edward Island

Office of the
Auditor General

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

I have the honour of presenting this Report – Health PEI Executive Leadership Team
Compensation on behalf of the Office of the Auditor General of Prince Edward Island to the
Legislative Assembly.

Respectfully submitted,

Darren Noonan, CPA, CA
Auditor General

Charlottetown, Prince Edward Island
October 29, 2024

Health PEI Executive Leadership Team Compensation - Highlights

Why we did this audit

- The 2024-25 provincial budget included over \$2 million in salaries for the employees of Health PEI's Executive Leadership Team.
- The budget for Health PEI's Executive Leadership Team salaries increased by 25 percent from fiscal 2022-23 to 2024-25.
- Legislation and policies are in place to establish the compensation provided to civil servants in the province.
- As a Crown corporation, it is important that Health PEI follow policies set out by the Health PEI Board of Directors, Public Service Commission, and Treasury Board to ensure a fair and transparent compensation approach that aims to achieve the best possible use of public money.

Objectives

To determine whether:

- employees of Health PEI's Executive Leadership Team held positions that were classified in accordance with legislation and policies; and
- employment contracts with Health PEI's Executive Leadership Team were authorized in accordance with Treasury Board policies.

Conclusions

- Five of the eight employees of Health PEI's Executive Leadership Team held positions that were classified in accordance with legislation and policies. However, salaries paid to these employees did not always agree to the salary ranges assigned to the classification level.
- Employment contracts with Health PEI's Executive Leadership Team were not authorized in accordance with Treasury Board policies.

Audit Scope Period: January 22, 2021 to December 31, 2023

What we found

- Classification of Employees
- Five of eight Executive Leadership Team (ELT) positions were classified following the Public Service Commission's (PSC) classification process.
 - The remaining three positions, established when Health PEI's new leadership structure took effect in January 2021, were never classified.
 - Wages paid to two ELT employees did not agree to the salary ranges of the assigned classification level.

RECOMMENDATION (paragraph 26)

- Employment Contracts
- Employment contracts of the ELT were not approved by the Minister of Health and Wellness, Health PEI's Board of Directors, or Treasury Board.
 - Many of the contracts had an effective date more than 60 working days prior to the date the contracts were signed. Two of which were effective two years prior to the date the contracts were signed, resulting in significant amounts of backpay.

RECOMMENDATIONS (paragraphs 36, 37, 40, 42 & 46)

Health PEI Executive Leadership Team Compensation

Why it's important

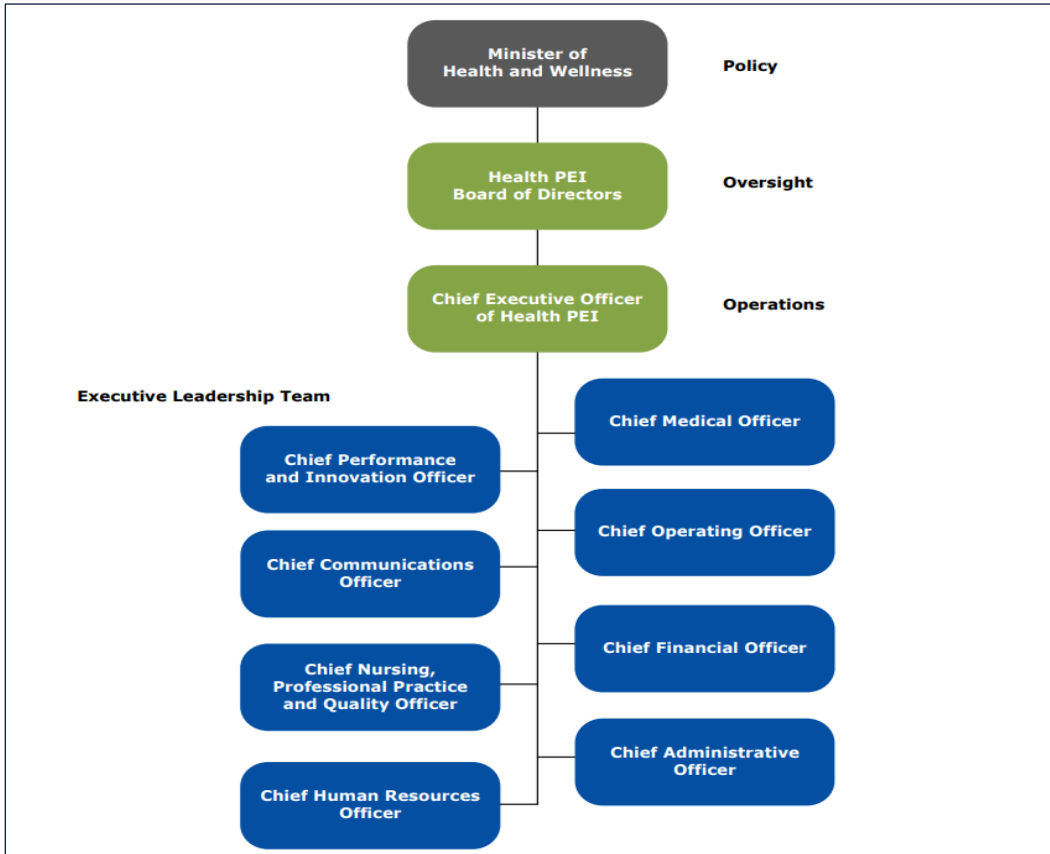
Employee compensation is a significant cost for Health PEI, totalling approximately 66 percent of the Crown corporation's total expenses for fiscal 2022-23. Policies and procedures around compensation help create a process that is fair and transparent regarding the use of public funds. To maintain trust from employees within an organization, and the public, it is important to have processes that ensure a consistent and equitable system is in place to compensate those in the public service.

