

# PRINCE EDWARD ISLAND LEGISLATIVE ASSEMBLY



Speaker: Hon. Francis (Buck) Watts

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## Standing Committee on Public Accounts

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**DATE OF HEARING:** 12 JULY 2017

**MEETING STATUS:** PUBLIC

**LOCATION:** COMMITTEE ROOM, J. ANGUS MACLEAN BUILDING, CHARLOTTETOWN

**SUBJECT:** REVIEW OF REPORT OF AUDITOR GENERAL MARCH 9, 2016, AND MARCH 10, 2017

**COMMITTEE:**

James Aylward, MLA Stratford-Kinlock [Chair]  
Dr. Peter Bevan-Baker, Leader of the Third Party  
Jordan Brown, MLA Charlottetown-Brighton [Vice-chair]  
Kathleen Casey, MLA Charlottetown-Lewis Point  
Darlene Compton, MLA Belfast-Murray River  
Bush Dumville, MLA West Royalty-Springvale  
Chris Palmer, MLA Summerside-Wilmot

**COMMITTEE MEMBERS ABSENT:**

Hal Perry, MLA Tignish-Palmer Road

**MEMBERS IN ATTENDANCE:**

Bradley Trivers, MLA Rustico-Emerald

**GUESTS:**

Auditor General's Office (Jane MacAdam, Gerri Russell, Barbara Waite)

**STAFF:**

Ryan Reddin, Clerk Assistant (Research and Committees)



The Committee met at 10:00 a.m.

**Chair (Aylward):** I'd like to call the meeting of the Standing Committee on Public Accounts to order. Can I have someone for adoption of the agenda?

**Mr. Dumville:** (Indistinct)

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

Today, item number 3, we're working on the completion of the 2016 review of the report of the Auditor General. I believe when we left off we had completed the audit section and we were just moving on to the update on previous recommendations.

Jane, I'll let you introduce your guests. Again, it's become a practice just for housekeeping purposes, the microphones are for recording and not for amplification. Also, if we could all remember to silence our phones and if you have them on vibrate, please take them off the table because the kind folks at Hansard don't appreciate it.

**Jane MacAdam:** Okay, I have Gerri Russell with me; she's the audit director in charge of financial audits. And Barbara Waite; she's the auditor director in charge of performance audits.

Before we get started on the update section, I wanted to provide clarification on the response to a question that arose at the June 14<sup>th</sup> meeting. In the response to a question on developmental lending, I indicated that we examined all loans over 2 million, plus a random sample of small loans. In fact, we selected a sample of loans over 2 million. So we didn't examine all loans over 2 million. I just wanted to clarify that for the record.

**Chair:** Thank you.

**Jane MacAdam:** Section 5 is the update. This chapter provides information on the status of implementation of the recommendations arising from special audits and examinations. It's performance audits only; it does not include any recommendations that may have been made as a result of financial audits.

In 2016, we implemented a new process for following up on recommendations. We

allow the department or agency at least three years to take action on the recommendations. We request the status of implementation of the recommendations from management for a two-year period. In this case it was 2012 and 2013 recommendations.

Where management indicated that the recommendations were implemented, we conducted sufficient work to determine whether that assessment was plausible. This is referred to as review level assurance; it's not another audit. It provides some assurance but not a high level of assurance. As part of that, we conduct interviews, we examine documents, we review relevant processes that are related to the recommendations.

As a result of that work, we determined that 93% of the recommendations from performance audits reported in 2012 were implemented and 82% of the recommendations reported in 2013 were implemented. In appendix A of the report, we provide all those recommendations with an indication of the status as outstanding or implemented, or in process, whatever.

But for our 2017 annual report, just as an update, we also followed up on the 2013 recommendation, so we went back. The implementation rate for the 2013 recommendations actually increased from 82% to 87% and we report that in our 2017 annual report. That's just an update. It's more recent information.

**Chair:** Chris Palmer.

**Mr. Palmer:** Thanks, Jane.

Can you clarify: When you make recommendations do departments ever reject the recommendations? I know that's just something that's not going to fit, or that we're not going to do. Or do they always kind of accept them and work towards implementation?

**Jane MacAdam:** Normally they accept them. They accept the recommendation and they indicate that they will work on the recommendation.

**Mr. Palmer:** Okay, great.

Thanks.

**Jane MacAdam:** Any further questions on that section?

The next section, section 6 of the report is on indicators – actually section 6 is just an introduction to financial audits. It's just a preamble – unless you really wanted to go over that in detail, I'm just going to go on to section 7, just indicators of financial condition.

In this chapter we provide a summary information on the province's financial position in operating results for a five-year period. In this case, it was up to March 31<sup>st</sup>, 2015, because this is our 2016 annual report that we're still working on.

Indicators related to sustainability, flexibility and vulnerability of the provinces finances are presented over a five-year period as well. We like to point out at that ultimately decisions on raising revenue and incurring expenses and debt are one of government policy. The purpose of this chapter is really just to provide information to assist the Legislative Assembly, the public and others, to better understand the provinces finances and to highlight some trends.

We noted there was a further deterioration in the financial position of the province highlighted by continued deficits and a growth in the net debt. For the year ended March 31<sup>st</sup>, 2015, the province incurred an operating deficit of 20.3 million. Net debt was slightly over 2.1 billion at March 31<sup>st</sup>, 2015, and had increased by 372.8 million or 21.2% since 2011. Of the \$372.8 million increase in net debt over those four years, 141 million of that related to net investments in non-financial assets and the remainder (Indistinct) to accumulate deficits.

**Chair:** Peter Bevan-Baker.

**Dr. Bevan-Baker:** Jane, could you just expand a little? I understand about the contribution of the annual deficit to that figure, but could you just explain the other half, if you like, of that?

**Jane MacAdam:** Net debt is measured by total liabilities minus financial assets. The net debt, really, is comprised of accumulated

deficits and investments in financial assets – or non-financial, sorry.

**Dr. Bevan-Baker:** It was the financial assets bit that I – if you could just expand on an explanation of how that contributes to the accumulated debt.

**Jane MacAdam:** I think the best way is to just go and look at the definitions here on page – the net debt.

**Unidentified Voice:** Page 110.

**Jane MacAdam:** Oh sorry, on page 110.

Net debt is equal to the difference between the government's total liabilities and its financial assets. Really, the net debt figures that we are talking about here really are the difference between the total liabilities of the province, less the financial assets, because those financial assets really could be converted and used to pay down debt.

Is that (Indistinct) –

**Dr. Bevan-Baker:** Yes.

**Chair:** Anything else, Peter?

**Dr. Bevan-Baker:** No, that's great.

Thank you, Chair.

**Chair:** Thank you.

Jane?

**Jane MacAdam:** The Public Sector Accounting Board's Statement of Recommended Practice suggests a number of indicators to assist in assessing a government's financial condition. In this chapter we provide comments on some of these indicators. It's important to, when assessing these indicators, to look at them over a period of time as well. For each indicator, we assess the change as, either favourable, unfavourable or stable and it represents the direction of the indicator and it's not a comment on performance or policy.

As you can see on the slide and in the report on page 100, many of the indicators are stable compared to the prior year. However, the five-year trend for most of the

sustainability indicators was unfavourable. Really, this chart really just summarizes all the indicators that we calculated and it looked at – it really summarized it for a one year, like one over – the current year compared to the prior year, and the current year compared to five years, ago just to give an indication of the trend.

**Chair:** Peter.

**Dr. Bevan-Baker:** Thank you, Chair.

Given – it hasn't happened yet, but all indications are that the Bank of Canada is going to increase its lending rate this morning. How much of an impact, assuming that happens – how much of an impact would that have on interest costs which is marked as stable over the next five years?

**Jane MacAdam:** If the government has to end up paying more, incurring more interest costs, it does impact its flexibility because there's less money available for programs and services. Again, it would depend on – some of the borrowing is locked in for a long period of time, so it may not impact it right away. But over time, if an interest rate continues to grow or as these debentures mature, it will be impacted when they (Indistinct) issue a warning.

**Chair:** Peter?

**Dr. Peter Bevan-Baker:** If I could ask that question in another way, Jane. Would the forecast for five years based on an assumption that the interest rate would remain static over that time?

**Jane MacAdam:** This wasn't really a forecast for five years; it was going back five years. If you look at the charts for 2015 – if you want to look at the interest bite for example, the interest cost as a percentage of total revenue, it's on page 107, Exhibit 7.10.

