

# PRINCE EDWARD ISLAND LEGISLATIVE ASSEMBLY



Speaker: Hon. Francis (Buck) Watts

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## Standing Committee on Public Accounts

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**MEETING STATUS:** PUBLIC

**LOCATION:** LEGISLATIVE CHAMBER, HON. GEORGE COLES BUILDING, CHARLOTTETOWN

**SUBJECT:** PUBLIC ACCOUNTS OF PRINCE EDWARD ISLAND FOR YEAR ENDED MARCH 31, 2017

**COMMITTEE:**

Bradley Trivers, MLA Rustico-Emerald [Chair]  
Hannah Bell, MLA Charlottetown-Parkdale  
Kathleen Casey, MLA Charlottetown-Lewis Point  
Colin LaVie, MLA Souris-Elmira (replaces Steven Myers, MLA Georgetown-St. Peters)  
Hal Perry, MLA Tignish-Palmer Road  
Allen Roach, MLA Montague-Kilmuir [vice-chair]

**COMMITTEE MEMBERS ABSENT:**

Alan McIsaac, MLA Vernon River-Stratford  
Steven Myers, MLA Georgetown-St. Peters

**MEMBERS IN ATTENDANCE:**

none

**GUESTS:**

Auditor General's Office (Jane MacAdam, Gerri Russell, Sarah Rodgerson)

**STAFF:**

Ryan Reddin, Clerk Assistant (Research and Committees)

Edited by Hansard



The Committee met at 10:00 a.m.

**Chair (Trivers):** Good morning, all. I'll call this meeting of the Public Accounts standing committee to order. Thank you for all coming in today. It's great to have the Auditor General here today. Welcome.

I'd like to call for the adoption of the agenda.

**Ms. Casey:** So moved.

**Chair:** Moved by Kathleen Casey.

Today, we have a briefing on the Public Accounts of the Province of Prince Edward Island for the year ended March 31<sup>st</sup>, 2017. These are otherwise known as the blue books. This was a request that was put at the top of the priority list. I believe it was Alan McIsaac that put it on the list. It was voted number one priority for the committee. Thank you for coming in.

Of course, we're looking forward to reviewing the Auditor General's report, as well that just recently came out. At this point, I wanted to ask you, how much time do you have this morning to be with us? I highly doubt we'll be able to get through the blue books in one meeting. It's a possibility. Are you available for the next hour and a half to two hours?

**Jane MacAdam:** Yes.

**Chair:** Okay, great.

**Jane MacAdam:** We are.

**Chair:** Seeing as we probably won't get through this in one sitting because the blue books are substantial, I'm thinking I'm going to cap our discussion on agenda item number three, which is this briefing at 11:45 a.m. That will allow us 15 minutes just continue with the rest of the agenda. In fact, how about 11:40 a.m.? I think we'll need 20 minutes for the rest of the agenda.

Hopefully, everybody's okay with that. Hopefully, you're agreeable to that, as well.

**Jane MacAdam:** Sure.

**Chair:** If we do have any motions that arise when reviewing the blue books, maybe you can mention them, but what we'll do is we'll deal with any motions arising after the briefing. Similar to what we did when we reviewed the Auditor General's report last year, if that's agreeable with the committee. That should keep things flowing quickly. Sometimes, with motions we can get into longer discussions.

All right, without further ado, then, I'd like to turn it over. Again, we do have Jane MacAdam here and Gerri Russell and Sarah Rodgerson. Maybe, start off by introducing yourselves into the microphones so they know where you're sitting and head right into the briefing.

**Sarah Rodgerson:** I'm Sarah Rodgerson; I'm an Audit Manager with the Office of the Auditor General.

**Jane MacAdam:** I'm Jane MacAdam; Auditor General.

**Gerri Russell:** Gerri Russell; Audit Director.

**Chair:** Thank you. The floor is yours.

**Jane MacAdam:** My presentation today will focus primarily on the audited consolidated financial statements for the year ended March 31<sup>st</sup>, 2017. It's really volume I of the blue books is where the emphasis will be.

I'm going to include an overview of the consolidation process, some summary comments on the consolidated financial statements; commentary on issues noted as a result of our audit, and some summary information on several indicators for the province.

At any time, if there are any questions, feel free, we can deal with those as we go.

**Chair:** That's great.

**Jane MacAdam:** If that's what is agreeable –

**Chair:** That's –

**Jane MacAdam:** – to the committee.

**Chair:** – an excellent way to go.

**Jane MacAdam:** Okay.

The *Financial Administration Act* requires the comptroller to annually prepare the province's Public Accounts. The Public Accounts are prepared by government. They consist of three volumes:

Volume I, which is the province's audited consolidated financial statements;

Volume II contains the unaudited operating fund financial statements and details of revenues and expenses of the operating fund;

Volume III includes the audited financial statements of agencies, boards, Crown corporations, and funds.

That's just to give you an idea of the content of each of those volumes in the blue books.

The *Audit Act* requires the Auditor General to annually conduct an audit on the consolidated financial statements, and provide an independent auditor's report.

On October 24<sup>th</sup>, 2017, I issued an unqualified audited opinion on the province's consolidated financial statements for the year ended March 31<sup>st</sup>, 2017. The consolidated financial statements for the year ended March 31<sup>st</sup>, 2017, were tabled by the Minister of Finance on October 31<sup>st</sup>, 2017.

I want to talk now, a bit about the consolidation process and how all these volumes link together. The consolidated financial statements include the financial results of core government departments, which is really the operating fund, and the various Crown corporations, boards and agencies controlled by government.

Results of the operating fund can be found in volume II and the financial statements in this volume are unaudited. However, the financial results of the operating fund are the starting point of our audit.

The financial statements of the various government Crown corporations, boards and agencies can be found in the Public Accounts Volume III. These include a total

of 20 other government organizations and six government business enterprises. Schedule 39, in the 2016-2017 consolidated financial statements lists the organizations that are included in the government's reporting entity.

The financial statements of 11 of these entities, these Crown corporations and agencies are audited by our office and the financial statements of the remaining organizations are audited by external auditors.

Volume III also includes the financial statements of various trusts and pension funds, which are also audited by our office. These trusts are administered by the province on behalf of beneficiaries and are not consolidated.

The accounts of other government organizations and government business enterprises are included in the consolidated financial statements through one of the following accounting methods. Other government organizations, like the 20 entities that I referred to volume III, are consolidated using the consolidation method.

This method consolidates the accounts of each organization. The assets, liabilities, revenues and expenses of these organizations are added to the operating fund. It requires uniform accounting policies and inter-organizational balances and transactions are eliminated, and the organizations are reported as if they were one organization.

There are many types of elimination entries that are required. For example, elimination of loans payable and loans receivable between government and the consolidated organizations; elimination of interest revenue and interest expense between government and the consolidated organizations; elimination of grants to consolidated organizations; and various other entries. That's the consolidation method for other government organizations.

That's in –

**Chair:** Yes, thank you.

I've got a question there: When you say things like the grants and the loans are eliminated, does that mean we don't have access to that information anywhere, and you don't have access to that information anywhere?

**Jane MacAdam:** No. It's an accounting adjustment.

**Chair:** Okay.

**Jane MacAdam:** There is access to the information.

**Chair:** Just to be clear: the information's not in volume III, the Public Accounts, volume III report –

**Jane MacAdam:** Well the –

**Chair:** – broken out, but – is there anywhere where the public has access to see the grants and loans? Is that correct?

**Jane MacAdam:** Yes, that information is available. This is just our method of consolidating core with other government organizations. For example, like with the Human Rights Commission; they get a grant from the Department of Justice and Public Safety. If we were to include the Human Rights Commission's expenditures and also include the grant it would be double-counted. It's just there's a process of eliminating so that things are not double-counted in volume I when they're all consolidated.

**Chair:** Okay, thank you.

**Jane MacAdam:** The modified equity method of accounting is used to account for government business enterprises. Those are the six entities that are included in volume III.

This method reports government business enterprises' net assets as an investment on the Consolidated Statement of Financial Position. The net income of the government business enterprises is reported as income from the government business enterprises on the Consolidated Statement of Operations.

So in this case, inter-organizational balances and transactions are not eliminated, and the accounting policies are not adjusted to

conform with those of government; and Schedule 4 to the consolidated financial statements provides a breakdown of the net investment and revenue reported in the financial statements. So it's a different method of combining the entities.

The comptroller's office prepared the consolidated financial statements as well as the working papers and other supporting documentation which are then provided to our office for audit. As you can see, the consolidation process is a large undertaking and involves a number of organizations.

In order for the timely completion of the consolidation process, it's essential that the audited financial statements of government organizations are completed in a timely manner. As noted in my 2018 annual report, there were audit readiness issues in conducting the audits of some Crown corporations and agencies for the March 31<sup>st</sup> 2017 year end. This was due to auditing delays in meeting audit readiness deadlines and responding to audit requests.

I want to turn our attention now to the Public Accounts Volume I, the Consolidated Financial Statements for the Province for the year ended March 31<sup>st</sup>, 2017. I'm really going to highlight two main statements: the Consolidated Statement of Financial Position and the Consolidated Statement of Operations and Accumulated Deficit.

The Consolidated Statement of Financial Position provides information to describe the government's financial position. Providing information on the government's financial assets helps to assess the financial resources available to discharge existing liabilities or finance future operations.

At March 31, 2017, financial assets totaled approximately 1.1 billion and increased by 17.6 million over the prior year. Financial assets consist of cash, short-term investments, accounts and loans receivable, investments in government business enterprises, sinking funds and pensions. Details on items making up the totals are contained in Schedules 1-7 in the financial statements.