BACKGROUND

Health PEI Structure

1. Health PEI is a Crown corporation responsible for the operation and delivery of publicly funded health care services in Prince Edward Island. The corporation operates hospitals, health centres, public long-term care nursing facilities, and community-based programs and services across the province.
2. Health PEI employed approximately 4166 full time equivalent employees and 252 Medical Staff at March 31, 2023. Total salaries paid during this fiscal year totaled approximately \$560 Million; approximately 66 percent of total expenditures for the Crown corporation.
3. The *Health Services Act* establishes that a Board of Directors (the Board) governs Health PEI. Specifically, the *Act* states "The affairs of Health PEI shall be controlled and managed by a Board of Directors." The Board consists of no more than 11 members, all of whom are appointed by the Minister of Health and Wellness.
4. The Board oversees the Chief Executive Officer (CEO), who is responsible for the general management and conduct of the affairs of Health PEI. The CEO is responsible for ensuring that Health PEI administrative processes and practices are consistent with Health PEI's strategic direction, meet requirements of Government policies which apply to Crown corporations, and comply with appropriate legislation and regulations. The CEO is recruited and recommended by the Board but is appointed by the Lieutenant Governor in Council.
5. In 2021 Health PEI was restructured and an Executive Leadership Team (ELT) was formed to work closely with the CEO to oversee the operations of Health PEI. **Exhibit 1** shows the leadership structure of Health PEI at December 31, 2023.

**EXHIBIT 1
ORGANIZATIONAL CHART
LEADERSHIP STRUCTURE
AS AT DECEMBER 31, 2023**



Source: Government of Prince Edward Island Website

6. Each member of the ELT has distinct responsibilities which provide oversight for all aspects of the organization. **Exhibit 2**

provides an overview of the oversight and responsibility for each role.

EXHIBIT 2
EXECUTIVE LEADERSHIP TEAM RESPONSIBILITIES
AS AT DECEMBER 31, 2023

Role	Area(s) of Responsibility
Chief Medical Officer	Medical Affairs Medical Leadership Structure and Specialist Physicians and Family Medicine Physicians
Chief Operating Officer	Operations Community Health and Seniors Care, Hospital Services and Patient Flow, and Mental Health & Addictions
Chief Financial Officer	Financial Services Fiscal Planning and Audit, Materials Management, Comptroller and Facilities and Capital Planning
Chief Administrative Officer	Corporate Services Legal Services
Chief Performance and Innovation Officer	Performance and Innovation Board Administration, Policy, Planning and Evaluation, Health Analytics, Privacy and Information Management, eHealth Clinical Operations, Emergency Management and Business Continuity
Chief Communications Officer	Senior Communications and Public Engagement
Chief Nursing, Professional Practice and Quality Officer	Nursing and Professional Practice Quality, Risk & Patient Safety, Professional Practice and Nurse Practitioner Clinical Practice and Education
Chief Human Resources Officer	Human Resources Human Resources, Talent Management, Wellness & Safety, HR Analytics, Systems, Learning & Development

Source: Adapted from Health PEI Leadership Chart

Compensation

7. According to the *Civil Service Act*, the Public Service Commission (PSC) is responsible for maintaining a professional and independent civil service. As part of their duties, the PSC is responsible for establishing and maintaining a classification plan which establishes the framework for pay plans.
8. Most employees of Health PEI are compensated based on what is referred to as a classification level. These levels are assigned after a job evaluation is completed by the PSC which analyzes the knowledge and skills required to do the job, responsibility, and working conditions. Based on the results

of the evaluation, a classification level is assigned, which determines a salary range for the position. All Provincial Government departments, as well as Crown corporations, use this standard classification process that has been in place for several decades.