When we said it was stable for five years, we were looking at it –

**Dr. Bevan-Baker:** In retrospect.

**Jane MacAdam:** – in retrospect, so the five-year trend as of March 31<sup>st</sup>, 2015, was stable.

**Dr. Bevan-Baker:** Sorry, Chair. I misinterpreted the graph or the table. I thought you were looking ahead rather than back.

Thank you.

**Chair:** Thank you.

Jordan. Sorry, Jordan Brown had a (Indistinct)

**Mr. J. Brown:** My question kind of links up to this and something that I don't know what you know about it or what you might be qualified to comment on, but over this period of time – Standard and Poor's and Moody's and whatever the third bond rating agency is, basically – from what I'm aware of anyway – had a stable, and in some cases a positive outlook on Prince Edward Island's economy. I guess I tie back the comment on page 95, I think it's the second to last bullet there: Net debt to gross domestic product is stable compared to the prior year, but is higher than it was in 2011.

I would think that would typically be the indicator that you would look at versus net debt if you're in a situation where revenues are rising, at least in nominal terms. I'm wondering if you could maybe comment on that, why our bond rating would be staying the same, or now I understand it's even starting to look better, but there's an indication that on a five-year horizon looking kind of retrospectively, I guess you might say, we're saying that a lot of the indicators that would lead to that bond rating are unfavourable in your terms there.

I'm wondering what the difference might be in terms of how you'd categorize those things, versus how the people that lend us the money would categorize the same thing over those periods of time.

**Jane MacAdam:** I can't really speak to how the bond raters, their methodology. I know they look at the financial statements of the province, but they look at a number of other things as well. I do know that the bond raters – we have a 2016 update from Dominion, Moody's, Standard and Poor's, and the outlook for all of them hasn't changed. It's still stable. I just wanted to point that out as well.

In terms of our assessment, these are just indicators. They have to be looked at over a period of time and different indicators send a different message, but I don't think you can pick any one indicator and say: that is the one and only indicator. That's why we have a number of them and we have them divided into different categories. It depends whether you're looking at sustainability, which is the ability to maintain existing programs and services and meet credit or obligations without significantly increasing the tax burden or the revenues of the province. That's one aspect.

Flexibility, on the other hand, is the degree to which you can respond to rising commitments by increasing revenue or tax. If your tax burden is really high, you have less flexibility. Then again, the vulnerability is your dependence on sources of revenue outside your control. I can't really say that any one indicator in any one area would be the key. I think you have to look at them all and it's in relation to the economy as well and that's why we present all this.

We audit the financial statements of the province, but that is only one part of looking at the total picture; the GDP and the performance of the economy also have to be factored in and that's what these indicators try to do.

**Chair:** Yeah, Jordan?

**Mr. J. Brown:** Just curious as to how you kind of define the stable, unfavourable, favourable piece? The other thing again – and this is kind of related to the question I asked a minute ago – I'm wondering and it strikes me that part of the (Indistinct) kind of is done in nominal terms versus real terms. In other words, if there's growth in the economy, we're not factoring that in to our net debt number which will naturally expand – or should, I guess, in a healthy economy – naturally expand over that time.

I'm just wondering what the interplay between the definition of favourable, unfavourable, stable and all that is and how that links back in to nominal and real kind of growth in the numbers that we're looking at?

**Jane MacAdam:** The classification of stable, unfavourable and favourable, is just

our classification and we base it on a difference of percentage point from one year to the next. It's just in there to give an indication of a change in the trend. But this is our categorization and we describe how we measure it. We feel it's reasonable for the purposes of what we're doing.

**Mr. J. Brown:** Can you provide us – you reference a difference in percentage, like it must be a change or whatever – can you provide us with your ranges, if you will, for one versus the next?

**Jane MacAdam:** We say here: A change of 1% or less is classified as stable and then unfavourable would be more than 1% change in direction. Then, unfavourable would be more than 1%, depending on whether the indicator is going in a favourable run favourable direction. If it's over 1%, it's either favourable or unfavourable depending on the direction, positive or negative kind of thing.

**Mr. J. Brown:** Those are, just to be clear, in nominal terms, not real terms.

**Jane MacAdam:** Right. If you look at these charts and exhibits that we have here, we provide the percentages on the bottom of each chart. It's a mathematical exercise is what it is. If it's more than 1%, it's either favourable or unfavourable, depending on the direction of the indicator. If it's 1% or less, we say it's stable. It's really – we just put it in there to summarize for the readers rather than everyone having to do their own mental math as they go and look at all these charts. It's meant to summarize.

**Chair:** Anything else, Jordan?

**Mr. J. Brown:** I'll just ask one final question: You're 1% threshold, is that based on any other – is that a standard practice or procedure or threshold from across the country or an accounting practice?

**Jane MacAdam:** I know some other legislative audit offices use it and it's for the same purpose. It's just for purposes of trying to categorize and assist members of the Legislative Assembly and the public to get a sense of where some of these trends are going. But certainly for the bond raters, when they say something is stable, they

would have a different definition of stable or unfavourable. It's a different exercise.

**Mr. J. Brown:** Thanks.

**Chair:** I have Brad Trivers on the list next.

**Mr. Trivers:** Thanks, Chair.

As we know, we're paying about \$350,000 of interest on our debt per day on an ongoing basis. Of course, that money is going somewhere; the interest that's being paid. I'm kind of interested in whether that money is staying in our economy from a macroeconomics perspective if it's going outside the province. Did you do any analysis as to who actually holds the debt? What entities hold the debt of the province? Where the interest being paid actually goes, whether it's outside the province to other countries within Canada –

**Jane MacAdam:** No, I don't know that. We didn't do any analysis on it, no.

**Mr. Trivers:** Is that something you would consider doing in the future? I'll bring this to the committee: I think it's really important, if that interest, that huge amount of money was staying within our Island economy, even though we're paying it out as a province, then at least it would be staying in our economy and potentially helping us as Islanders. I wanted to bring that forward and I don't know if it's a motion to add that to next years' report. I'll leave that for the committee to decide. Do you have a comment on that though?

**Jane MacAdam:** I guess when government floats bonds; they don't necessarily know who's going to invest. I mean that's one comment I'd make. I don't know if they have complete control. (Indistinct)

**Mr. Trivers:** Was that something that you think would be useful to consider for the future is a breakdown of who holds the debt?

**Jane MacAdam:** Yeah, we could get that.

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

**Chair:** Anything else, Brad?

**Mr. Trivers:** That's all, thanks.

**Chair:** Jordan.

**Mr. J. Brown:** Just going back a bit to my macroeconomic days at UPEI. I just did want to kind of question you, Brad, in terms of the overall. My recollection is savings is a leakage in the GDP equation, so I'm not sure if your point that having it stay on PEI is actually beneficial necessarily to Prince Edward Island. I think it is something that we probably would do (Indistinct) keep an eye on, but I'm not sure that the premise of the question was necessarily 100% factual, if you understand what I'm saying. You might know better than I do, so I wanted to ask that.

**Mr. Trivers:** I mean I'm thinking, in the same way that government spends taxpayer dollars to give incentives to corporations to set up on the Island – the money is going to come – to hire people on the Island and it stays in our economy, it's a similar sort of thing. We're paying out the money as interest and if it stays in our Island economy, then presumably it's going to Islanders. It bears further examination, but I think if you look at the import, export gap, I think that the interest we're paying as a government definitely plays into that. I'm not sure I quite understand what's not factual about that.

**Mr. J. Brown:** We can chat about it later if we want. There's no sense in bogging the committee down. I think there's solid economic studies that would show you that that in the GDP equation savings is generally a place where leakage occurs if you have your population taking a bunch of the money that the government is setting aside and putting it into their savings.

**Mr. Trivers:** Yes, and that's a separate topic, I think, than what I'm talking about.

**Mr. J. Brown:** I think it's exactly what you're talking about. But anyway, like I say, we can talk about this after the (Indistinct) –

**Chair:** I have Bush Dumville on my list next.

**Mr. Dumville:** Thanks, Chair.

Just a comment; we have financial managers that plan, that look for money. They're looking for best deals when they put these

packages together. In fact, the government got a lot more room because they renegotiated a lot of their contracts when they came due several years ago. So I think it's well taken care of. You can't afford not to have professional managers, like even with pension account, you have to have people know what they're doing and I think those are on staff.