Moving to the liabilities; reporting on a government's total liabilities at year end is necessary to ensure a complete reporting of

transactions and events and to understand and assess the demands on resources. Total liabilities increased by 20 million over the prior year and totaled approximately 3.3 billion at March 31<sup>st</sup> 2017. Liabilities are comprised mainly of accounts payable and accrued liabilities, as well as loans and debentures payable. The details on the items making up these totals are included in Schedules 8-13 to the financial statements.

So net –

**Chair:** A question: The 3.3 billion that you mentioned, is that sometimes referred to as the gross debt as well? Is that equivalent?

**Jane MacAdam:** Well, it's the total liabilities. Gross debt is – like total liabilities include accounts payable and accrued liabilities. Gross debt would just be borrowings, is typically borrowings, so the gross debt would be a little less than that.

**Chair:** So just to be clear, the gross debt includes just the loans and debentures.

**Jane MacAdam:** Yes.

**Chair:** Okay. Thank you.

**Jane MacAdam:** That's what's typically referred to as gross debt.

**Chair:** Okay.

**Jane MacAdam:** What is the gross debt? Do we know what the gross debt is?

**Gerri Russell:** (Indistinct)

**Jane MacAdam:** The amount would be –

**Gerri Russell:** (Indistinct) look at it. I think it's 2.9.

**Jane MacAdam:** Yeah, the gross debt is around 2.9.

**Chair:** I just wanted to clarify; you know why I'm asking that. We all know that within the operating budget we see 126 million. For this year, we're talking about \$127 million in interest that's paid out, the third-largest item in the budget.

If you calculate that back, at a 4% average interest rate that we're paying on our debt, that's around the 3.3 billion mark, and so the

interest we're paying is equivalent to that 3.3 billion; but when we hear about the net debt of the province, it's at around 2.2 billion. I'm just trying to figure out in my own mind the interest that we pay and what that relates to in terms of loans and debentures, and then how to reconcile the gross debt with the net debt.

I don't know if there's a question there, but that's why I'm sort of asking my questions, trying to figure that out.

**Jane MacAdam:** Well, the total liabilities are 3.3 billion, and it's made up of accounts payable and accrued liabilities. These things are listed in the statement of financial position: deferred revenue and credits, short-term loans payable, obligations under capital leases, loans payable and debentures payable. That's what comprises the 3.3. Of that, debentures are 2.1, loans payable 600 million. So it's mainly the debentures.

**Chair:** So I guess my question is, then, with the \$127 million in interest we pay, if you work that back just using the loans and debentures, that doesn't quite work out to that average 4% rate. Maybe I should ask the question, and maybe that isn't outlined in the blue books, but what is the average interest we pay on our loans and debentures as a province?

**Jane MacAdam:** There's a schedule in the – Schedule 13 in volume I of the Public Accounts. It shows all the interest rates. The public issues range from 2.35 to – I guess the highest is 6.8, so there's a range there.

**Chair:** You said that was schedule –

**Jane MacAdam:** Thirteen.

**Chair:** Thirteen.

**Jane MacAdam:** In volume I. It's on page 64.

**Chair:** Thank you.

Yes, page 64. Okay, thank you.

**Jane MacAdam:** So yes, there's a range of interest rates.

**Chair:** Thank you very much.

**Jane MacAdam:** Net debt is equal to the difference between the liabilities and the financial assets, and it totals 2.17 billion at March 31<sup>st</sup> 2017. It provides a measure of the future revenues required to pay for past transactions and events.

The next category is non-financial assets, and these are assets normally employed to provide future services. They are not held for sale. At March 31<sup>st</sup>, 2017, government's non-financial assets totaled approximately one billion, and this is made up primarily of investments in tangible capital assets and includes buildings, roads, bridges and equipment. The details of the non-financial assets are contained in Schedules 14-16 of the financial statements.

The accumulated deficit at March 31<sup>st</sup>, 2017 totaled approximately 1.1 billion, and it's the sum of all surpluses and deficits incurred over the years.

Moving to the government statement of operations and accumulated deficit, the government's statement of operation reports the deficit from its operations for the year ended March 31<sup>st</sup>, 2017, it displays the cost of government services provided and the revenues recognized in operations. At March 31<sup>st</sup>, 2107, revenues and expenses totaled approximately \$1.8 billion with a deficit of \$1.3 million reported.

Revenues increased by \$78.7 million or 4.5% over the prior period. This was attributed mainly to increased revenue from the Government of Canada, and from government business enterprises.

Expenses increased by \$66.9 million or 3.8% from 2016 to 2017. Increases were noted in various departments and organizations including; Health and Wellness, Education, Early Learning and Culture, Workforce and Advanced Learning and Family and Human Services.

The difference between the province's total revenues and expenses for the year ended March 31<sup>st</sup>, 2017, was \$1.3 million. This is an improvement from the prior year deficit of \$13.1 million. It's also less than the deficit of \$9.6 million that was budgeted for 2016-2017.

**Chair:** Quick question: Going back just a little bit. You mentioned the increase in revenue from government business enterprises. Can you give some examples of government business enterprises?

**Jane MacAdam:** The government business enterprises are, they're in the schedule on, schedule 39 in volume I. They include the Charlottetown Area Development Corporation, Island Investment Development Inc., Island Waste Management Corporation, the PEI Energy Corporation, the PEI Liquor Control Commission and the PEI Lotteries Commission.

**Chair:** What page is that schedule on, again?

**Jane MacAdam:** That is one schedule 77. Sorry, page 77, schedule 39. But the details of the operations are on schedule 4. On schedule 4 there is –

**Gerri Russell:** Page 56.

**Jane MacAdam:** – page 56. It shows the summary financial results for each of those government business enterprises.

**Chair:** Okay.

**Jane MacAdam:** In our annual report this year, we noted that we had a schedule that broke down the revenue and for government business enterprises; Island Investment Development Inc.'s revenue went up by 113.6%; PEI Energy Corporation's went down by 19.1%; PEI Lotteries Commission went up by 28%; those were the main variances compared to the prior year.

**Chair:** The IIDI amount went up by 113.6%. I know it's in the table here, I can't pull out the numbers by looking at it. How much does that equate to, approximately, of that – how much money is that?

**Jane MacAdam:** I think it's – the change was \$15 million.

**Chair:** Fifteen million.

**Jane MacAdam:** Yeah.

**Chair:** Do we know what primarily contributed to that increase in IIDI?

**Jane MacAdam:** These were the defaults under the Provincial Nominee Program.

**Chair:** That was a PNP –

**Jane MacAdam:** Yeah.

**Chair:** – defaults. All right, which I thought was closer to 18 million, but okay, 15 million. Great.

Then, the same thing with the PEI energy corp., with the decrease in 19.5% again, thank you for bearing with me to pull that out of the table for me, but how much was that decrease?

**Jane MacAdam:** The decrease was 1.8 million.

**Chair:** Do we know what that primarily due to?

**Jane MacAdam:** Wind energy.

**Chair:** Wind energy production was down?

**Gerri Russell:** Yes.

**Chair:** Then, may as well continue through, the third one you mentioned was the PEI Liquor Commission –

**Jane MacAdam:** The lotteries commission.

**Chair:** The lotteries commission, sorry. That was up 28%?

**Jane MacAdam:** Yes, 3.5 million.

**Chair:** Is that just simply because more people were gambling?

**Jane MacAdam:** There was \$1.3 million increase in Red Shore's results and there was an increase in other comprehensive income from Atlantic Lottery Corporation of 1.8 million.

**Chair:** Allen Roach.

**Mr. Roach:** Thank you, Chair.

When you mentioned Red Shores that would be from their operations; that would include everything that takes place at Red Shores with respect to – would that also include the

food and beverage area and those sorts of things?

**Jane MacAdam:** Yes.

**Mr. Roach:** Yes, okay.

**Jane MacAdam:** Some of these percentage increases that we're just talking about here are in my annual report for 2018. It's on page 119 if that's of any assistance.

**Chair:** We'll have a chance to review that as well.

**Jane MacAdam:** Right, okay.

**Chair:** Thank you for that, much appreciated. Thanks to the committee for bearing with me, as well.

If you have any questions just let me know.

**Jane MacAdam:** The actual to-budget comparisons are provided on the statement of operations, in order to assess whether government has achieved its operating objectives.

For the past several years we noted that the province's budget is not prepared on the same basis as its consolidated financial statements. The province's original budget does not include consolidated entities' revenues and expenses on a line-by-line basis. The budgets of certain entities are grouped and reported on a net basis.

This means that the original budget is not prepared on the same basis as the consolidated financial statements. Similar to previous years, a separate reconciliation was necessary to present the budget on the same comparative basis as the actual financial results.

For the year ended March 31<sup>st</sup>, 2017, original budget revenues and expenses were increased by \$96.7 million. To put them on a comparative basis with the actual financial results presented in the consolidated financial statements. This reconciliation can be found in schedule 38 of volume I.

Some of my commentary that follows, I was going to talk about some of the issues that arose as a result of the audit. These are included in my annual report. I'm switching



gears a little, but I hope that's okay with the committee.

**Chair:** I'm fine if you continue that way.

**Jane MacAdam:** That's okay?

**Chair:** Yeah.

**Jane MacAdam:** The consolidated financial statements are the responsibility of government and are prepared by the comptroller. Our audit involved performing procedures to obtain sufficient and appropriate audit evidence to provide a basis for the audit opinion.