9. Treasury Board Policy 12.02: Employment Contracts sets out Treasury Board’s policy, procedures and guidelines for employment contracts. In situations where an appointment under the *Civil Service Act* would not meet the needs of the employer, an employment contract may be considered the appropriate mechanism to compensate an employee.
10. During our scope period, the method used to compensate five members of the ELT changed. Although these members began their positions as classified employees, by the end of our scope period all had entered into employment contracts.

OBJECTIVES AND SCOPE

11. The objectives of this audit were to determine whether:
 - employees of Health PEI’s Executive Leadership Team held positions that were classified in accordance with legislation and policies; and
 - employment contracts with Health PEI’s Executive Leadership Team were authorized in accordance with Treasury Board policies.
12. Our scope included the eight Chief positions within Health PEI’s Executive Leadership Team (ELT) at December 31, 2023. The CEO, who is appointed by the Lieutenant Governor

in Council, was not included in our audit. For the remainder of this report, when we refer to the ELT, we are referring to the eight Chief positions, excluding the CEO. The audit work completed covered compensation for these employees during the period of January 22, 2021, to December 31, 2023.

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

OBSERVATIONS AND RECOMMENDATIONS

CLASSIFICATION OF EXECUTIVE LEADERSHIP TEAM EMPLOYEES

Summary of Findings

14. Five of the eight ELT positions were classified following the PSC’s processes. The remaining three positions, established when Health PEI’s new leadership structure took effect in January 2021, were never classified.
15. Wages paid to two ELT employees, the Chief Financial Officer and Chief Communications Officer, did not agree to the salary ranges of the assigned classification levels for their positions.
16. Five of the eight ELT positions were previously classified. These positions were the:
 - Chief Financial Officer (CFO);

- Chief Performance and Innovation Officer (CPIO);
 - Chief Communications Officer (CCO);
 - Chief Nursing, Professional Practice and Quality Officer (CNO); and
 - Chief Human Resources Officer (CHRO).
17. The Chief Medical Officer, Chief Operating Officer and Chief Administrative Officer positions were established when Health PEI's new leadership structure took effect in January 2021. These positions were never classified.
 18. It is important to note that by the end of our scope period, all members of the ELT were paid through employment contracts. We discuss employment contracts with members of Health PEI's ELT later in this report.

Classified Executive Leadership Team Employees

19. As noted earlier, the classification level determines the salary range for a position. The salary ranges for the five classified ELT employees are outlined in the *Terms and Conditions of Employment for Excluded Supervisory and Confidential Employees of the Province of Prince Edward Island*. These terms and conditions are applicable to employees excluded from collective bargaining and include wage grids outlining the salary ranges for each classification level.

Health PEI's ELT positions were appropriately classified

20. We requested the classification decisions, and supporting documentation, for the five positions. We expected the positions to have been classified in accordance with the *Civil Service Act* and regulations, and PSC's processes. We expected employees to be

paid based on the salary ranges for the classification level assigned to each position. See **Appendix D** and **Appendix E** for more details on the legislative requirements and the classification process. We found that the five positions were classified following the appropriate processes.

21. If the duties and responsibilities of a position have changed since it was last classified, an employer or employee can request a classification review. Once the review has been completed, a preliminary decision is forwarded to the employer of the position in question. If the employer agrees with the decision, the position will be reclassified at the new classification level and the salary range will be adjusted as necessary.

Wages paid to CFO and CCO did not agree to salary ranges of assigned classification level

22. We reviewed the hourly rates paid to classified ELT employees and compared these rates to the salary ranges of the classification level assigned to each position. We found issues with the salary paid to two of the ELT employees; the CFO and the CCO.
23. A classification review was completed for the CFO in the fall of 2022 and the PSC recommended the position be reclassified from level 28 to level 30. The CEO of Health PEI agreed to the reclassification of the position as recommended by the PSC.
24. Prior to the classification request, the CFO was paid in accordance with the salary level assigned to a level 28. Upon approval of the reclassification, we expected the CFO's salary to increase accordingly, but it did not, and the CFO continued to be paid at a level 28. As

will be discussed later in the report, the CFO began to be paid under an employment contract in May 2023, at which time they received a pay increase approximately 11 percent above that of level 30, with a substantial amount of backpay provided to the effective date of the contract, May 2021.