Thanks, Chair.

**Chair:** I mean you all bring up valid points for discussion. But as the vice-chair had mentioned, perhaps we could carry that over to another time to have a more in-depth conversation on it. But Jane, I appreciate your agreeing to bring back and look at actually where our interest is going, and to see who we are paying that out to, because that would be very interesting to look into.

Onward.

**Jane MacAdam:** The next section – if there's no other questions on that section – is the audit of the consolidated financial statements.

**Chair:** Actually, sorry, Jane. I did have one question on page 101; it's 7.4. The net debt as percentage of GDP year ended on March 31 for the 2016 report. My question is with regards to 2011, 2012, 2013, where the numbers are restated each of those years. Is that common practice that when we're going back five years that those are constantly being restated? I guess my question then would be: If this is continually being restated how do we look forward as far as what our current financial situation is when we can go back three or four years and restate those numbers?

**Jane MacAdam:** I think it was restated because the financial statements were restated.

Maybe Gerri, you can –

**Gerri Russell:** The restatements have taken place a number of years ago, so the restated are restated from the financial statements originally issued mainly for accounting purposes. In 2012 there was IFRS which caused a number of restatements to the financial statements. In order to be consistently applied, you have to restate the

numbers so that you can consistently compare over the years. Mainly, the restatements are due to accounting standards and standards require in the financial revenues and expenses of the province.

**Chair:** The reason I bring it forward is because we get the audited financial statements, the blue books, at one point in time and so we're basing how financially we're doing, but then if we're constantly restating the numbers –

**Gerri Russell:** It's not typical.

**Chair:** Oh, okay.

**Gerri Russell:** But, in some years it is due to – mainly, I believe these restatements are due to accounting standard changes requiring new statements. So there is no getting around it. You do have to restate your blue books.

**Chair:** Okay.

Jordan?

**Mr. J. Brown:** Yeah, just wondering just on that question – did the restatements result in, what I'm going to call, a material change but back to how you would formulate that definition, like percentage-wise, was there a big difference in the change from the original statements to the restated (Indistinct)

**Gerri Russell:** I believe – I don't have the info right now, but typically you wouldn't restate unless it was (Indistinct)

**Mr. J. Brown:** So can you give us the percentage, or do you know?

**Gerri Russell:** Not right off, no, not back to – I mean I can get it for you if you like, but back to 2012 and 2013, I couldn't say right off my head.

**Mr. J. Brown:** Do you think it would be greater or less than 1%?

**Gerri Russell:** I really, honestly, I'm not sure. Sorry.

**Jane MacAdam:** Yes.

**Chair:** Anything else, Jordan?

**Mr. J. Brown:** No. I just say, if that is a question that the committee has then I think we should find that out, but because if that's the reason or how we're looking at that chart, I think that's pertinent material. If it was a different of point one which would be 10 million bucks or whatever; how big of a difference that is, I'm not exactly sure when you're looking at the trend overall.

**Gerri Russell:** Yeah, with the IFRS in 2012, it was significant but I can't say exactly, but yeah. It would be a percentage point, perhaps, or more, but –

**Jane MacAdam:** The IFRS is International Financial Reporting Standards. So certain Crown Corporations had to adopt these new standards and then they had to go back and in their prior period, restate everything, even after the standard was implemented.

We do say in 7.4 here on page 96: We have restated certain prior periods due to accounting changes. That just reinforces what Gerri just said. There was an explanation. It's required, but we can –

**Gerri Russell:** Old reports, we certainly have the actual numbers at one point, so we can easily get that for you if you'd like.

**Chair:** Okay.

Chris Palmer.

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

Mine goes along with that as well. With the restatement based on accounting standard changes, would other provinces have to restate as well during that timeframe? Would that be consistent across other provinces around that timeframe as well, would you think?

**Gerri Russell:** For the most part, yes.

**Mr. Palmer:** Okay, all right.

Thank you, Chair.

**Chair:** Back to you.

**Jane MacAdam:** The next section is on the audit of the consolidated financial statements.

Our commentary in this chapter focuses primarily on the audited consolidated financial statements and these statements provide the most complete information about the financial position of the province as they consolidate the accounts of the operating fund with those of agencies, boards and Crown Corporations, owned or controlled by government.

The *Financial Administration Act* requires the comptroller to annually prepare the province's consolidated financial statements. It's the comptroller's office that prepares the statements and I think that's an important piece of information, and the *Audit Act* requires the Auditor General to annually audit the province's consolidated financial statements and provide an independent auditor's report stating whether the statements are fairly presented. We do not prepare the financial statements.

Our audit was conducted in accordance with Canadian auditing standards. On September 30<sup>th</sup>, 2015, I issued an unqualified audit opinion on the province's consolidated financial statements. The independent audit opinion stated that the province's consolidated financial statements for the year ended March 31<sup>st</sup>, 2015, are fairly presented in accordance with the basis of accounting disclosed in the notes to the statements, which in this case, are Canadian Public Sector Accounting Standards.

The consolidated financial statements are one of the most important accountability documents produced by government. They provide financial and other information to help assess the financial condition and performance of government. In order to demonstrate accountability, government needs to provide information on how it has managed provincial resources and it's important that Members of the Legislative Assembly look at (Indistinct) have financial information on a timely basis before it loses its usefulness to influence decisions. For the year ended March 31<sup>st</sup>, 2015, we noted significant improvement in the completion of the province's consolidated financial statements. The statements were released by government on October 7<sup>th</sup>, 2015.

Each year, in preparation for our audit, we meet with the comptroller's office to discuss audit readiness. Timelines for the receipt of

information for audit purposes are discussed and agreed to by the comptroller's office, and this is done to clarify expectations and provide for a coordinated and cooperative effort to facilitate the timely completion of the audited consolidated financial statements. Overall, there were improvements in the audit readiness and the quality and the timelines for the 2015 audit.

Government lays out its financial plan each year in an annual budget and they are held accountable and actual results are provided for comparison. For several years, we noted that the province's budget is not prepared on the same basis as its consolidated financial statements. The budgets of certain entities are grouped and reported on a net basis. This means the original budget is not prepared on the same basis as the consolidated financial statements. Similar to previous years, a separate reconciliation is necessary to present the budget on the same comparative basis as the actual financial results.

For the year ended March 31<sup>st</sup>, 2015, original budget revenues and expenses were increased by 99.8 million to put them on a comparative basis with actual financial results presented in the consolidated financial statements. In addition, the operating budgets for government business enterprises are also prepared on a net basis, and details of each entity's revenues and expenditures are not disclosed in the Legislature, nor are they publicly available. This is significant because government business enterprises had revenues of 148.2 million in 2015 and expenses of 109.9 million.

Detailed budget information of government business enterprises and government organizations would enhance transparency and it would also assist Members of the Legislative Assembly and the public to assess and debate the budgets of these entities.

**Chair:** Jane?

**Jane MacAdam:** Yes.

**Chair:** Thank you.

Are there particular entities that fall into this category that consistently were not, or have

not, been adhering to the same practices as others?

**Jane MacAdam:** Do you want to speak to that?

**Gerri Russell:** Yes.

Mainly, a lot of the Crowns are not included. They are included on a net basis and GBEs, government business enterprises are netted.

**Chair:** When you went back and made recommendations on this, were you given any details as to why they were reporting differently?

**Jane MacAdam:** This practice has been ongoing for a number of years and this recommendation has been made by my predecessor as well.

These government business enterprises include the liquor commission, the lotteries commission, Charlottetown Area Development Corporation – mostly entities that use international financial reporting standards. They are listed in –

**Gerri Russell:** Yes, schedule four or five (Indistinct)

**Chair:** Page 121?

**Jane MacAdam:** Page 59 of the 2014-2015, volume one.

It's the Charlottetown Area Development Corporation, Island Investment Development Inc., Island Waste Management Corporation, PEI Energy Corporation, PEI Liquor Control Commission, PEI Lotteries Commission. Those are the ones?

**Unidentified Voice:** Yeah.

**Chair:** Brad, did you have a question?

**Mr. Trivers:** That was the same question I (Indistinct)

**Chair:** Peter.

**Dr. Bevan-Baker:** Jane, thank you for shining a spotlight on this. It definitely is a deficiency in the way that our accounts are presented to the Legislature. You mentioned

a second ago that your predecessor had also made this recommendation, so obviously that falls in the small percentage of recommendations that have not been acted on.