As part of the audit process, we evaluate the audit evidence and the financial statements and identify any audit adjustments required. We provide these adjustments to management and request that all adjustments be posted to the financial statements.

We also identify issues requiring improvements in the areas of internal control and financial reporting.

For the past number of years, we have made several recommendations, which have not been implemented. Consistent with the prior year, there were a significant number of audit adjustments identified. Although, all significant adjustments were subsequently made by the province, considerable time was required by audit staff and staff of the comptroller's office to discuss, follow-up and address these adjustments.

Given the number of audit adjustments, we recommended improvements in the province's quality control processes for the preparation of the consolidated financial statements. We also continued to note instances of errors in the schedule of contractual obligations and note disclosures provided for audit as well as other accounting and compliance issues. We recommended that the comptroller address these issues on a timely basis.

**Chair:** I know that in the 2017 Auditor General's report this was, as you mentioned, it was an issue as well and it wasn't addressed, but there were 57 audit adjustments that you'd identified there totaling 76.3 million, right?

**Jane MacAdam:** Yes.

**Mr. Trivers:** And 41.9 million related to classification adjustments, as you wrote, which did not change the annual deficit, and 17.9 million related to income tax adjustments.

I'm wondering, the adjustments to these blue books that we're looking at today, would any of them have impacted the deficit versus surplus?

**Jane MacAdam:** Well, not all adjustments impact the deficit; it depends what the adjustment is. But in all cases – when we identify these adjustments, we bring them to the comptroller's attention and it's their decision. These are government's financial statements, so it's their decision whether or not to make the adjustment. But, when these were brought to their attention, the majority of the adjustments were made so that I was able to issue an unqualified audit opinion.

**Chair:** Just to be clear on that, the adjustments needed to be made sort of to make the books balance; so that they were – you could give them the stamp of approval as Auditor General? Is that right? Can you describe a little bit more what it means to make an audit adjustment and why you would make that?

**Jane MacAdam:** I mean the basic process is that the comptroller prepares the financial statements, the comptroller's office. So, they're presented to our office for audit. When we do our audit, we may identify adjustments because accounting standards were not applied properly or there was an error made when something was accounted for. Things weren't accounted for in accordance with the standards, so we would note those as part of our audit and we would bring them to the attention of the comptroller's office.

We expect all errors to be adjusted, unless they're trivial, and the majority of the adjustments were made. Does that answer your question?

**Chair:** Thank you for clarifying that, yeah.

We can talk about that more probably when we discuss the AG's report. Your

recommendation is, basically, you'd like to see less adjustments?

**Jane MacAdam:** Yes.

**Chair:** Yeah, like let's follow our generally accepted accounting principles so we don't find errors and don't have to make those adjustments.

We can talk about maybe why those adjustments are needed and how that improvement can occur on the government's side then, I would say. But, did anyone have questions?

**Mr. Roach:** I will.

You made a couple of statements, but I'll address those later.

Thank you.

**Chair:** All right, great. I'll add you to the list or do you want to address –

**Mr. Roach:** No. I'll have my – what I have to say to you, I'll save it and we'll discuss it later during our 20 minutes at the end.

**Chair:** All right, thank you.

**Mr. Roach:** Just with reference to your suggestion and your question, I'll take issue with that later.

Thank you.

**Chair:** All right.

**Jane MacAdam:** Moving on then.

The consolidated financial statements are helpful to provide an overview of the financial status of the province at its year-end and for the prior period. However, financial statements do not a complete perspective on how the province is performing in relation to the overall economic and fiscal environments. Therefore, financial statements used in conjunction with indicators of financial condition are more useful in assessing this data, the province's finances.

We noted improvements in the sustainability indicators from 2016 to 2017, as well as the period 2013-2017. The province's ratio of

net debt to gross domestic product and net debt to total revenue have declined each year since 2013. The net debt per capita from 2016 to 2017 has decreased by \$225 per Island resident, but has increased by \$240 per resident compared to 2013.

Regarding the flexibility indicators, interest costs to total revenue improved compared to the prior year as well as 2013. Regarding vulnerability, the federal revenue as a percentage of total revenue increased compared to 2013 and 2016, which indicates more vulnerability.

Those are some of – I'm getting into some things that were in the annual report this year, but they're connected to the volume I of the Public Accounts.

**Chair:** I don't have anybody on my list for this particular agenda item. I've got Allen Roach for new business portion of it, yes, but (Indistinct)

**Mr. Roach:** Chair?

**Chair:** Oh yes, Allen Roach.

**Mr. Roach:** Thank you, Chair.

When you talked about the financial statements and the improvement in sustainability, the interest cost improvements, and you mentioned the GDP ratio, could you tell me in your opinion how you feel about that; how important it is to have that debt to GDP ratio? I guess the second part of that would be: How do we compare to our other provinces, Nova Scotia, New Brunswick, and Newfoundland, here in Atlantic Canada?

**Jane MacAdam:** As indicated in my annual report, the net debt to GDP ratio – I mean, it's just one of several ratios, but it does provide 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 growth in the economy. The province's net debt to GDP ratio has been declining since 2013 and it's been declining each year. That's the trend.

As far as the other jurisdictions, there's a chart, exhibit 8.6 in the 2018 annual report, and it shows some comparisons of a net debt

to GDP ratio with other Canadian provinces. At March 31<sup>st</sup>, 2017, PEI's net debt to GDP ratio is lower than five other provinces and higher than British Columbia, Alberta, Saskatchewan, and Manitoba. We're doing better than most provinces.

**Mr. Roach:** Thank you.

**Chair:** Any other questions?

**Mr. Roach:** Good for now.

**Chair:** Next on my list I have Hannah Bell.

**Ms. Bell:** Thank you, Chair.

Perhaps check on whether this may come up later, but to discuss one of the other recommendations in your report relating to the operating budgets of government business enterprises. Is that something that you have on your schedule in your presentation to address later, or could I discuss that with you now?

**Jane MacAdam:** We can talk about that now.

**Ms. Bell:** Super.

**Jane MacAdam:** Sure.

**Ms. Bell:** So in context, with having looked at that, those government business enterprises and the section that you refer to in the schedule, I note that you have in your report under budget preparation, 9.25 and 9.26, with a recommendation that speaks to these being prepared on a net basis means that we don't get a fulsome breakdown and a line item for where those revenues and expenses are coming in from those entities, and the volume that that represents is significant. It's, I have here, 183 million in revenue; 110 in expenses and assets of 842 million.

Not having that detailed budget information is a challenge in terms of being able to assess, again, is there good financial management? Is there meeting accountability and transparency requirements in terms of performance measures and financial indicators?

First of all, what kind of volume of transaction does that represent? Because it's

a number of agencies and institutions, and what is the reason that we don't have that available when those are government entities? I'm kind of confused as to why we don't have that information available.

**Jane MacAdam:** These are government business enterprises, so they typically do not require an appropriation, so that would be one reason.

**Ms. Bell:** Okay.

**Jane MacAdam:** They are classified as government business enterprises because they're considered to be self-sustaining or different from other government organizations. That's one reason why there's not a level of detail in the budget. That was the reason that was given to us when we talked about it.

There is a one-line item in the budget. I think it's 54.4 million, and it's a net consolidated surplus of these government business enterprises.

**Ms. Bell:** I noted that in that there is a revenue and expense, and so it's great, Chair, to see government enterprises generating a surplus; but these are also, given the list of the enterprises involved there, whether they are operating independently they have a significant role. Innovation PEI is in that list, but things like the liquor commission have a role in terms of regulation, legislation and employment and committing back to GDP and so on, so they're not entirely independent. They're not private corporations.

So if we're comfortable sort of getting that revenue and having them manage those assets, it would make sense that we should also have information to be able to make independent assessment which, as an audit does, to tell us whether that is actually managed appropriately and in the public's best interest.

Particularly once (Indistinct) a surplus, it seems there's nothing that needs to be sort of maybe kept quiet; but saying that, what is the opportunity for us to require that to come forward? Is it something that we need to make a stronger push to see that information being shared?

**Jane MacAdam:** I've been raising it in the annual report and my predecessor raised it as well. That's all I can do. I really don't have any –

**Ms. Bell:** So Chair, what I'm hearing is that it's a recurring issue. We should be seeing more information, but this is what we've got right now.

**Jane MacAdam:** Right. The issue is – enhanced transparency and accountability is the issue.

**Chair:** If I can interject as well, and I think this is related, but our recommendations to the Legislature in the fall, we recommended that the Auditor General provide detailed budgeting information of significant agencies, boards and Crown corporations as part of the spring 2018 budget review process. That's somewhat related –

**Ms. Bell:** Absolutely, Chair.

**Chair:** – but there might be room for a second recommendation (Indistinct) blue books.

**Ms. Bell:** Yeah, and Chair, what I'm hearing from our esteemed presenters is that they are well aware of that gap but we cannot request that department present it if that information is not being shared. So I think perhaps rather than putting the pressure back on the Auditor General, perhaps we could recommend that those agencies themselves follow the requirement.

It would be – particularly when they are reporting a surplus, it would be a really great story to be able to tell us how and where those investments are being made. So perhaps a little bit more of a fulsome recommendation might be helpful.

**Chair:** Thank you for that.

**Ms. Bell:** Certainly, Chair.

**Chair:** Do you have the information you need to add that to our ongoing list, Ryan? Yeah?

Great; a recommendation for consideration.

Thank you.