25. Prior to the CCO position being filled it was classified by the PSC as a level 22; the CEO of Health PEI agreed to this classification. The CCO began in their position in December 2021 and the pay rate was immediately increased approximately eight percent above the highest pay rate within the level 22 range. This pay adjustment was made without consulting the PSC or requesting a reclassification. The CCO began to be paid under an employment contract in September 2023. The pay rate under this contract was approximately 47 percent above that of the highest level 22 pay rate, with backpay provided to the effective date of the contract, June 2023.

Recommendation

26. Health PEI should compensate employees in accordance with the classification levels assigned by the Public Service Commission.

EMPLOYMENT CONTRACTS

Summary of Findings

27. Employment contracts of the Executive Leadership Team were not approved by the

¹ Treasury Board Policy 12.02 can be found at <https://www.princeedwardisland.ca/sites/default/files/tb-policies-procedures/sec12.02.pdf>

Minister of Health and Wellness or Treasury Board, in accordance with Treasury Board Policy 12.02: Employment Contracts. The contracts were also not approved by Health PEI's Board of Directors.

28. Most of the contracts were dated more than 60 working days prior to the date the contracts were signed. Two of which had effective dates two years prior to the date the contracts were signed, resulting in significant amounts of backpay.

Contract Approval

29. As previously noted, three of the ELT positions were never classified. The other five ELT positions were originally classified, but between May and October 2023 each of the individuals in these positions entered an employment contract with Health PEI.
30. Treasury Board Policy 12.02: Employment Contracts¹ outlines Treasury Board's policy, procedures and guidelines for employment contracts. The policy applies to all government departments, as well as Crown corporations and agencies to which the *Civil Service Act* applies. This includes the excluded employees at Health PEI, including members of the ELT.
31. The policy states that generally, staff are hired under the *Civil Service Act*; however, in situations where an appointment under the Act doesn't meet the needs of the entity, an employee may be hired under a contractual arrangement. The policy requires all

employment contracts to be in writing and signed by the employee and the responsible Minister. It also notes circumstances which would require the employment contract to be approved by Treasury Board.

Contracts not approved by the Minister of Health and Wellness

32. We reviewed the employment contracts for Health PEI’s ELT in effect on December 31, 2023. Each contract was signed by the employee and Health PEI’s CEO at the time the contract was executed. None of the contracts were signed by the Minister of Health and Wellness, as required by Treasury Board policy. We were informed by the Minister that the employment contracts had not been presented to him for approval nor was he made aware of the employment contracts.

Contracts not approved by Health PEI’s Board of Directors

33. The Board of Directors governance policies include policies on operational expectations. *Operational Expectations 2.3: Compensation and Benefits* provides expectations around the compensation and benefits of employees, consultants, contract workers and volunteers. This policy specifically states that “the CEO will not promise or imply guaranteed employment, beyond the established hiring process for Health PEI”. The CEO is required to report annually on compliance with this policy. The most recent compliance report available at the time of our audit was for the reporting period of January 1 to December 31, 2022. In this report, the CEO indicated compliance with all aspects of this policy.

34. Employment contracts are not commonly used, therefore, based on this board governance policy, we expected the change in compensation for these senior employees to be brought to the attention of the Board of Directors. We expected the Board to either approve the actual contracts, or at a minimum, approve the decision to pay the ELT through employment contracts and the salaries.

35. When we reviewed the employment contracts, we noted that none were signed by any member of the Board of Directors. We also reviewed the meeting minutes of Health PEI’s Board of Directors and met with members of the Board. We found there was no approval of the employment contracts in the board minutes and were informed by the Board that they were not made aware of the contracts with the ELT.

<p>Recommendations</p> <p>36. Health PEI should obtain the approval of the Minister of Health and Wellness for all employment contracts in accordance with Treasury Board Policy 12.02: Employment Contracts.</p> <p>37. Health PEI should obtain the approval of its Board of Directors when using employment practices outside of its established hiring process.</p>
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38. Treasury Board Policy 12.02 also outlines situations in which employment contracts require Treasury Board approval. Treasury Board approval is required if employment contracts meet any of the following:

- i. exceeding a term of one year;
- ii. provide a salary level in excess of the Public Service Commission’s recommended level;
- iii. renewals where the total period of employment, without a break in service, exceeds three years; and
- iv. provide benefits in excess of the Public Services Commission’s recommended level.