I mean it's very clear, you have three recommendations at the end of this chapter, very clearly stated that you hope that all of these Crown corporations who are currently just giving us a net balance rather than their full financials will do that.

I'm not sure I have a question. I'm surprised that the recommendations may be (Indistinct) and not acted upon and I hope that this time it is.

Thank you, Chair.

**Jane MacAdam:** We're talking about what's presented to the Legislative Assembly, right? I'm not sure what government gets. Government would get some information from these entities, but what we're talking about here is what's presented when the budgets are presented to the Legislative Assembly.

**Chair:** Jordan.

**Mr. J. Brown:** What happens elsewhere on that, Jane? Like elsewhere in Canada, the federal government, other provincial governments, their Crown corps, are they subject to audit by the equivalent of your office or are they –

**Jane MacAdam:** (Indistinct)

**Gerri Russell:** All the Crowns would be audited, whether it's by the Auditor General or an external auditor, so I'm not sure. I know other Auditor Generals do many Crowns, but I'm not sure of the government business enterprises, how many they would do; but is that your question?

**Mr. J. Brown:** Kind of. Like we know, as an example, you guys did the lottery corp in a joint audit, so obviously that's one that is audited that way and is set up – kind of, I guess, based on the evidence that you gave – to have that happen, but for the most part my understanding is that they – like Air Canada as an example, when it was a Crown corp would be, is that the kind of entity that would have their own private auditors that

would look at them and you'd go on kind of through the list of something on the spectrum.

I'm just wondering if there's a kind of a rule of thumb that's applied in that sector of Crown corporations that would link their statements back to the government (Indistinct).

**Jane MacAdam:** Well –

**Gerri Russell:** It's within the reporting I think.

**Jane MacAdam:** First of all, yes, these organizations would have a financial audit, which may or may not be done by the Auditor General; but in the process of bringing all these organizations together to prepare the consolidated financial statements, those financial results have to be considered.

In our case, we do audit a number of Crowns but there are other auditors that we rely on for purposes of our audit of the consolidated financial statements, and we do some work with them in high-risk areas to ensure that we understand the risks, the materiality.

We have conversations and we see communications from these other auditors and it's all part of our standards that we must follow in terms of expressing an audit opinion on the consolidated financial statements. All these things have to be brought together for purposes of preparing the consolidated financial statements.

But as far as the budget information, the budget information for entities that follow international financial reporting standards, the budgets are not disclosed on the individual financial statements. It's not a requirement under (Indistinct) for us that the budget and the actual are presented in the financial statements. It is a requirement under public sector accounting standards.

So the logical conclusion there is that the budgets are not available in the financial statements of these government business enterprises and they're not in the budget estimates that are presented to the Legislative Assembly.

If they're using public sector accounting standards for example, though, like we do with the consolidated financial statements – like in the blue book it shows budget and actual, so it depends on the reporting standard whether the budget information is in the financial statements or not.

**Chair:** Do you have another question?

**Mr. J. Brown:** No, go ahead.

**Chair:** Did you get a response then back on 8.19, your request that all Crown corps budget information should be detailed within the budget that's presented to the Legislative Assembly?

**Jane MacAdam:** We've been following up on this for a number of years, and it's usually – it'll be taken into consideration.

**Gerri Russell:** Yeah, (Indistinct)

**Jane MacAdam:** It'll be considered, really.

**Chair:** Can you tell me how many years now are being considered?

**Jane MacAdam:** Do you know?

**Gerri Russell:** Not right offhand. It's been a number of years.

**Chair:** I guess what I'm saying is, you're the Auditor General for Prince Edward Island and Colin Younker was the previous AG, and he had this recommendation as well and it's still being considered? I guess I don't understand why it would still be "being considered" when the Auditor General is saying this is a recommendation that should be in place so that the Legislative Assembly has all the information in front of them to debate the budget, essentially.

**Jane MacAdam:** I guess that's why we continue to make the recommendations. This information doesn't affect the audit opinion. I just want to make that clear. It's not a requirement, but it enhances transparency and accountability and assists the members of the Legislative Assembly to understand the budget. So we do continue to put it in here because we do think it's important.

**Chair:** Well, I'm going to make a

suggestion to this committee that in our report to the Legislative Assembly that Public Accounts includes in our final report, in particular, that this recommendation be adopted and adhered to, and we can speak about that further when we get down to a point while we're preparing our draft report.

Peter Bevan-Baker, you had –

**Dr. Bevan-Baker:** That's exactly what I was going to suggest, Chair.

**Chair:** Okay, thank you.

**Mr. J. Brown:** So, can I just –

**Chair:** Jordan.

**Mr. J. Brown:** – follow up on that?

Just to drill down, and I know I'm kind of asking this question maybe in an indirect way, but are there any other provinces now that do this, kind of to the standard that you're seeking here?

**Gerri Russell:** I don't – I think most of them, I do believe PEI is one of the ones that are difficult to compare. The other provinces, I believe, don't have this issue to the extent that we do, no.

**Mr. J. Brown:** I'm sorry. I'm not sure what that response was meant to indicate or –

**Jane MacAdam:** – I'll add to that. First of all, we didn't do a cross-country comparison as part of this work; but I go to meetings, I meet with other AGs. Everyone considers this an important issue. I can't say right now whether ever single other province has a lot of detail about every go business enterprise, but I would say there are a number of provinces that have a lot more detail than PEI does.

**Mr. J. Brown:** Is that information that would be readily available if we asked for it? From you guys, I guess I'm asking.

**Jane MacAdam:** It's not really readily available, I wouldn't think.

**Gerri Russell:** For other provinces?

**Jane MacAdam:** For other provinces –

**Gerri Russell:** (Indistinct) what you're talking about.

**Jane MacAdam:** We would have to do some work.

**Mr. J. Brown:** Thank you.

**Chair:** I guess I'd ask the relevance on that too, though, Jordan. If the Auditor General is making a recommendation and it's been a recommendation now for quite a few years, and she's saying that PEI has had an issue with this as compared to a lot of provinces, I don't know why we would have to do a jurisdictional comparison when we have our Auditor General that's saying that this is a recommendation that should be adhered to.

**Mr. J. Brown:** I guess what I'm saying – if you want my kind of input on it now, Chair – is that the Auditor General's office has just indicated that they make these recommendations on the basis of kind of an area between public accounting standards and the IFRS, which actually applies to these entities and does not require that.

What I'm wondering, to put it straight, is who else is doing this and what is kind of the precedent that would prompt that recommendation other than to say: We could do it this way and we think that – or it's your view that it should be done that way because obviously there are other people that have different views as to how it should be done. I guess that's kind of the blunt question that I have in my mind.

We're here as a committee.

**Chair:** Yes.

**Mr. J. Brown:** We're supposed to find out all of the information and find out what the sources are of that information and make recommendations based on that. We have one of the sources right here. I guess what I'm trying to find out is what are the other sources that obviously would be looked (Indistinct)

**Chair:** Yeah, do you care to respond to that, Jane?

**Jane MacAdam:** There is a report that's produced by an organization. The name of the organization is not – I can't just come up

with the name right now, but it does across-Canada comparison around the timeliness of the release of the financial statements among all the Canadian jurisdictions, the budget information. There is a report and I can get the name of that report if the committee would like me to, but it's a separate organization that did do some comparisons. I could share that.

**Chair:** Yeah, that would be very helpful.

Thank you.

I had Kathleen Casey next.

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

Jane, you mentioned your predecessor also had the same recommendation, 8.19. I'm just trying to dig in to how far the history goes back. Does it go back to previous governments that this recommendation would have been done as well?

**Jane MacAdam:** It goes back quite awhile.

**Ms. Casey:** I'm just trying to figure out how far (Indistinct)

**Jane MacAdam:** Well, it was Colin Younker for sure. I can't know for sure if Wayne Murphy had the same recommendation. But really, the budgets of these entities – the practice hasn't changed substantially.

**Ms. Casey:** Okay, thank you.

**Chair:** Next I had Bush.

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

Jane, I was just wondering when we were talking about this in regards to government intervention with these different agencies, and Red Shores comes to mind. We're kind of astounded that some of the management practices of Red Shores. If this had shown a light on Red Shores, would it be useful in preventing some of the management practices in that organization?