**Ms. Bell:** Thank you.

**Chair:** Does that –

**Ms. Bell:** I'm fine for now.

**Chair:** All right.

**Ms. Bell:** Thank you very much.

**Chair:** Kathleen Casey.

**Ms. Casey:** Great. Thank you, Mr. Chair.

Jane, during your presentation when you talked about government organizations and government business enterprises, you mentioned that some organizations didn't meet the deadline. I'm just wondering. I know that in 2017 the FAA was amended to change the statutory filing date from January 31<sup>st</sup> to October 31<sup>st</sup>. How has this change affected the work flow in your office?

Also, we know that PEI is one of the later provinces to release their public accounts. Do you have an opinion on the October 31<sup>st</sup> deadline and is that an appropriate release date for the information?

**Jane MacAdam:** October 31<sup>st</sup>, I think it's appropriate.

**Ms. Casey:** Okay.

**Jane MacAdam:** Earlier is better, but I think that if audit readiness requirements are met by the various entities, then as far as we're concerned it's not a problem to get the audit work done; but again, we can't do the audit work if the information is not given to us.

**Ms. Casey:** Thank you.

Thank you, Mr. Chair.

**Chair:** Thank you.

Any further questions?

**Mr. Roach:** Chair?

**Chair:** Yes.

Go ahead, Allen Roach.

**Mr. Roach:** Just to follow up on my colleague's questions; when you talk about the readiness of some of the Crown corps, can you tell us a little bit about what your concerns might be? Should they have certain things ready earlier or is it just that we have to kind of chase them for things or – what would be your kind of thoughts on that?

**Jane MacAdam:** Each year we meet with management of each organization that we audit. We give them a schedule of when we expect certain documents to be prepared and ready for audit, so – I mean, we work with them to establish a reasonable timeline so that we can get the information on a timely basis and allow enough time for us to do our work.

**Mr. Roach:** Yes.

**Jane MacAdam:** But the other aspect is that the information has to be of sufficient quality. When you get it, it has to be complete and it has to be ready for audit. Those are two things.

The other issue is when there are questions and follow-up for additional information that arises as a result of looking at the preliminary information, those queries have to be responded to on a timely basis because it just – we're stopped. We're stalled.

So it's a combination of factors. It's the quality and the timing of what we get, and then the responsiveness of the client in addressing any follow-up questions or any additional information. It all contributes to the efficiency of the audit process and the ability to complete the audits on a timely basis.

**Mr. Roach:** So in 2017, when the *Financial Administration Act* was amended and we backed it up three months, how did that go? Were you able to push all the agencies back and were you satisfied with the information you got for the October 31<sup>st</sup> date?

**Jane MacAdam:** Well, there were some – like we highlight here in the annual report, there were some issues with audit readiness for some Crown corporations. So because of the consolidation process that I previously described, those entities need to get their financial statements completed on a timely

basis so that the comptroller can prepare the consolidated financial statements.

It all fits together and it's really important that those entities meet the audit readiness requirements so that their financial statements can be completed and combined with or consolidated with the operating fund, which is core government. That's quite an onerous process. So it all, yeah, it all needs to come together on a timely basis.

**Mr. Roach:** I guess just considering that this is really the first year that we've kind of backed that up, do you think we'd have to see how it goes for a year or two before we could say – you know, first year around, backing it up three months, I think that would be a change for everyone kind of in the chain.

So would we expect that in the next blue books that we would see that after the departments having done this once, that they might be better prepared going in for the second round to meet that deadline of October 31<sup>st</sup>?

**Jane MacAdam:** Department entity – Crown corporations are supposed to have their financial statements done by June 30<sup>th</sup>.

**Mr. Roach:** Okay.

**Jane MacAdam:** So that was a requirement and that hasn't changed.

**Mr. Roach:** Okay.

**Jane MacAdam:** So, I mean, the October 31<sup>st</sup> is just for the consolidated financial statements. Crown corporations and agencies are supposed to have their financial statements completed by June 30<sup>th</sup>.

**Mr. Roach:** Okay, thank you.

**Chair:** Colin LaVie.

**Mr. LaVie:** Thanks, Chair.

When government departments don't meet their deadlines, who's held accountable? Who holds government accountable when they're not making these deadlines? They're government, right? If they're not held to account, if they go over their deadline, what happens? Who hold them to account?

**Jane MacAdam:** One thing that happens here as far as the audit process is concerned is it makes it difficult for the comptroller to complete his work on a timely basis, as well.

As far as what action each entity takes, I'm not sure.

**Mr. LaVie:** When you're doing your recommendations it should be, you know, a recommendation put there. If there are deadlines there, these government departments got to meet these deadlines. You know, the general public across PEI has got to file their taxes or there are repercussions, right? So why does government get away with it?

She's held up with her work. She's backed up with her work. Somebody has got to hold these departments accountable. I'm sure they have plenty of workers to do the work. If they can't get it done on a deadline, somebody has to be held accountable if she can't get the work in time to do her work.

**Chair:** Thank you for that.

Maybe, a follow-up on that question: You'd mentioned that it can be onerous, some of the work that's required to make this happen. Do you think we're making – we have reasonable expectations to meet the deadlines that we have today?

**Jane MacAdam:** You mean the June 30<sup>th</sup> deadline?

**Chair:** June 30<sup>th</sup>, yes, and then, of course, October 31<sup>st</sup>?

**Jane MacAdam:** That's reasonable.

**Chair:** That's very reasonable?

**Jane MacAdam:** Yeah.

**Chair:** Okay. Any further questions?

Allen Roach.

**Mr. Roach:** Would you characterize that all departments and all agencies are not meeting the deadlines?

**Jane MacAdam:** No, that's not the case.

**Mr. Roach:** The inference is out there, so that's why I asked that question.

**Jane MacAdam:** No, it's not all Crown corporations and agencies. It's just there were some where we noted there are audit readiness issues.

**Mr. Roach:** And would they be the same ones year-over-year? Or, would it change depending on workload that they may have, those sorts of things? Or, is there some consistency there that could be focused on?

**Jane MacAdam:** There are some that are, you know, the same, but there are some that are different, as well.

In a few instances in the past they may have been meeting the deadlines and in one year they had more difficulty due to staff turnover and things like that, so it varies.

It's certainly not all Crown corporations and agencies.

**Mr. Roach:** Thank you, Chair.

**Chair:** I have a couple more questions. We know that you can't predict everything that is going to happen so government often has to issue special warrants for additional funds that were not approved through the legislative process.

Of course, and there are examples, like just on March 6<sup>th</sup> of this year, for example, from Orders in Council we see there was \$4.5 million in additional spending related to transportation. Obviously, that has got to throw off the budget a bit. Especially, when you have a very tightly balanced budget, you know, spending an additional 4.5 million has to make it change, unless there are additional revenues to offset that.

Can you comment on, with the blue books, how the special warrants are integrated in there, and where they show up in the Public Accounts?

**Jane MacAdam:** If there are additional expenditures, that's why a warrant is needed. The additional expenditure would be reflected in the expenses for that particular year.

**Chair:** I just want to be clear: so the \$1.3 million deficit for the 2016-2017 year in the blue books we're looking at today, it would include all special warrants?

**Jane MacAdam:** It would depend what year the special warrant is for, but if it was for additional expenditures for that year, then they would be reflected in the expenditures.

**Chair:** Is there a chance that there's money that was spent in the 2016-2017 year where a special warrant could be issued this year?

I mean, the blue books give us a realistic full picture, I guess, of all the revenues and all the expenses that were incurred during the 2016-2017 year, is that correct?

**Jane MacAdam:** Yes.

**Chair:** Okay.

**Jane MacAdam:** It would all be in there.

**Chair:** I just wanted to be clear on that point.

Sometimes, you know, I mean when I'm talking to people; constituents, accounting, when you're not a chartered accountant, to understand generally accepted accounting principles and how they work can be a challenge. People say: oh, yeah, just got to get a good accountant. They can look after that. But, we're talking about the blue books, the Public Accounts of this province; I mean when we see those, all of the revenues and expenses are included in there.

Just to be very clear: Is there any way the numbers, the revenues and expenses for a given year, might be impacted by future years?

For example, we saw that \$30 million owing to the federal government that came up from HST. That would have definitely impacted the blue books of past years.

Can you talk about how those, sort of retroactive findings impact the blue books?

**Gerri Russell:** In the case of, say, the HST, it wasn't a known fact by year and so it hadn't been accrued. Usually, any subsequent events that are related to a particular year, if the books haven't closed

yet they would be recorded in that particular year.

If the books have closed and it wasn't known about at that time, then something coming up after year end would be, or a subsequent event of whatever it may be, it would be recorded in the year of when it's approved or known or out there.

**Chair:** Okay.

**Gerri Russell:** Does that answer your question?

**Chair:** It does. I guess what I'm hearing is: there can be unexpected events that occur –

**Gerri Russell:** It's –

**Chair:** – or just knowledge that's not known when the blue books are put together that happens after they've been issued that will actually impact the numbers.

**Gerri Russell:** And it depends on what – yeah, and it depends on if it was a known fact before or an event that was estimated and now you know the final number, well, that's a little different than something you didn't know about. Because you can have an estimate of something and you estimate what you think is going to happen, but it could be different. That then, would be recorded, but if you don't know it then, it's just – nothing is recorded until it's known. Then, you would, I say that.

**Chair:** Allen Roach.

**Mr. Roach:** Whenever you're done, Chair.

**Chair:** No, go ahead.

**Mr. Roach:** Thank you, Chair.

With respect to special warrants: Are there cases when it's simply money-in-money-out that's recorded that way with special warrants?