Contracts not approved by Treasury Board as required

39. All eight ELT employment contracts had terms exceeding one year. Additionally, for the five positions which were previously classified, the salary per the employment contracts exceeded the PSC’s recommended salary range assigned to their classified positions. Although the above situations made Treasury Board approval required, we noted that this approval was not obtained for any of the ELT employment contracts. See **Exhibit 3** for a summary of the contract terms and the differences in salaries.

**EXHIBIT 3
COMPARISON OF SALARY PER CONTRACT TO PSC’S RECOMMENDED LEVEL**

Position	Length of contract	Salary at December 31, 2023 based on contract	Expected salary at December 31, 2023 based on PSC’s classification	Salary amount over PSC recommendation
Chief Administrative Officer	21 months	\$188,448	N/A*	N/A*
Chief Communications Officer	5 years	\$158,496	\$107,855	\$50,641
Chief Financial Officer	5 years	\$189,852	\$162,455	\$27,397
Chief Human Resources Officer	5 years	\$178,932	\$149,624	\$29,308
Chief Medical Officer	5 years	\$383,526	N/A*	N/A*
Chief Nursing, Professional Practice and Quality Officer	5 years	\$189,852	\$162,455	\$27,397
Chief of Performance and Innovation	5 years	\$178,952	\$139,347	\$39,605
Chief Operating Officer	35 months	\$189,852	N/A*	N/A*

*These positions were not classified by the Public Service Commission and therefore no recommended salary range exists.
Source: Derived from audit work of the Office of the Auditor General.

Recommendation

40. Health PEI should obtain Treasury Board approval of employment contracts in accordance with Treasury Board Policy 12.02: Employment Contracts.

Treasury Board Policy

41. The Treasury Board Policy and Procedures Manual includes approved financial, personnel and management policies, procedures and guidelines. This manual

serves as a source of reference for employees of Government departments, Crown corporations and reporting entities and is intended to provide a basis for consistent application of policy and procedures throughout Government. It is important that all government employees, especially those in leadership positions, are aware of the requirements outlined within Treasury Board policies.

Treasury Board Policy 12.02 does not provide guidance on whether the contracts can be applied retroactively or not. However, the PSC’s policy on classification indicates that when a position is reclassified, if the employer feels the employee has been performing the duties prior to the effective date, they may request an earlier effective date which can be no more than 60 working days retroactive to the date of the request.

Recommendation

42. Health PEI should ensure employees of the Executive Leadership Team are aware of the requirements of Treasury Board policies.

Effective Date of Contracts

43. Contracts, such as employment contracts, include two key dates: the date the parties sign and agree to the terms of the contract, and an effective date which outlines the date that the employment contract took effect.

Many contracts backdated more than 60 working days

44. We found that when the five positions that were previously classified changed to employment contracts, four of the five contracts had effective dates that were more than 60 working days prior to the date the contracts were signed. The effective dates for two of these contracts were two years prior to the date the contracts were signed. **Exhibit 4** outlines the effective dates of the contracts and the date the contracts were signed.

**EXHIBIT 4
EMPLOYMENT CONTRACT DATES
FOR PREVIOUSLY CLASSIFIED POSITIONS
AS OF DECEMBER 31, 2023**

Position	Effective date of contract	Date contract signed	Difference in months	# of working days backdated
Chief Communications Officer	June 4, 2023	September 7, 2023	3	69
Chief Financial Officer	May 2, 2021	May 5, 2023	24	525
Chief Human Resources Officer	April 1, 2023	May 4, 2023	1	24
Chief Nursing, Professional Practice and Quality Officer	May 2, 2021	May 4, 2023	24	524
Chief of Performance and Innovation	July 2, 2023	October 20, 2023	3	80

Source: Derived from audit work of the Office of the Auditor General.

45. These employees received backpay for the time period between the effective date of the contract and the date the contract was signed. Significant time periods between the date contracts are signed and their effective dates result in larger amounts of backpay; specifically, the Chief of Nursing and Professional Practice and the Chief Financial Officer received approximately \$50,000 and \$80,000, respectively.

Recommendation

- 46. Health PEI should not backdate employment contracts more than 60 working days, in accordance with the practices of the Public Service Commission.**

CONCLUSIONS

47. Five of the eight employees of Health PEI's Executive Leadership Team held positions that were classified in accordance with legislation and policies. However, salaries paid to these employees did not always agree to the salary ranges assigned to the classification level.
48. Employment contracts with Health PEI's Executive Leadership Team were not authorized in accordance with Treasury Board policies.