**Jane MacAdam:** Red Shores would be – there's information presented on Red Shores in the financial statements of the lotteries commission, but the budgeted – if the budget of the lotteries commission was

available as part of the budget estimates, it could generate more discussion and questions, and assist in –

**Mr. Dumville:** Throw more light onto their practices.

**Jane MacAdam:** It would shed light onto their overall revenues and expenditures and provide an opportunity for more discussion and debate.

**Mr. Dumville:** Thank you.

**Chair:** Next I have Chris Palmer.

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

Jane, I was just looking for some clarity. For these Crown Corporations and government business enterprises, is this a new accounting standard for them to follow as opposed to what they are following today? Is that what this recommendation is about – is on the financial statements it shows budget and actuals. Is that –

**Jane MacAdam:** No.

**Mr. Palmer:** Okay.

**Jane MacAdam:** That's not what this recommendation is getting at, really. The standards of the Chartered Professional Accountants of Canada, those standards are the ones that determine whether or not government business enterprises report budget and actual on their financial statements. It's a requirement under – like for example, Public Sector Accounting Standards requires budget and actual. International Financial Reporting Standards don't require that government business enterprises report their budget and actual, just their actual.

**Gerri Russell:** Can I add to that? Just when the blue book is published then, or when the budget is, it's on PSAB, so it is a requirement, but because it's not available then the numbers have to be taken out of the net amount and grossed up and grossed down so that they are comparable.

**Mr. Palmer:** Okay.

**Gerri Russell:** It is a requirement on the blue book to have the budgeted numbers.

The information is needed for the GBEs. I don't know if that adds anything to that.

**Mr. Palmer:** Yeah, I think that helps a little.

We're able to do audits of these organizations so we're able to see what's happened in there, but on a reporting piece as opposed to the forecast piece. So, we're not able to see what the budget is and how close they were to their actual budget. We just know what the results were of last year, as an example. If one of these organizations says they are going to make \$10 but their forecast was to make \$4,000, we never know that. Is that correct?

**Gerri Russell:** The net amount we know. They budget on a net basis, so if they were going to make \$10 it would be budgeted as 10, but really it should be budgeted as revenue of 100 and expenses of 90.

**Mr. Palmer:** So they show us the summary budget, but they don't give us the detailed budget –

**Gerri Russell:** The summary, yes. That's right, the detail.

**Mr. Palmer:** – which presumably they have to run these organizations.

**Gerri Russell:** Right.

**Mr. Palmer:** I agree, we do really need those and they should be, so I support that as well.

Thanks.

**Chair:** I had Darlene Compton next.

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

Just on that note, I think this is something that we brought up a number of times. You're giving the budget, the forecast and the actual for any particular year and we don't know for another 18 months or 20 months what the actual numbers were, because until we get the blue books we don't understand where the money went.

That's part of the problem and that's part of the recommendation for 8.19, is we, as government, should know how much money is being invested in these companies and

where that money is going before 20 months down the road, when: Here are the blue books and it's already done and there's nothing you can do about it. Versus: Okay, right now we're looking at any one of these Crown Corporations and saying that government is giving them X number of dollars and we don't know what they're doing with those dollars.

Is that kind of what we're getting at here, is the whole –

**Jane MacAdam:** We say there just needs to be more detail.

**Ms. Compton:** Right.

**Jane MacAdam:** More detail available on the revenues and expenditures and the assets and liabilities –

**Ms. Compton:** Before we get to the blue books.

**Jane MacAdam:** Before we get to them.

**Chair:** Peter is next on the list.

**Dr. Bevan-Baker:** Thank you, Chair.

In relation to what Darlene has just said, you mentioned that there is indeed a requirement that we get the full disclosure or the full statements in the blue books. Is there a similar requirement for the information that comes before the Legislative Assembly when the budget is presented?

**Jane MacAdam:** Any requirement would be whatever is in the *Financial Administration Act*. I'm not aware of a requirement.

**Gerri Russell:** No. That's the *Appropriation Act*, really is kind of what sets the spending so (Indistinct) but yeah.

**Jane MacAdam:** That's the problem.

**Gerri Russell:** Yeah.

**Dr. Bevan-Baker:** Chair?

**Chair:** Peter.

**Dr. Bevan-Baker:** It strikes me that that's where the loophole, if you like, exists where

there is no statutory requirement for these Crown Corporations to present to the Legislative Assembly and I think that's something that we need to look at as well. We can talk about motions later on, but that's –

Thank you, Chair.

**Chair:** Jordan next.

**Mr. J. Brown:** Thanks, Chair.

I'm looking at recommendation 8.20 and I'm not sure I understand, to be honest, what's meant in paragraph 8.17 in particular, but it may be that when you take the combination of paragraphs 8.12 down to 8.16 and combine them with what you're saying in 8.17, that's what we're talking about. I don't get, kind of, the implication there in the last line of 8.17 there for amortization of 3 million is budgeted twice. I'm just wondering if you could explain that a little more.

**Jane MacAdam:** The 2014-2015 budget estimates included amortization of 2 million for housing and 1 million for Finance PEI under one line item in the budget estimates called amortization of tangible capital assets, so it's included there as a budget item. But in addition to that, it was also included on the budget of the individual entity so it was budgeted twice.

**Mr. J. Brown:** (Indistinct)

**Chair:** Any other questions?

Jane.

**Jane MacAdam:** I guess we'll move on to – the province's accounting policy state: That income and sales tax revenue are recognized based on estimates and/or assessments received from the Government of Canada. Limited documentation was available to support the amount of income and sales tax revenue reported by the province. Using estimates and assessments received as support are out of provincial and income and sales tax revenue identified significant audit adjustments for the year ended March 31<sup>st</sup>, 2015.

In addition, an issue arose in a prior year regarding the recognition of revenue on tax

reassessments, which is not specifically addressed in the provinces revenue recognition policy.

We had two recommendations there:

That sufficient documentation should be available to support decisions on revenue recognition; and

The provinces revenue recognition policy should be reviewed to address situations which involve unusual assessments or reassessments of taxpayers.

We also note that some of the issues reported in past management letters have still not been addressed. These include issues related to the assessment and write-off of uncollectable accounts receivable, accounting for loans with concessionary terms, accounting for tangible capital assets, the need to improve some internal controls, documentation issues and financial statement note disclosures and we made the following recommendation:

The accounting documentation and internal control issues identified in prior periods should be addressed on a timely basis. I'm just repeating some previous recommendations.

The next section is on matters noted in other financial audits, and that's in chapter 9. This chapter summarizes the issues reported in our management letters as a result of the financial audits completed by our office.

In addition to the audit of the consolidated financial statements, we complete a number of other annual financial statement audits. Excluding the audit of the provinces consolidated financial statements, we completed 14 financial statement audits related to the provinces March 31<sup>st</sup>, 2015 year-end and we also completed nine CMHC operating claims. For most of these audits, management letters were issued.

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

The majority of the issues that we find when we do our work are in the areas of accounting, compliance, supporting documentation and internal controls. Each year as part of our financial statement audit, we follow up on these recommendations. Because we do the same audits each year, it's an opportunity to follow up on an annual basis to see the status of implementation.

The next chapter is on appropriations and special warrants.

We examined the process for recording appropriations for operating and capital expenditures for the year ended March 31<sup>st</sup>, 2015. We also examined the approvals, processing and recording of special warrants, transfers and sequestrations.

Government's annual spending authority is approved by members of the Legislative Assembly through an *Appropriation Act* and these acts are an important control over spending (Indistinct) that they set the financial perimeters in which government operates and is held accountable.

In schedule A of the report we provided comparison of the operating and capital appropriations compared to the actual expenditures in accordance with the classifications in the 2014 *Appropriation Act*.

With regards to special warrants; these are used when the Legislative Assembly is not in session and funds are needed for operations that have exceeded amounts set out in the *Appropriation Act*. Under the *Audit Act*, the Auditor General is required to list in detail appropriations made by special warrant in the purpose of such appropriations. This information is listed in schedule B in the annual report.

For the year ended March 31<sup>st</sup>, 2015, special warrants of 37.3 million were issued for operating and capital expenditures and these warrants were partially offset by a \$4.3 million net increase in revenue and 282,000 in sequestrations from previously authorized appropriations. The net increase in spending authority was 32.7 million.

The *Financial Administration Act* prohibits expenditures from being incurred unless provided for by appropriation. When it's

expected that an appropriation will be exceeded, a special warrant should be obtained prior to the expense being incurred. Consistent with prior years, our audit identified instances where special warrants were not obtained prior to the expenditure being incurred.