**Jane MacAdam:** There are some cases where there are revenue offsets. There's, in additional expenditures, but then additional revenue may be received from the federal government to offset, so the net cost is not that great.

**Mr. Roach:** I recall, I think, there are times when special warrants are requested. There may be a request from the province to the federal government to support, like in a disaster or something like that, we may not see, although it occurred in a particular year in a particular time and we knew about it, we may not see the return of that revenue for several years when it goes through the process at the federal level.

I think there was – an example might be I think when we had severe weather conditions up in the western end of the province. The province made, you know, we had – there was a special warrant had to be issued for that. The province had to make a – I guess a request to the federal government for disaster relief. That would be recorded years later, I take it, as revenue?

**Gerri Russell:** It could, potentially, be years later. It depends on when the federal government approves it. So, you may not get it, the actual revenue, for a number of years, but if you put in a claim and it's approved, then it's recorded at revenue at the time it's approved.

**Mr. Roach:** Okay.

**Gerri Russell:** But you may be sitting there as a receivable for a number of years until it's settled.

**Mr. Roach:** Okay.

**Gerri Russell:** It's usually set-up as an – and that's kind of estimates I was talking about earlier.

**Mr. Roach:** Okay, thank you for that.

**Chair:** Any other further questions? All right.

I wanted to come back to this idea of an audit adjustment. Just to be very clear: you had explained what that was. Basically, it's a case where you found errors or reasons that the accounting has to be changed. So, they go and adjust it accordingly.

Is this something that commonly occurs? Are there valid reasons why you might need to do audit adjustments, things happen?

**Jane MacAdam:** Typically, in an audit there are audit adjustments. So, it's just that there are a significant number of audit adjustments and it's the number of audit adjustments that we are concerned with. We make a recommendation that the comptroller's office, they improve the quality control processes so that there are less audit adjustments.

It's normal that there would be audit adjustments, it's just that the amount, the number of audit adjustments; it's inefficient for the audit process and it's time consuming, even for the comptroller's office. For us to discuss it with them and obtain more information and make the adjustments, it's not a good practice to have a lot of audit adjustments.

**Chair:** Are there some departments that have, sort of, more complicated accounting where it's more likely that some of those audit adjustments would occur, or is it sort of across the board, you just think the processes need to be tightened up?

**Gerri Russell:** It's hard to say.

In my opinion, I guess I would say that the process at the end would need to be tightened up a bit. Just a review of actual – a review of the statements and the revenue expenses of variance analysis compared to the prior year will pick up anything that looks out of the ordinary and a follow up on that to see why that is the case. In most cases, it's going to identify your issue or your error.

I think at the end – every department could definitely do that on their own, but then when it comes together in volume I, then it would be good to have that process in place as well.

**Chair:** Thank you.

The next question, and I believe it was last year the committee had requested you bring back information, and you did, on the list of loans and debentures and we see that. It's in the Public Accounts as well.

We had a public consultation; that is the PC caucus, last Wednesday. We had a really great presentation that talked about using bonds to raise money and it seems that



there's an opportunity there, but of course if you're going to displace debt, and the idea is if we can displace debt where we're paying the interest off Island and keep that interest in our economy – and this is something I think we discussed in the past here at the committee and brought up – then it can help the Island by keeping that money here.

Is there an opportunity, given the list of loans and debentures here, to replace some of those? What are the terms? Are we locked into 30-year commitments where we have to stay, in our 40-year commitments? I know sometimes that's the case.

**Jane MacAdam:** I think the maturity dates are – the terms are here in schedule 13.

**Chair:** What page is that?

**Jane MacAdam:** On page 64.

**Chair:** Oh, yes.

**Jane MacAdam:** They range from 10-year term to 40-year term. There are variations in the terms. Is that what you mean?

**Chair:** Yes, well I guess my question is: Are we locked into those loans and debentures? Or, if we issued a bunch of bonds and raised \$20 million, could we say we're going to take that \$20 million and apply it to this loan so we're no longer paying interest to the person or the entity that gave us that loan? It's going to be paid to the bond holders, and of course the terms of the bond would be such that the bond holders have to reside on PEI and that sort of thing, to keep the money within our economy.

Just curious if there are opportunities to do that with these loans and debentures, or if we're locked in and we can't replace those loans with, say, bonds, or something like that.

**Unidentified Voice:** (Indistinct)

**Chair:** I fully understand if that's not a question you can answer as auditors, and that's something that has to go to the Department of Finance, perhaps. Just let us know.

**Jane MacAdam:** I'm not sure. I think the Department of Finance would be good to answer that question.

**Chair:** Okay, thank you.

Allen Roach.

**Mr. Roach:** Thank you, Chair.

I guess with respect to that, and I understand your question, would it be safe to say that some of this money that's out there that islanders are involved in those as well?

**Jane MacAdam:** In some of these debentures?

**Mr. Roach:** Yes.

**Jane MacAdam:** I'm not sure.

**Chair:** All right, any further questions?

**Mr. Roach:** I may, yes. Not right now.

**Chair:** Not right now?

Okay, yes. Hannah Bell.

**Ms. Bell:** Because we're jumping all over the place, Chair, (Indistinct) I've been distracted by something else.

Following on from a question about debt, but about in this case I'm trying to track the connection between one of your recommendations back into the blue books. I'm looking in the AG report, section 9.34 which looks at the amounts of claims, debts, or monies that have been discharged, cancelled or released. There is a significant number related to cancellations and write-offs, and I understand that loans and debts, that's part of the risk management of loans and debts.

I note that there's a very significant portion of cancellations and write-offs in the year ending March 31 around PEI Century 2000 Fund. I also note that in the consolidated financial statements that a loan was refinanced for that same organization for \$5.7 million extending out to, it looks like, 2021. I'm just wondering how there's a connection between a significant financial write-off for the province associated with the Century 2000 Fund. What is that? Then,

why would there then be a new issue? How is that secured? I can see property secured, but it just seems to be a very high risk connection between those two things.

I was wondering if you could speak further to that, or if that may be something that we need to follow up on.

**Jane MacAdam:** PEI Century 2000 Fund is really a subsidiary of Island Investment Development Inc.

**Ms. Bell:** Okay.

**Jane MacAdam:** It's a government business enterprise.

As far as the cancellations and write-offs, I mean, they're in the business of lending money so I'm assuming those write-offs and cancellations would be connected with loans of some kind. I don't have all the details.

**Ms. Bell:** Chair, is this perhaps an example of one of those ones where we don't have the detailed financial statements to be able to look at the background on those?

**Jane MacAdam:** The financial statements would be in volume III. So yes, the financial statements of Island Investment Development Inc. are in volume III so yeah, we could have a look.

**Ms. Bell:** Chair, if I could just – what I'm hearing is this is a summary – so PEI Century 2000 Fund is a subsidiary of IIDI. IIDI statements are in volume III. I guess my question, perhaps, is maybe be a recommendation, is from a risk perspective there does seem to be a bit of a gap between writing off \$14 million between cancellations and write-offs, and then reissuing loans in the same year for 5.7 under the same management structure.

It would be good if we could have a look and a bit more detail on that.

**Chair:** Thank you for that.

It's definitely something we should discuss as a committee to understand a little bit more about why those two don't reconcile, because I can imagine they could be two completely separate entities, right?

**Ms. Bell:** Yeah, absolutely. They're very large numbers, Chair, in terms of the kind of things that we're talking about when we're looking at recognizing that we had a surplus of 1.3 million. That's great, but this is \$12 million in write-offs and cancellations in one year, which is a significant amount and number if we're measuring things in millions and I think we all agree, that's a lot of money.

I absolutely recognize that loans and debts, loaning money is a risk. That's risk, and the government's role in some of those is to facilitate making loans where otherwise organizations couldn't get loans, particularly for building projects, whatever. I'm concerned about the scale of that, and I'm concerned about the new loan being reissued and whether they're related.

**Chair:** The other thing about that is, the legislation did change so that loan write-offs, the details of them, are to be disclosed going forward.

**Ms. Bell:** Right.

**Chair:** I can't remember what the date was that that changes, but I'm wondering if that could be related to that large write-off prior to, maybe, the loan write-offs have to be disclosed.

It's something we should definitely discuss.

**Ms. Bell:** Sure, and if, Chair, if perhaps our guests could shed some light on it now, or if it's something we need to follow up on later, I'd appreciate that.

**Jane MacAdam:** There would have been an Order in Council for these cancellations and write-offs in accordance with the *Financial Administration Act*. We compile these write-offs and cancellations based on Orders in Council. There is an Order in Council to back up each one of –

**Ms. Bell:** Okay.

**Jane MacAdam:** – these. And, I mean, like you said: IIDI is in the business of lending money –

**Ms. Bell:** Yeah.

**Jane MacAdam:** – so, I mean there can be write-offs and cancellations associated with various clients, and then new loans to new clients, so it's not necessarily –

**Ms. Bell:** Not necessarily –

**Jane MacAdam:** – there should be –

**Ms. Bell:** – a bad thing.

**Jane MacAdam:** – a different set of factors considered in whether or not, you know, another entity got a loan.

**Ms. Bell:** And, Chair, sometimes, just the last point on that, sometimes I know when you are doing accounting, particularly when you get to doing year-end, an audit, sometimes you find all of those extra things that you need to wrap up. Maybe there may have been a whole flurry of Orders in Council that went through at the same time and they added up to more than they normally do in a regular year, who knows?