RECOMMENDATIONS*	MANAGEMENT RESPONSE
<p>Recommendation 26 Health PEI should compensate employees in accordance with the classification levels assigned by the Public Service Commission.</p>	<p>Health PEI agrees with this recommendation.</p> <ul style="list-style-type: none"> • Legislation, policies and internal controls are in place to ensure that positions are compensated at appropriate salaries. • HPEI, under the oversight of the Board of Directors and Minister of Health, commits to working within the legislation and policies that govern crown corporations and will ensure adherence to these policies and escalate any concerns or issues through the appropriate existing mechanisms. <p><u>Timeline: Implemented</u></p> <ul style="list-style-type: none"> • In February 2024, the AG noted salary increases through their normal review of financial statements and subsequently launched an audit. • Upon becoming aware of the irregularities in classification and salaries paid to executives, HPEI with the support of the Board of Directors immediately took action to: <ul style="list-style-type: none"> ○ regularly brief the HR committee of the Board of Directors and Minister on findings related to the audit and implications for the organization. ○ work with PSC to classify senior executive positions that had not been appropriately classified. ○ work with PSC to identify appropriate salary benchmarks from comparable maritime based, public sector entities to inform a labour market assessment ○ work alongside PSC to identify a new compensation framework using benchmarks so that salaries neither lead nor lag the market. ○ Work with PSC and Treasury Board to approve the new classifications and appropriate employment terms for ELT members by December 31, 2024. <p><u>Timeline: Implemented</u></p> <ul style="list-style-type: none"> • The CEO will ensure that the ELT are migrated to the new TB and PSC approved compensation framework and returned to the appropriate employment relationship under the excluded terms and conditions. <p><u>Timeline: December 31, 2024.</u></p>

<p>Recommendation 26 (continued) Health PEI should compensate employees in accordance with the classification levels assigned by the Public Service Commission.</p>	<ul style="list-style-type: none"> In addition, Health PEI will hold mandatory refresher training for hiring managers and leadership, which will cover the principles of classification and compensation for all employee levels. All participants will be required to attest to their understanding of these processes and regular refresher training will be built into learning plans. <p>Timeline: December 31, 2024</p>
<p>Recommendation 36 Health PEI should obtain the approval of the Minister of Health and Wellness for all employment contracts in accordance with Treasury Board Policy 12.02: Employment Contracts.</p>	<p>Health PEI agrees with this recommendation.</p> <ul style="list-style-type: none"> Internal controls are in place to ensure this policy is met. The CEO will ensure that future ELT members are hired in accordance with TB and PSC policies and appropriate approvals are received from the Board of Directors and Minister of Health. <p>Timeline: Implemented</p>
<p>Recommendation 37 Health PEI should obtain the approval of its Board of Directors when using employment practices outside of its established hiring process.</p>	<p>Health PEI agrees with this recommendation.</p> <ul style="list-style-type: none"> The CEO will ensure the organization, and its employees are held accountable for the administration of public funds in accordance with all legislation and policies and will attest to such, annually for the Board of Directors. HPEI will ensure that CEO compliance reports are signed and submitted on time for all policies including those that specifically cover the administration of public funding, compensation and benefits. <p>Timeline: Implemented</p>
<p>Recommendation 40 Health PEI should obtain Treasury Board approval of employment contracts in accordance with Treasury Board Policy 12.02: Employment Contracts.</p>	<p>Health PEI agrees with this recommendation.</p> <ul style="list-style-type: none"> Internal controls and process are in place to ensure Treasury Board Policies are followed with respect to employment contracts. The CEO with the support of the Board of Directors will ensure that the organization values and works closely with our legislated partners including the Public Service Commission, Treasury Board and others. In doing so we commit to actively seek their advice, respect their decision-making authority and work in collaboration within the policies and procedures that exist for the administration of public funds to support our mandate. <p>Timeline: Implemented</p>