We had one recommendation in paragraph 10.8: That special warrants should be obtained prior to expenditures being incurred.

**Chair:** Thank you.

I guess I'd ask: How prevalent is that that the money is being spent before a special warrant is put through the process to authorize those funds?

**Jane MacAdam:** In paragraph 10.7 here we talk about it. I think there were seven instances in total; one department that exceeded both its operating and capital appropriations, two departments that exceeded their current operating appropriation and two departments that exceeded their capital. The final instance was a special warrant issued after year-end for (Indistinct) benefits. There was like seven in total.

**Chair:** Which departments are you indicating there?

**Jane MacAdam:** For the first one; one department that exceeded both its operating and capital, that's education and early childhood development. Two departments that exceeded their current operating appropriation was Finance, energy and municipal affairs and community services and seniors. These are the names of the departments when we did the work.

Then two departments which exceeded their capital appropriation; that would be transportation and infrastructure renewal and Health and Wellness. It's not isolated to any one department.

**Chair:** Thank you.

Bush.

**Mr. Dumville:** I'm just curious, why is it special warrants are used when the Legislature is not in session so the

government has money (Indistinct). Do you find that it's kind of evolved that special warrants are called on too frequently and that it's abused?

**Jane MacAdam:** We have a chart here; it shows from 2011 to 2015. I mean it has gone up a little in terms of the total of special warrants. But if you look at the net it went down in 2015 compared to 2014. As far as them being abused, I mean under the legislation Executive Council has the authority to approve them. I mean, we list them in the report. We don't question whether or not they (Indistinct) use (Indistinct) money, that's not our role.

**Mr. Dumville:** Thank you.

**Jane MacAdam:** Some of the reporting in this area is (Indistinct) under the *Audit Act*.

**Mr. Dumville:** Thank you.

**Chair:** Jordan.

**Mr. J. Brown:** Do we have a sense of those seven instances how many would be – what I'm going to call – expenditures that government wouldn't have had a choice in? As an example, if people meet the threshold to go on social assistance we have to provide it. If people require health care we have to provide it. People require education it's got to be provided, whatever the case might be. Do we know if any of those are those kinds of things? Or, are they projects that somebody said: I think we should go do this, how are we going to do it? Well, let's go get a special warrant.

**Jane MacAdam:** They're listed in schedule B. There's a variety of reasons. They're mainly additional operating expenditures and sometimes they arise because there was room to spend the funds prior to the warrant because year-end accruals had not been taken into consideration. So it may have looked like there was room in the budget, but with better forecasting and knowing that these accruals had to be made and charged against the appropriation accounts, there maybe wasn't as much room for these expenditures as management thought when they incurred the expenditure. There are various departments.

**Mr. J. Brown:** It's tough to tell based on the schedule that's there. I mean, you see – I'll just pull a few out – like early childhood development: grants, autism services. Well again, we'll presume that is a fairly standard, ongoing expense that would be incurred. I don't know that, but I'm just guessing that. The next one down: Grants, low and modest income households and pension plan stuff down in the pension management piece, I presume, is a fairly regulated piece of government business that obviously there would be ups and downs over the course of time, depending on who is doing what. But, wouldn't it be something – you know what I mean – that would be a new project that would be going out that government has just decided to do and they're not going back to the Legislature for, as was kind of Bush's question.

**Jane MacAdam:** That's why regular forecasting is important. We know with the third quarter forecast that that may identify the need for increased expenditures. I think part of the issue is, with regular forecasting, sometimes departments would know that they really – they don't have the room in the budget. If they factored in all the accruals and things that have to be accounted for, maybe they wouldn't be in the situation where they had to request the special warrant to cover an expenditure that they already incurred.

**Chair:** Jordan.

**Mr. J. Brown:** Do we know that that's necessarily the case that they're not kind of foreseeing those things, or just kind of back to how I put my question, I said: Well, are these ordinary things? Do we know that they are – I don't know – we had a run on people with heart attacks that have to go to St. John, we have to pay for them to go over there or whatever, you know what I mean?

**Gerri Russell:** Yeah, I think for the most part it's a mixture. Some of it is overspending, increased costs, and some of it may be new, unforeseen – like you explained – transactions. Whatever the case, yes, there is an overspending. A lot of times it would be picked up in the third quarter forecast. But yeah, by this point – January, end of January, we do know that it's been overspent, so a special warrant at that time would be an appropriate.

**Chair:** Brad?

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

But just to be clear, what you're saying is the money was spent. The expenditure was incurred without going to Executive Council to ask for a special warrant. That's what we're talking about here, right? The action that you're requiring in your recommendation is they should go to Executive Council first before they spend beyond their budget. Is that correct?

**Jane MacAdam:** In 10.6 here we say: The *Financial Administration Act* prohibits expenditures from being incurred unless provided for by an appropriation.

**Mr. Trivers:** Right.

**Jane MacAdam:** So, it either should be appropriated or there should be a special warrant.

**Chair:** Brad.

**Mr. Trivers:** The point I want to make is it's Executive Council that does that, right?

**Jane MacAdam:** Approves the special warrant.

**Mr. Trivers:** Approves the special warrants, right? So, these are the people who are managing our government. This includes the Premier and his Cabinet on Executive Council, right? Really, these are the people that should be looking at their departments and know what's going on, if there's extraordinary circumstances. Like, we had that really bad winter a few years ago. The minister of transportation sits on Executive Council and so they should almost say: Hey, yeah we need a special warrant and take that to Executive Council where they sit.

You're just saying: Make sure you manage our money well; get a special warrant when you go over budget, basically.

**Jane MacAdam:** Well, it's the timing. It's timing. It's supposed to be approved before the expenditures incur, but we're not questioning whether or not the expenditure should have been incurred. It's the timing of obtaining approval.

**Mr. Trivers:** I guess (Indistinct) presumably, if you're a minister of a particular department and you're on top of your department, then you know when you're going over budget and so it really shouldn't be a stretch for you to go to Executive Council, where you sit, and request a special warrant, and that's all you're saying? That's good management.

**Jane MacAdam:** I'm saying that it should be done in accordance with the *Financial Administration Act*.

**Mr. Trivers:** Yeah, okay. Good.

**Chair:** Follow the rules.

**Mr. Trivers:** Follow the rules.

**Jane MacAdam:** Okay.

The next two sections are on the Public Accounts committee and the office, so I'm not sure if anybody has any questions there. I wasn't going to go through those in detail.

**Chair:** I guess the only thing I would question you on again, and I would like to ask every year when we get to this section – Office of the Auditor General, how are your resources these days? Do you feel that you're at a full complement?

**Jane MacAdam:** Well, including myself, we have 20 positions in the office. I mean, we did get approval to convert one of our student positions to a professional position in the last year. We did get some additional resources for contracting to assist in completion of some financial audits. Obviously, like anyone else, we could always use more, but we do our best to follow government's regular budgeting processes and try to be as cost effective as we can and make the most of our resources.

**Chair:** All right, perfect.

Thank you.

Any final questions on this report?

All right, so we have a fair amount of time left. If we're in agreement, I would like to propose that we move into the 2017 report.

**Jane MacAdam:** The first audit chapter in the 2017 annual report is on climate change.

The audit objective here was to determine whether the government of PEI has made progress to its commitments to reduce greenhouse gas emissions and has taken action to adapt to climate change risks.

The Office of the Auditor General of Canada and a number of provincial legislative audit offices agreed to work together on a collaborative audit initiative regarding climate change, and all participating jurisdictions planned to contribute to a summary report which is expected to be released in the late 2017 or early 2018.

As an introduction, just a few comments: Climate change is one of the greatest challenges of our times and it's attributed to the accumulation of greenhouse gases in the atmosphere and actions addressing climate change can generally be categorized into either mitigation or adaptation. Climate change mitigation focuses on limiting or reducing greenhouse emissions and actions governments could take to encourage the reduction of greenhouse gas emissions include, for example, providing incentives to purchase green technology, enhancing carbon (Indistinct) or implementing a carbon pricing strategy, such as a tax on carbon emissions.

As far as adaptation, Natural Resources Canada defines adaptation as activities that reduce the negative impacts of climate change and/or take advantage of new opportunities that may be presented. Examples of adaptation activities include adapting building codes to withstand extreme weather conditions, building flood defenses, adjusting crops for changing climate conditions. Those are just some examples.