But, I think, it would be – I would be interested on behalf of the committee to just to have a look at this one –

**Chair:** I mean the other thing is –

**Ms. Bell:** – in terms of scale.

**Chair:** – it seems like a large number and you're assuming that's more than in a regular year?

**Ms. Bell:** Yeah.

**Chair:** It would be worth while checking previous years –

**Ms. Bell:** I don't know –

**Chair:** – to find out if that is a normal amount. I don't know if the auditor, if you guys can shed any light on that?

You might know the figures off the top of your heads for various different years. I don't know.

**Jane MacAdam:** There was a previous recommendation made for the Minister of Finance to clarify the requirements for write-offs and under the *Financial Administration Act*, section 26. There was

clarification provided and there were amendments to the *Financial Administration Act*, which makes it clearer for entities to know when to seek Order in Council approval.

These have increased, but one of the factors here could be the fact that there is more clarity so they did seek Executive Council approval. I guess if you're looking at sort of the change from one year to the next that would be a factor.

**Ms. Bell:** Okay, thank you, Chair.

**Mr. Roach:** Chair?

**Chair:** Allen Roach.

**Mr. Roach:** I think, in fact, the case, and please correct me if I'm wrong, but during that particular year, I think, that's when the change to the FAA came into place. I think there were a number of loans that, perhaps, were written off that had been laying there dormant for a number of years and that's – I'm asking the question that that's, perhaps, why the number seemed like it was a little higher.

Certainly, I think, a question and I think the Auditor General kind of set it out, very, kind of, pretty clear: IIDL, essentially is almost like a bank. You know, there are loans and there are loans losses and there are loan provisions. I think that even if you went to a regular bank you're going to find that there have been loans that have been written off for various reasons. I don't think it's a lot different at a regular bank.

I'd just like, if I could, just for you to comment on that, please?

**Jane MacAdam:** Yes, with any loan program there, you know, there are going to be write-offs and cancellations. It's the nature of the business. Again, I think that every loan is given based on a certain set of factors, and they all have their own risks associated with them.

Writing off loans here and then issuing new loans, it's a different set of circumstances each time, I guess, is the message.

**Chair:** Okay, thank you for that.

Any further comments or questions?

As the Minister of Finance during that time, you probably have a – your suggestion is probably pretty close, I'd guess.

**Mr. Roach:** I think too, it's – and I guess knowing how IIDI works. And knowing where a lot of the loans lie and knowing the assets that are at the other end of that. You know, I think that, in tough times, for example, I think that IIDI stepped in with fishermen and with farmers and various other entities across Prince Edward Island.

So, although there are loans out there, there's a tremendous amount of equity out there and assets that, in some cases, have grown considerably to – that would, you know, there wouldn't be the risk there today that there was, say, six, seven years ago.

**Chair:** Thank you.

I had another question. This is related to the operating budget and how it relates to actuals, and how much prepared – it might be outside the scope, let me know if it is.

In the operating budget, there's a budget estimate for that budget year that's coming up, and then it also lists the budget estimate of the previous year. That was there so you could compare the two. The budget estimate for this year in next year's budget should just slide across and that was the budgeted estimate from the previous year once you get into the next year's budget. Do you know what I'm talking about?

But when you go through the number, for example, that was in the 2016-2017 budget, is not the same as the 2016-2017 budget estimates that are listed in the 2017-2018 Budget. Any insights onto why that would be the case?

I mean, in this particular case, where it's about a few hundred thousand dollars difference. But, when we're talking about budget estimates, there's no bearing of the actuals when the budget is prepared. Any ideas why that might be different?

**Gerri Russell:** Are you talking bottom line or between entities? Because sometimes if an organization is restructured or a department is restructured, so there's a

portion of that organization that has moved over to a different department, then that budget is moved over, as well. So, there might be some re-class and it's usually at the back of the budget book that shows how the reclassifications are done.

There might be a re-class so that they're consistent in the current year, so that they're comparable. That's the only thing I can think of right off-hand.

**Chair:** Thanks. I know I'm asking you to reach a little bit here. The line that I'm looking at is the provincial – the revenue of provincial-owned sources. It was 987,464,300 in the 2017 budget book, but then that number is listed as 987,188,000 in the 2018 budget book. You know what I'm saying?

**Gerri Russell:** I'm not sure –

**Chair:** Anyhow, I think this is –

**Gerri Russell:** – right off hand.

**Chair:** – probably outside of the scope of our discussion today. I'm not going to continue with that, but if – maybe, I'll bring that up again at a future meeting.

The other question I have, somewhat related, and again, you may not be able to answer this, but do you find that there's any trends in how the actuals; the blue books compare to the budget? For example, are the revenues consistently underestimated and then you find out that they're higher when you go into the blue books, in your experience?

**Jane MacAdam:** Well –

**Chair:** (Indistinct) I'm asking –

**Mr. Roach:** (Indistinct) budget estimates –

**Chair:** Yeah, I want to know if they have noticed any trends where they're underestimated. That's what I want to know.

And you might not have the information off the top of your head to answer that.

**Gerri Russell:** The Public Accounts, you can see they'd list the budgets and comparative to their actuals for any given line on it for the revenues, as well as the

expenses. Typically, if they're under or over there's a reason. Say, Government of Canada, there's a specific schedule that goes with that. I think it's schedule 28. If you were to look at the breakdown of that, you would see that there were some unbudgeted items that they didn't foresee that came out in revenue. One of them was a disaster relief program, I believe.

For the most part, I can't say every year, right off hand, but for the most part the budgets are reasonable after they're reconciled.

**Chair:** Yeah, thank you for that.

**Gerri Russell:** Does that answer your question? I guess (Indistinct) –

**Chair:** Yeah, that's great. Thank you.

Another question I had: You mentioned that we saw an increase in the money coming in from the government of Canada, and that played a role in that 4.5% increase in revenue. How much of that 4.5% increase was due to the government of Canada? You also mentioned that that made us more vulnerable. Can you comment on why that's the case?

**Jane MacAdam:** As far as the change in revenue from 2016 to 2017, from the government of Canada it increased by 51 million or 7.9%. That's including exhibit 8.3 of my 2018 annual report. So that was the increase.

The main increases were the disaster relief program, investing in Canada plan program, strategic investment fund. So those were three new programs.

As far as the vulnerability, it's one indicator that can be used to assess vulnerability, is the federal revenue sources compared to total revenue. For the year ended March 31<sup>st</sup>, 2017, federal revenue as a percent of the total was 37.9%. The prior year, it was 36.7. It's gone up a bit, and that's just an indication of increased vulnerability.

**Chair:** Maybe you can just, maybe in layman's terms, what do you mean by vulnerability? Because I'm thinking as an accountant, you might have a different

definition of vulnerability than the average person on the street.

**Jane MacAdam:** Well, it's dependence on sources of income outside your control. Your own revenue, your PEI revenue, you'd have more control over that. Revenue from the federal government, you have less control over that. So when a larger percentage of your total revenue is coming from the federal government, for example, you don't have as much control.

**Chair:** That makes sense. That's pretty much the same definition of vulnerable that everybody uses. Thank you for that.

Yes, Allen Roach.

**Mr. Roach:** Yes. Thank you, Chair.

Within those federal dollars that you speak of, and I know just from past experience, particularly over the last three years when you have the opportunity to focus on it, our wages have increased on average in Prince Edward Island. The number of people that are fully employed, we have a number of different corporations, whether it's in the aerospace industry or biosciences. We have a number of marine technologies. We have a number of new areas that I would kind of look at as growth, so we're going to see greater taxes being paid and returned to Prince Edward Island. Would that be included in those figures?

**Jane MacAdam:** Not necessarily in when I was talking about vulnerability. Like –

**Mr. Roach:** We'd get a bigger cheque from the federal government as a result of more taxes being paid through wage increases or more people being employed that would be paying taxes. Is that correct?

**Jane MacAdam:** There's always – yes, personal income taxes, if you have more people employed –

**Mr. Roach:** Yeah.

**Jane MacAdam:** – and their wages are higher, you certainly would have increased personal income taxes, you would expect.

**Mr. Roach:** Okay.

**Jane MacAdam:** That's, again, revenue from our own sources, yes.

**Mr. Roach:** Yes, thank you.

**Chair:** Thank you.

Any further questions? All right; well, that went quickly. That was good.

Yes? Allen Roach.

**Mr. Roach:** Sure.

And again, Jane and Gerri and Sarah; thanks so much for coming here today. I know how busy you are. Could you give us an idea of the amount of time and the number of staff that it would take you to prepare the blue books?

I'm not talking about the comptroller. We'll leave them separate; but the amount of time and the number of staff that would be required. I think it's just important for us to know the amount of work that goes into this.

**Jane MacAdam:** I guess there are a couple of points. First, we don't prepare the blue books. I think that's just an important message, really.

As far as the Auditor General's office, we have one sheet of paper on volume I and it's the audit opinion; but in order to get that audit opinion issued, it's a lot of work. So it's approximately 3,500 hours of auditor time to do that one audit, and I would say during the summer months almost the entire office is working on that audit. How many people would be –

**Unidentified Voice:** I'd say seven or eight.

**Jane MacAdam:** Yeah, like seven or eight people. At any given time there would be seven or eight working on it, and then there would be other times before that it would be less people, but we've already started work on the public accounts audit. The deadline is October 31<sup>st</sup>, but we've already started our planning. It takes a lot of time and a lot of effort.