<p>Recommendation 42 Health PEI should ensure employees of the Executive Leadership Team are aware of the requirements of Treasury Board policies.</p>	<p>Health PEI agrees with this recommendation.</p> <ul style="list-style-type: none"> • HPEI has internal control mechanisms to manage Treasury Board Policies which document and detail accountabilities, delegations of authority and policy expectations. In addition, HPEI has a compliance regime to ensure operational processes and policies are followed including ones specific to compensation and benefits. These compliance reports are signed by the CEO and submitted to the Board annually. <u>Timeline: Implemented</u> • HPEI under the oversight of the Board and Minister will ensure that the executives responsible for the administration of these policies demonstrate compliance and accountability through the use and reporting on internal controls and performance management. <u>Timeline: Implemented</u> • Under the oversight of the CEO, Board and Minister, the CFO will be asked to annually review and sign off on their understanding and application of all legislation and TB policies guiding the appropriate use and distribution of public funds. <u>Timeline: December 31, 2024</u> • Under the oversight of the CEO, Board and Minister, the CHRO will be asked to annually review and sign off on their understanding and application of all legislation and PSC policies with respect to employment of Crown agency employees. <u>Timeline: December 31, 2024</u> • Through the course of the audit, HPEI also detected associated payroll irregularities and immediately sought advice and assistance from the Auditor General in conducting a further investigation. HPEI is committed to transparency and accountability for the management of public funds and will take all steps required to ensure appropriate management of funds under the legislation and policies that guide the organization. HPEI values the advice and support of the auditor in implementing future recommendations to support this. <u>Timeline: Ongoing</u>
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<p>Recommendation 46 Health PEI should not backdate employment contracts more than 60 working days, in accordance with the practices of the Public Service Commission.</p>	<p>Health PEI agrees with this recommendation.</p> <ul style="list-style-type: none">• All employment contracts will adhere to the Public Service Commission’s standards, including the 60-day limit for backdating. Supporting documentation and rationale will be required to substantiate the use of this provision and will be kept on file.• The importance of this requirement will be emphasized in the training provided to hiring managers and leadership, and strict oversight will be implemented to ensure compliance. <p>Timeline: Implemented</p>
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*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 Health PEI's Executive Leadership Team held positions that were classified in accordance with legislation and policies and whether their employment contracts were authorized in accordance with Treasury Board policies.

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 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.

OBJECTIVES

The objectives of the audit were to determine whether:

- employees of Health PEI's Executive Leadership Team held positions that were classified in accordance with legislation and policies; and
- employment contracts with Health PEI's Executive Leadership Team were authorized in accordance with Treasury Board policies.

We developed criteria, from policy and best practice, to assess whether the Health PEI met the objective. These criteria are listed in **Appendix C**.

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

- confirmations 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 the period January 22, 2021, to December 31, 2023. We examined documentation outside of that period as necessary.

Our approach included:

- interviews and correspondence with Health PEI staff and Board of Directors;
- interviews and correspondence with Treasury Board and the Public Service Commission;
- review of the Board of Directors and Executive Leadership Team meeting minutes;
- review and detailed testing of employment contracts and the latest position questionnaires approved for Executive Leadership Team positions; and
- review of best practice documents.

Our audit did not assess whether the classification processes of the Public Service Commission were reasonable or sufficient. Although we reviewed whether the Executive Leadership Team compensation practices were in accordance with legislation and policies, we did not assess whether the amount of compensation was warranted.

DATE OF REPORT

We obtained sufficient and appropriate audit evidence on which to base our conclusions on October 22, 2024, in Charlottetown, Prince Edward Island.

AUDIT TEAM

Assistant Auditor General:	Sheri Griffin
Director:	Sarah Taylor
Managers:	Jenna Dominey Tim Cook
Auditors:	Lu Chen

AUDIT CRITERIA – OBJECTIVE 1

Employees of Health PEI’s Executive Leadership Team held positions which were classified in accordance with the *Civil Service Act* and regulations.

Wages paid to employees of Health PEI’s Executive Leadership Team agree to the salary range assigned to the approved classification level.

AUDIT CRITERIA – OBJECTIVE 2

Employment contracts with Health PEI’s Executive Leadership Team were approved by the Minister of Health and Wellness in accordance with Treasury Board Policy 12.02.

Employment contracts with Health PEI’s Executive Leadership Team were approved by Treasury Board in accordance with Treasury Board Policy 12.02, Section 1(c).

**CIVIL SERVICE ACT AND REGULATIONS
EXCERPTS RELATING TO CLASSIFICATION**

13. Classification Plan

- (1) The Commission shall maintain, develop and implement a classification plan
- (a) as a basis for uniform treatment of employees performing the same kind or level of work; and
 - (b) to provide a systematic basis for organization and administration.

Classification of positions

- (2) The Commission shall approve the classification of each position in the classified division.

Alteration

- (3) The classification of each position shall not be altered for the purpose of adjusting rates of compensation.

Duties

- (4) An employer shall define the duties and responsibilities to be assigned to each position under his jurisdiction.

Deputy head may request review

- (5) A deputy head may request the Commission to review the classification of any position under his jurisdiction.

Employee request

- (6) A permanent employee may request the Commission to review the classification of his position in accordance with the regulations. *1993, c.2, s.6.*

Source: Excerpt from the *Civil Service Act* Section 13.

PART V — CLASSIFICATION

A - CLASSIFICATION REVIEW AND APPEAL

15. Review

- (1) In order to maintain or update the classification system, the Commission may review classifications.