Canada is a member of the United Nations Framework Convention on Climate Change which was established in 1994, and a number of climate change agreements have been entered into, the most recent being the Paris Agreement 2015. A Pan-Canadian Framework on Clean Growth and Climate Change was jointly released by the federal government, eight provinces and the territorial governments and it lays out a

framework for Canada to meet its commitments under this Paris Agreement. That's just a bit of an introduction.

As far as PEI, PEI has low annual greenhouse gas emissions and the sourcing of PEI's emissions are approximately 70% from the energy sector and within that energy sector, it's broken down into transportation-related and other. The other part is largely emissions from heating buildings and homes.

Approximately 20% comes from agriculture and 7% from waste, and approximately 3% from industry. Those percentages are based on 2014 greenhouse gas emissions data.

**Chair:** Jordan.

**Mr. J. Brown:** Something I had heard recently – I'm not even sure that Peter hadn't brought this up in the House at one point in time, too – about methane gas being released from animals contributing up to 20%, I think, of greenhouse gases in North America.

Did you guys come across that and – like, I'm just – 20% for agriculture, if that statistic was correct, would it imply that –

**Jane MacAdam:** Well, I mean –

**Barbara Waite:** (Indistinct)

**Jane MacAdam:** Yeah, for PEI, 20% is agriculture, but I'm not sure it'd be all from methane.

**Barbara Waite:** They could (Indistinct)

**Jane MacAdam:** Yeah. There could be other things within that 20%.

**Mr. J. Brown:** I would think there would be.

**Jane MacAdam:** Yeah, we didn't drill down.

**Mr. J. Brown:** Tractor heading down the field –

**Jane MacAdam:** Well, I'm not sure if that's in transportation or not. I'm not really – do you know? The agricultural –

**Barbara Waite:** Machinery?

**Jane MacAdam:** – machinery, if it's in transportation or –

**Barbara Waite:** Yes, it's in transportation.

**Jane MacAdam:** It's in transportation.

**Mr. J. Brown:** And do those numbers, do you know – so again, if you have a farm that's producing, I don't know, grain, I presume there's a net carbon emission and I don't know how that works necessarily in those equations but I'm curious as to whether you guys have looked at that or –

**Jane MacAdam:** I guess if you go to paragraph 2.53, all this greenhouse gas emissions data within Canada is recorded in a National Inventory Report which is released annually by Environment and Climate Change Canada.

All the data is prepared in accordance with the United Nations Framework Convention reporting guidelines. They have quite a methodology and standardized methods that they use. They have a quality assurance process.

We didn't do any detailed work on that in terms of how they arrive at the specific numbers. We took the information that we present here in the report from the National Inventory Report.

**Mr. J. Brown:** Thank you. I ask the question because it's interesting. As I looked at your chart, I think we were second-lowest province in the country on a per capita basis. I didn't know whether that's because of the things we're doing to not pollute or emit, or because of the things we're doing to offset. I guess it's all of it, but how you figure that out I'm not sure.

**Jane MacAdam:** Yeah, they're all on a comparable basis. Each province has the same methodology in terms of the data, so the numbers are comparative.

In 2014, PEI's per capita emissions were higher than a number of other provinces and territories, including Quebec, Nunavut and the Yukon, and we're almost equal to Ontario. That's on a per capita basis; and although PEI has low total greenhouse gas

emissions, it's vulnerable to the impacts of climate change. It has a coastline that's highly susceptible to erosion. A report produced by Natural Resources Canada includes projections based on reports of the international panel on climate change that indicates sea level could rise by 1 to 1.2 meters by the year 2100, so adaptation is important as well as innovation.

**Chair:** Brad Trivers.

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

Apologies, I just wanted to give some information to Mr. Brown. In the official opposition we'd ask what the greenhouse gas emissions calculation methods were on PEI, and the research committee and visitor services section of the Legislature here actually created a report on that.

I will commit to sending you the blog article that I published via [bradtrivers.com](http://bradtrivers.com), "Raise Personal Tax Exemption – Offset Carbon Tax", that has some details in there that I think you'll find enlightening.

**Mr. J. Brown:** Can you send the report, too?

**Ms. Casey:** Yeah, can we have the report?

**Mr. Trivers:** Yeah, the report's in the blog article, like right there. The PDF, absolutely. I'll send it to the whole committee for your reading pleasure.

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

Jane.

**Jane MacAdam:** Me?

**Chair:** You.

**Jane MacAdam:** Okay. The first main section is on climate change strategy and reporting. We had several key findings.

At the date of our work, the climate change strategy was eight years old. It had not been reviewed and updated, and it's important to update strategies to determine whether the strategy is focused on current priorities.

We noted that a new provincial mitigation strategy was under development at the time of our audit. In addition, management advised that government is in the beginning stages of developing a new provincial adaptation strategy which is expected to be released in the Fall of 2017. That was at the time of our audit. That could have changed. We have also been advised that a risk assessment will be completed as part of the strategy development process.

The next finding is that accountability and coordination needs improvement. The Department of Communities, Land and Environment has the statutory responsibility to manage, protect and enhance the environment, but climate change plans and activities normally involve multiple departments and agencies, so it's difficult to achieve implementation of activities across departmental boundaries without extensive coordination and cooperation. We did note a lack of formal coordination and unclear lines of authority and responsibility related to climate change activities.

The 2008 strategy required the creation of an interdepartmental working group to identify and manage current and projected climate change risks; and really, there hasn't been a formal mechanism for coordinating climate change activities since 2010 when the committee stopped meeting.

Achievement of climate change objectives also requires clear accountability and responsibility. Climate change objectives cannot always be achieved through the department of environment's own efforts, so approval of strategic plans on climate change at the Executive Council level is needed to help ensure approved climate change actions outside the control of the Department of Communities, Land and Environment are completed.

Another finding was that timely public reporting of results – there has not been sufficient and timely public reporting on climate change activities within the province. This reporting helps to hold government accountable for its actions and informs the public on climate change issues.

The 2008 –

**Chair:** Sorry, Jane. Peter had a question there.

**Dr. Bevan-Baker:** Thank you, Chair. I just wanted to go back, Jane, to the interdepartmental working group that was formed in 2008 and met for a couple of years, and then you mentioned that there's been no coordinated interdepartmental strategy since then. Am I not right in saying there was a climate change secretariat that was formed in 2016 and –

**Jane MacAdam:** Yes.

**Dr. Bevan-Baker:** Do you know if they have met?

**Jane MacAdam:** We talk about that in paragraph 2.18. In October of 2016, the Executive Director was appointed to lead the PEI Climate Change Secretariat. That basically is a working group and it includes representation from various departments, but at the time of the completion of our audit the terms of reference for that secretariat had not been established.

Executive director was earmarked to lead the secretariat. There had been some initial work to organize, I guess, but it's really not really up and running. At the time of our audit, it wasn't. Our audit was substantially complete as of December 2016 –

**Dr. Bevan-Baker:** Right.

**Jane MacAdam:** – so really, this was October. Things may have changed since then.

**Mr. Dumville:** They're supposed to be meeting weekly aren't they, now?

**Jane MacAdam:** Possibly, yeah, because –

**Mr. Dumville:** Seems ambitious.

**Chair:** (Indistinct)

**Mr. Dumville:** Sorry, Chair.

**Chair:** Kathleen.

**Ms. Casey:** Thanks, Mr. Chair.

Maybe I could bring you up to date on a few of the facts. I know the work of the

secretariat is covering most of your recommendations, and as Peter had stated the climate change secretariat did come into effect in 2016. The secretariat is comprised of representatives from several government departments led by the Department of Communities, Land and Environment. The group is currently meeting weekly to develop a provincial climate change action plan that will encompass, both mitigation and adaptation efforts.

The working groups have been created to support the work of the secretariat, and currently each working group is responsible for a particular sector in which government will be focusing its greenhouse gas emissions reduction efforts. Our working groups are responsible for reviewing the recommendations noted in the recent Dunsky report and they'll be reporting back to the secretariat. The efforts of the working group will form a basis for the provincial climate change action plan.