**Mr. Roach:** Thank you.

That's the point I was trying to make, is that it may look like there's one page there, but

everything that has to go in to support that, that's almost like two person years. Is that correct or would it be more than that?

**Jane MacAdam:** Yeah, (Indistinct) –

**Mr. Roach:** Two FTs, full-time equivalent?

**Jane MacAdam:** Yeah. Well, and that would be with no vacation and no – you know what I mean?

**Mr. Roach:** Exactly.

**Jane MacAdam:** So it is a significant piece of work, and that's why it's really important that the information come to us on a timely basis because we have staff organized to do the work and schedules get thrown off pretty quickly.

**Mr. Roach:** One final question, and this goes back to adjustments: When you're doing those adjustments, it would be your department back and forth with the department of finance, with the comptroller, in determining what adjustments need to be made and should be made, would you be having a lot of discussion about those adjustments, and who would it be – or could it be anybody from your department, depending on what it was about, and who would be your main contact in finance?

**Jane MacAdam:** It would be the comptroller's office –

**Mr. Roach:** The comptroller's office.

**Jane MacAdam:** – would be the main contact. But, I mean, there would be discussions leading up to that as well.

We may have to talk to a specific department to get more information in order to arrive at what we calculate to be the audit adjustment and then we would discuss that with the comptroller's office and provide them an opportunity to say whether or not they agreed with the adjustment or if they had additional information that we didn't have; but there's discussion with the comptroller's office in terms of making sure that there's no additional information that we don't have that we should take into consideration before we finalize our adjustment.

**Mr. Roach:** Thank you, auditor.

Thank you.

**Chair:** Thank you.

Any further questions?

Actually, I thought of one additional question just as you were talking there. We talked about the timeframes for the blue books and the amount of effort that goes into them, and government presented a balanced budget with a very minimal surplus which was a great feat; but we won't know until it's actually balanced, until we see the blue books.

As we know, we've already had at least \$4.5 million in special warrants just that March 6<sup>th</sup> Order in Council. So when will we know for sure if the budget estimates translate into an actual balanced budget?

**Jane MacAdam:** The deadline is October 31<sup>st</sup> for the volume I consolidated financial statements to be released, so that would be –

**Chair:** Okay.

**Jane MacAdam:** I would say that's the timeline.

**Chair:** So October 31<sup>st</sup>, 2018 we will –

**Jane MacAdam:** Yes.

**Chair:** – we will know –

**Jane MacAdam:** Yes.

**Chair:** – if everything worked out the way everybody hopes it does.

Okay, well, thank you. I'll echo the statements of Allen Roach. Thank you for coming in and taking the time out of your busy schedule to present to us. This was our number one priority item. I think it was Alan McIsaac – who couldn't make it today, unfortunately – that brought it up, but –

**Ms. Bell:** Chair? Sorry, are we –

**Chair:** Yes?

**Ms. Bell:** Did you actually finish your presentation?

**Jane MacAdam:** Yes.

**Ms. Bell:** Okay, I wasn't sure if it –

**Chair:** Oh, yes.

**Ms. Bell:** – had got to the end.

**Chair:** Sorry, if you had any additional –

**Ms. Bell:** No, I wasn't –

**Chair:** – questions, feel free.

**Ms. Bell:** – clear if we'd managed to get through all of the things that you had hoped to present.

**Chair:** I know you'll be back soon to present your report. We look forward to that, as well.

Thanks again.

If we want to take a quick recess for a few minutes while you guys tear down. Then, we'll come back and we'll complete our agenda for today. Thank you.

[recess]

**Chair:** Welcome back everyone.

Moving on to agenda item number four, I'd like to ask our Clerk, Ryan Reddin, to maybe talk a little bit about the 39<sup>th</sup> annual conference, Canadian council of Public Accounts is coming up this September 23<sup>rd</sup> to 25<sup>th</sup>, 2018. We're hosting it here, on Prince Edward Island.

Ryan's been working hard on this and putting things together. Perhaps, you have a bit of an update.

**Clerk Assistant:** Sure, Mr. Chair.

I wanted to put this on here because some committee members, we've discussed it before, but there are new members on this committee, who, perhaps, this is the first time the conference has been discussed.

Just to review, the Canadian Council of Public Accounts Committees is, as it sounds, a group of the Public Accounts committees across Canada and provinces, territories and

the federal Parliament. The council meets annually, jointly with the Canadian Council of Legislative Auditors, so you have staff from all the auditor general offices across Canada.

As the Chair said, we're hosting it this year, September 23<sup>rd</sup> to 25<sup>th</sup>, that's a Sunday to Tuesday here in Charlottetown. We have the Rodd Charlottetown booked for that. I'm working with staff in the Auditor General's office, as well as with the council's secretariat to plan the conference and get a program together. Hopefully, we'll have on the program, or the draft program, fairly soon or in the coming months.

With that in mind, you have in front of you a memorandum that actually has the programs from the past two conferences in New Brunswick and North West Territories. I put that before you just to give you a sense of the layout of the conference, past discussions, so on and so forth. There is also a good website for CCPAC. It's just [ccpac.ca](http://ccpac.ca) where you can find further information about the conference, or past conferences and the council itself.

If anyone has any questions or any ideas that they want to put forward for program items for our conference in September, please do let me know.

Thank you.

**Chair:** Thank you, Ryan.

It should be a great time to host all those people from across the country.

Yes, Allen Roach.

**Mr. Roach:** Chair, previous conferences; I guess, I would ask the question to the clerk: Who would normally attend if the conference was in Ontario, Quebec, New Brunswick, who would attend from Prince Edward Island?

**Clerk Assistant:** Typically, the Chair and vice-chair in past years would go to conferences in other jurisdictions.

**Mr. Roach:** What is the expectation at this particular conference because we're hosting?

**Clerk Assistant:** I guess the expectation would be as many members of the committee can attend as possible. Bearing in mind we do have complicated schedules, but the Chair of the committee typically acts as the host, as well, in cooperation with the Auditor General.

**Mr. Roach:** Okay.

**Chair:** Any further questions?

**Mr. Roach:** Not on this topic.

**Chair:** Great. Any other questions on that or comments? Great.

Thanks, again, Ryan.

Moving onto agenda item number five then, this is review of workplan and scheduling. Next week would be the 28<sup>th</sup>, but unfortunately Hal wasn't able to make it either. That meeting – none of the government members could make it so we can't have a meeting next week. We wouldn't have quorum.

That brings us, the next week, right into – I think it's April 6<sup>th</sup> which would be during the opening of the House on the 5<sup>th</sup>, a Tuesday. The sixth is a Wednesday.

**Ms. Casey:** Thursday; we open on Thursday.

**Chair:** Oh, sorry, yes. I'm (Indistinct) – it's the –

**Ms. Casey:** Thursday the 5<sup>th</sup>.

**Chair:** Usually it's the Tuesday.

**Ms. Casey:** Yep, Thursday the 5<sup>th</sup>.

**Chair:** Yeah, so the day before then, on the 4<sup>th</sup>, it's be a Wednesday where we could possibly consider a meeting. Then of course, given the fact that we're really moved into having the Auditor General in to talk about her 2018 report, which at least in my experience in the past has taken multiple sessions, I'm suggesting it might be a good idea even if we just meet for an hour each week and have her come in, and we can ask questions for 45 minutes so that we can get through any other agenda items in case we have them.



It might be a good idea to do that: Perhaps keep our Wednesday morning slot at 10:00 a.m., and from 10:00 till 11:00 every Wednesday prior to the House sitting, we have the AG in if she's available to continue to review the Auditor General's report.

That's what I'm proposing. I just wanted to bring that up for discussion with committee in case anyone did have any comments.

Allen Roach?

**Mr. Roach:** I think it's a great idea, but I see there, going back to our first priority, that Gordon, the comptroller Gordon MacFadyen, was rescheduled, so are you now saying that we don't want him back for this work, for volume I, II and III on the preparation? And if you're happy with that, that's fine. Then we can move on to the Auditor General's report that just came out there recently.

**Chair:** You make a very good point, and –

**Ms. Bell:** (Indistinct) that was that –

**Chair:** Yes, Hannah Bell.

**Ms. Bell:** – thank you, Chair – was that we had asked the comptroller to come in because the timing of it was before the books had actually been made available. That was my recollection, but perhaps I'm wrong.

**Mr. Roach:** Well, the comptroller's office –

**Chair:** Allen Roach.

**Mr. Roach:** – prepares these books.

**Ms. Bell:** Correct.

**Mr. Roach:** I think that's why –

**Ms. Bell:** (Indistinct) Auditor General then perhaps that's not necessary.

**Chair:** I guess this was a priority that was brought up by Alan McIsaac. Unfortunately he's not here today, but I just think if we've exhausted the questions and got the information we need, then I would be happy with not bringing Gordon MacFadyen back in; but are we satisfied –

**An Hon. Member:** (Indistinct)

**Chair:** – with that?

**Mr. Perry:** For Wednesday mornings?

**Mr. Roach:** No, I mean for (Indistinct) –

**Mr. Perry:** Oh, (Indistinct) –

**Mr. Roach:** – having Gordon –

**Mr. Perry:** Yeah.

**Mr. Roach:** – MacFadyen come in now. Everyone is satisfied with the blue books and –

**Chair:** Yes.

**Mr. Perry:** I am.

**Mr. Roach:** Okay.

**Chair:** And I was – I mean, so I'd like to put forward that we move right to the Auditor General's report then, if everyone's in –

**Ms. Casey:** Agreed.

**Chair:** – agreement with that. Okay, great.

Thank you.