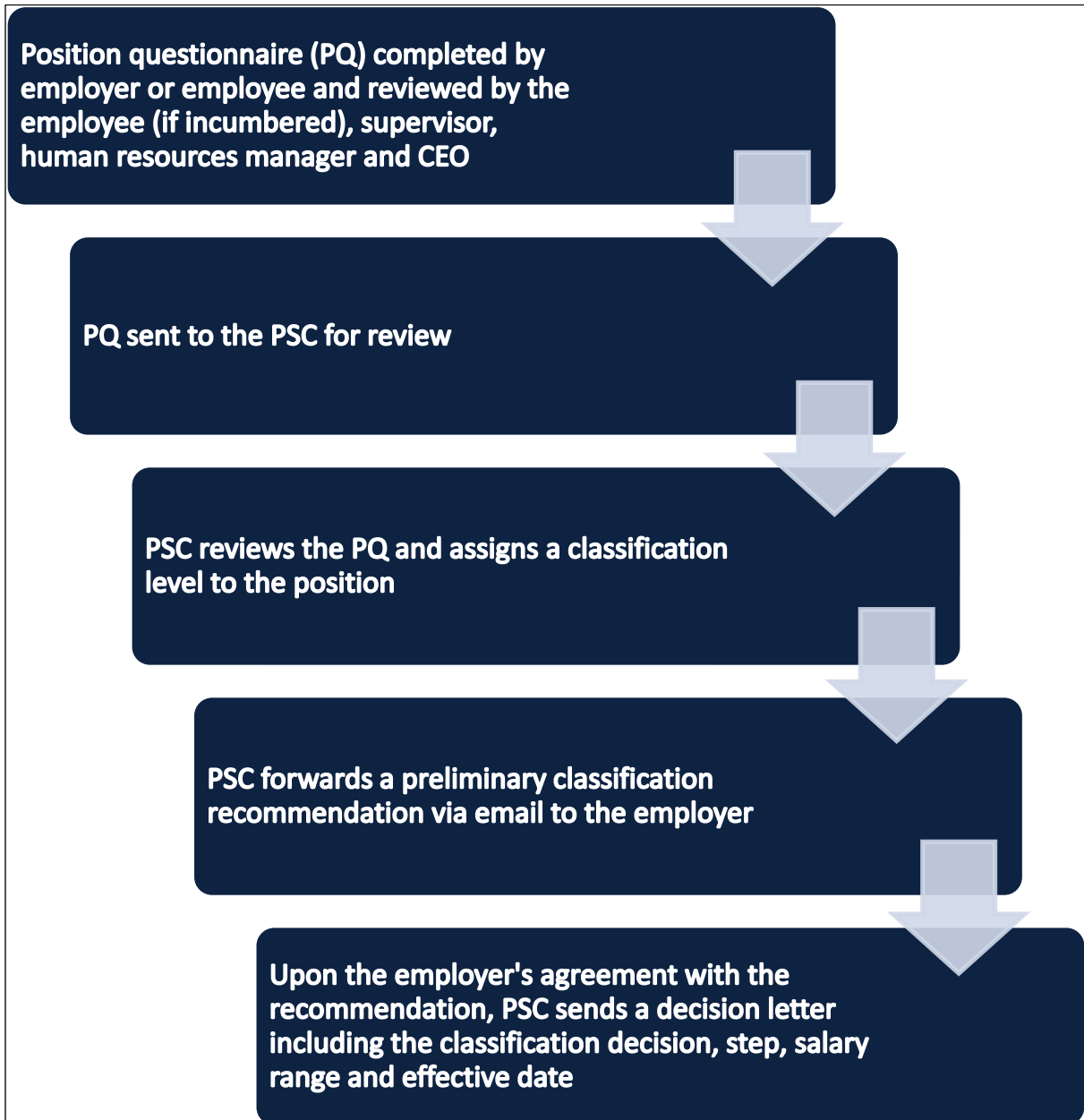
Request

- (2) A classification review may be requested by an employer, a permanent employee or other eligible employee as designated by the Commission by submitting to the Commission a description of the position in the prescribed form and manner and a statement of the reasons for the request for a review.

Decision by Commission

- (3) The Commission will review the classification of the position and notify the employee and employer of its decision within forty-five working days of receiving the request. *(EC851/95; 194/02)*

Source: Excerpt from the *Civil Service Act Regulations* Part V, Section 15.

**PUBLIC SERVICE COMMISSION
CLASSIFICATION PROCESS**

Source: Public Service Commission Human Resource Policy and Procedures Manual, Section 6.01

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