That said, I would like suggest we start with April the 4<sup>th</sup> and try and schedule in the AG until we've completed her report review, each Wednesday at 10 o'clock.

**Ms. Casey:** See what her availability is.

**Chair:** Yeah, yeah.

Yes?

**Mr. Perry:** I may have an issue with that, and it's due to the House being open and having time to prepare for the House –

**Chair:** Right.

**Mr. Perry:** – each week. I'm going to go back to my travel time –

**Chair:** Yeah.

**Mr. Perry:** – and this time I don't want you to run to the papers complaining about it, but I have four hours on the road each day. So I need to – I have a constituency that I need to attend to also. So when we're in the House here all week, I need to see people. I need to respond to people, and I need that time.

Wednesday mornings, the morning is my opportunity to do that. I do have to be on the road early in the morning to get here in order for the House to open each day, and some evenings it's nine o'clock before we're out. So I need to let people know that, and let you guys know I guess, that that is a concern of mine, that I need that time during the House.

Because there is other – it's complicated. With our schedule, because of the House session, and trying to balance off our constituency work at the same time. So in respect to that, I may not be available every Wednesday morning for public accounts meetings. I'm also sitting on several other committees that we may meet during the session also, so we have to take that into consideration, too.

**Chair:** Thank you for your input.

Allen Roach.

**Mr. Roach:** I tend to concur, and for me it has nothing to do with travel. You know, I'm an hour each way; but it has to do with the sitting of the Legislature, the sitting of the Assembly. It is four days of the week that's for the better part completely tied up, and I agree with my colleague. We only get so much time for us to be in our constituency office, and when you take four days out of the week that you're in the Legislature, I know for me when I come in here that I'm trying to prepare member's statements, I'm trying to prepare questions, and it may depend on a question that was asked the day before or a statement or I'm preparing myself to speak to a motion that may come to the floor, those sorts of things.

I think that time is important, when the Legislature is sitting, to let all of the MLAs prepare, and properly prepare, because I think as each one of us knows, when the Legislature is opening it's go, go, go.

**Chair:** Thank you for your input.

Anyone else have any further comments on that one?

**Ms. Bell:** (Indistinct)

**Chair:** Hannah Bell.

**Ms. Bell:** Chair, I'd welcome the opportunity to hear from the Auditor General and I personally like the idea of doing – obviously I don't have an hour's travel or two hours' travel, but I think that this is part of our role and I would be welcoming the idea to be able to have this continued input with the Auditor General rather than having to wait to continue that conversation until after the sitting is done, I think partly so we can be well informed while the House is in sitting.

Having not had the opportunity to have those meetings prior during this last inter-session space, I would support the motion to, or put forward a motion to schedule those meetings.

**Ms. Casey:** Chair? Mr. Chair?

**Chair:** Okay, thank you.

**Some Hon. Members:** (Indistinct) motion on the floor?

**Ms. Bell:** (Indistinct) –

**Chair:** So if –

**Ms. Bell:** – wait for a moment for other comments.

**Chair:** We have, we were just undergoing some discussion about it –

**Ms. Bell:** Just discussion first and then –

**Chair:** – with no motion per se, but –

**Ms. Bell:** No motion, yeah.

**Chair:** Maybe if you don't mind just holding onto your motion for a minute –

**Ms. Bell:** I will hold onto that for the moment, yeah. Thank you.

**Chair:** – I think Kathleen Casey has some comments –

**Ms. Casey:** Sure, thank –

**Chair:** – for this discussion.

**Ms. Casey:** Thank you, Mr. Chair.

As Chair of this committee, maybe you could send out a notice and if people are available for that certain date we'd meet, and if people aren't available we don't meet. That would be my suggestion.

Thank you.

**Chair:** Thank you for your input.

Any further discussion on this? No?

I wanted to just say that meeting during the Legislative Assembly is not unprecedented. It's my understanding that this has occurred many times in the past. I do understand your concern, Hal, about your travel time, and two hours each way is a long time.

**Mr. Perry:** Four or five (Indistinct)

**Chair:** For me, it's only – yeah, for me it's only –

**Mr. Perry:** (Indistinct)

**Chair:** – 40, 45 minutes each way, so it's not as bad; but I mean, I try to leave Mondays and Fridays as much as possible for constituency work. I know we're here from 10 till one sitting, so it's tough to get a lot of work done on Fridays as well.

**Ms. Casey:** Mr. Chair, if we've exhausted our discussions, I would move for adjournment.

**Chair:** Yeah, thank you.

I was just putting some more thoughts out, myself, but – so those are good points that you do raise, for sure.

I think that Hannah Bell did have a motion she wanted to bring to the floor.

**Ms. Bell:** Chair, I think a combination of a couple of actions, Chair. What I would move is that we find out whether the AG is

available. If the AG is available, then I would move, subject to availability that we do schedule meetings on Wednesdays with availability to expand on the discussions on Wednesdays at 10:00 a.m. as suggested.

**Chair:** Great and I think that's excellent to put that forward as a motion. I know as Chair, I have the authority to schedule meetings when I see fit and all this kind of thing, but I'd like to put it to motion so it's a committee decision.

So, the motion is on the floor; any discussion on the motion?

Yes, Hal?

**Mr. Perry:** I just want to make it clear: I never, I'm not stating that I'm not available every week.

**Chair:** Right.

**Mr. Perry:** What I said was that there may be some weeks where I may not be able to attend.

**Chair:** All right.

**Ms. Casey:** Question.

**Chair:** Thank you.

**Ms. Casey:** Question.

**Chair:** Okay, yes, calling for the question.

All in favour of the motion, say 'aye.'

**Some Hon. Members:** Aye!

**Chair:** All against, say 'nay.'

All right, the motion is carried.

We will check out the –

**Ms. Casey:** Chair?

**Chair:** – availability of the Auditor General and attempt to schedule the meetings on 10:00 a.m. on each Wednesday going forward to review the (Indistinct) –

**Ms. Casey:** And my motion for adjournment still stands, Mr. Chair.

**Chair:** Yes.

**Mr. Roach:** Chair?

**Ms. Casey:** Oh, sorry.

**Mr. Roach:** Just one item: We moved a –

**Chair:** We have to go to new business before we can adjourn.

**Mr. Roach:** Yeah.

**Chair:** Following our adopted agenda.

**Ms. Casey:** Okay.

**Mr. Roach:** Chair, I know that when we came back in from the break, that you very quickly went to agenda item number four, and –

**Chair:** Yes.

**Mr. Roach:** – I had indicated to you that I had something that I wanted to speak to when we were finished with agenda item number three –

**Chair:** Oh. Sorry, I thought –

**Mr. Roach:** – earlier on, so I'd like to revert back to agenda item number three just for one second.

**Chair:** Thank you for that. In fact, I wanted to leave that for new business, anyhow.

**Mr. Roach:** Well, it's not new business, but it's three.

Chair, and I'm not going to make a big issue out of this, but during your – and I respect the Auditor General tremendously and the work that she does and I don't think she would ever do anything untoward in any way, shape or form, but in your preamble to a question – and I don't know if you ever got to the question – you made a suggestion that the AG might sit down with government and somehow make the books look a certain way. I'm hoping that that's not what you were inferring.

**Chair:** I'm not sure what you're referring to.

**Mr. Roach:** Well, I think we'll look at Hansard and –

**Chair:** Yeah –

**Mr. Roach:** – maybe I'll bring it back.

**Chair:** Look at Hansard. I mean, that's not what I was inferring –

**Mr. Roach:** I know, but it's what you said.

**Chair:** One thing I did say was that, and I would like to look at Hansard because I'm not –

**Mr. Roach:** Because I don't think the Auditor General –

**Chair:** (Indistinct)

**Mr. Roach:** – would ever do that.

**Chair:** I don't know what you're referring to. You'll have to –

**Mr. Roach:** Well, I'll get Hansard and we'll –

**Chair:** – (Indistinct) that out.

**Mr. Roach:** – discuss it again.

**Chair:** Sure. Bring it up (Indistinct)

**Mr. Roach:** I just don't want anybody at home or anybody that's listening in today to think that that would even be a consideration by the Auditor General. I don't know if anybody else recalls –

**Mr. Perry:** Yeah.

**Ms. Casey:** (Indistinct) did.

**Mr. Roach:** – what was being said, but for me –

**Chair:** Let –

**Mr. Roach:** – it was pretty clear what you were inferring.

**Chair:** Let me say that if I even inferred or implied that the Auditor General was working with – directly with government to, you know, fix the books, that was not my intention –

**Ms. Casey:** Thank you –

**Mr. Roach:** Thank you for that.

**Chair:** – whatsoever –

**Ms. Casey:** – for clarifying that.

**Chair:** – so – and if that’s – I mean I withdraw any implication that –

**Mr. Roach:** Thank you, Chair.

**Ms. Casey:** Thank you.

**Chair:** – the Auditor General performs great work for this province –

**Mr. Roach:** Yes.

**Chair:** – and is obviously –

**Ms. Casey:** Yes.

**Chair:** – completely autonomous and separate from government –

**Ms. Casey:** Exactly.

**Chair:** – so do not want to bring that into any (Indistinct) and I, yeah, any apologies if I did that.

All right, moving on.

Any further new business?

All right –

**Ms. Casey:** Motion for adjournment.

**Chair:** Meeting adjourned.

**Ms. Casey:** Thank you.

The Committee adjourned