That's since your report, so –

**Jane MacAdam:** Right.

**Ms. Casey:** – they are up and going according to my last findings.

**Jane MacAdam:** So yeah, like I mentioned, our report was substantially complete in December, so we were advised that they were starting to meet; but based on the situation at the time of our audit, that's what 2.18 is capturing (Indistinct). They did indicate to us that they will implement the recommendations and so they (Indistinct)

**Chair:** Peter, did you have anything else there?

**Dr. Bevan-Baker:** Just a comment, and I notice in section 2.36 the statement is that climate change activities can be costly, and indeed they can, but climate change inactivity is also costly. So when governments are planning in the long term as they should be, there are significant costs associated with not putting in the revenue now to mitigate and look forward. I just wanted to – that statement doesn't occur there, so I wanted to make it.

**Chair:** Brad Trivers.

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

This was a question I was going to ask the AG, but maybe Ms. Casey you're going to answer this. Is the government going to formally adopt GHG reduction targets?

**Ms. Casey:** I can't speak to that.

**Mr. Trivers:** You don't know that? Maybe do you know then, Auditor General, do you know – if they aren't – why they're not choosing to formally adopt potential GHG adoption targets? Reduction targets, pardon me.

**Jane MacAdam:** The response that we received in April said that provincial targets may be considered as part of the mitigation portion of the climate change action plan which will be submitted to Executive Council for approval.

**Mr. Trivers:** Okay.

**Jane MacAdam:** Any targets adopted will be publicly communicated. So that's the response.

**Mr. Trivers:** So the action plan that Ms. Casey referred to will potentially include GHG reduction targets, which is a good thing (Indistinct) push for that.

Okay, thank you.

**Chair:** Darlene Compton.

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

Just back to the secretariat, and maybe I missed it – there's a lot of background noise here – but is there a timeframe as far as implementation of recommendations through the secretariat or through the working group? To the AG or to Ms. Casey –

**Unidentified Voices:** (Indistinct)

**Ms. Compton:** Is there a timeframe as far as when we're going to take those recommendations from the working group and start implementation?

**Unidentified Voices:** (Indistinct)

**Ms. Casey:** I know they're working on them now, so –

**Unidentified Voice:** But there's no –

**Ms. Casey:** And they say most of them are being worked on now.

**Mr. Dumville:** I think fall of 2017, early 2018.

**Mr. J. Brown:** (Indistinct)

**Chair:** What's that, Jordan?

**Mr. J. Brown:** It just strikes me if the secretariat is – they're kind of coordinating (Indistinct) are they not? They make recommendations. Those recommendations are adopted or not. They make more recommendations. They're adopted. I guess you'd have to get the first plan first I would think.

**Chair:** Darlene?

**Ms. Compton:** I guess that's my question. We've got a working group who is following up on recommendations or making a plan to move forward. Are we implementing any of the recommendations? Yeah, it's fine to sit around the table and talk, but actions need to be taken.

So that's my question, is do we have a date for when any of the recommendations will be implemented? I don't know whether the committee can find that out or –

**Jane MacAdam:** I did get a response in April. It did say the recommendations are well received, and many through the efforts of the new climate change secretariat are being implemented presently.

As far as specific dates, it says climate change adaptation recommendations from the UPEI climate change research lab will be considered by the working groups in the fall of 2017 and their subsequent advice will be incorporated into the action plan in 2018. It says the climate change working group has been meeting on a regular basis since October of 2016.

**Chair:** Okay.

**Ms. Compton:** Thanks.

**Chair:** (Indistinct)

Back to you.

**Jane MacAdam:** I think we were in the reporting parts. We know that there was no annual provincial reporting in greenhouse gas emissions, and the 2008 strategy called for government to prepare an annual climate change report beginning in 2009. At the date of this audit report, there had not been an annual climate change report released by government.

There were no reports providing an update on the implementation of the action items included in the 2008 climate change strategy. We noted that the pan-Canadian framework requires annual reporting, so on a go-forward basis there is going to be a requirement to annually report on progress.

The next section is on mitigation, and the first finding is that PEI does not have provincial greenhouse gas reduction targets. Clearly established targets for the province provide a consistent message to the public and other stakeholders and communicates Government's commitment to work towards the targets and measure progress.

PEI is a member of the Conference of New England Governors and Eastern Canadian Premiers. This group includes six governors from the New England states and Premiers from the five Eastern Canadian provinces. This group has adopted regional greenhouse gas reduction targets, and PEI has committed to reducing greenhouse gas emissions within the region.

The most current National Inventory Report is dated 2016. This includes the 2014 data. The report indicates that by 2014 Prince Edward Island had reduced its greenhouse gas emissions by 8% of the 1990 levels. We know that reductions occurred in the following sectors. So Energy Other, which is really heating of buildings and home, and agriculture, so those are where the reductions occurred, that 8% reduction.

Another key finding is that the implementation plan for mitigation activities was lacking in some respects. The climate change strategy in 2008 included planned mitigation actions; however, implementation plans for mitigation activities were lacking

in that many did not assign responsibility or timelines for completion, and a description of the estimated financial and other resources was not included for each action item.

In addition, the estimated impact on greenhouse gas emissions was not quantified for each action item, which makes it difficult to establish a linkage between the key emitting sectors and the strategy to reduce emissions.

We selected a sample of action items included in the 2008 strategy and assessed the status of implementation. We noted that 69% of action items tested indicated some or significant action was taken.

The next section is on adaptation. Again, it's defined as activities that reduce the negative impacts of climate change or present new opportunities. A comprehensive risk assessment is important to identify key vulnerabilities in the province and facilitate prioritization of risks.

Government has not concluded or documented a comprehensive risk assessment for the province to guide its adaptation activities. The province has initiated and participated in a number of adaptation projects, many of which have been cost shared with the federal government through their Regional Adaptation Collaborative programs.

Some examples of these projects include inland flood risk assessment, salt water intrusion risk assessments, and there were vulnerability risk assessments for four communities in the province. So there has been some work done on identifying risks, but not a comprehensive province-wide risk assessment that would help prioritize actions around adaptation.

The 2008 strategy only included four adaptation action items, and we noted there was no implementation plan established for these actions. That was similar to deficiencies that we found with the mitigation implementation. It was lacking. But, we wanted to acknowledge that although a comprehensive risk assessment and a robust adaptation strategy had not been completed, we were advised that some government departments have completed

work directed at adapting to climate change, and the examples were that the department of transportation advised that new bridges are being built to higher specifications than they were in the past due to sea level rise. Some culverts are being upgraded to withstand severe weather events and other work is being done such as instillation of coastal armouring to protect the province's shoreline. It may not be in a strategy yet, but they have been taking some action and we wanted to acknowledge that.

Overall, we made eight recommendations in the areas of coordination of climate change efforts, development and approval of a climate change strategy including both adaptation and mitigation, the establishment of provincial greenhouse gas emission reduction targets, the development of a province-wide risk assessment, completion of implementation plans, and public reporting on results. Those were the key areas that our recommendations address.

**Chair:** Jordan had a question.

**Mr. J. Brown:** Yeah, just on the assessment, in particular, and this might have been afterwards and I'm kind of going back in memory a bit here. But was there not an entity set up at UPEI to assess or given some money – a UPEI-based entity given money to do assessments of the risks?

**Jane MacAdam:** There's the climate change lab. Is that –

**Mr. J. Brown:** Yeah, but were they not given money to start to pull an assessment together? Do I not recall that (Indistinct)

**Jane MacAdam:** They've been – government has been relying on UPEI to assist in the development of the adaptation strategy. I think that might be what you're referring to.

**Mr. J. Brown:** Anyway, specifically, I thought I'd recalled an announcement of a grant or money, or I can't remember exactly what, going to them and it may have been after you had done your report or whatever, to start to develop – and this is, like I say, I don't know.

**Mr. Dumville:** They did that computer program?

**Mr. J. Brown:** Right, I'm not sure that was part of the Dunsky report though, was it?

**Mr. Dumville:** It was a flooding – it showed progressively through the years how the landmass is getting less and less.

**Mr. J. Brown:** We had a presentation with that at Caucus last year, but I think there since has been (Indistinct)

**Jane MacAdam:** We advise that the department of environment, climate change activities, they work with the climate change lab. There's a relationship there and we interviewed them as part of this audit.

**Chair:** Peter was next.

**Dr. Bevan-Baker:** Thanks, Chair.

Yeah, I think you're absolutely right, Jordie. I, having attended a couple of the climate change adaptation meetings; it was a doctorate student at UPEI who was presenting on behalf of government, so there's definitely a liaison going on there. I'm not sure about the monies involved.

But, if I was to give you – by the way, thank you for doing such an important audit on something you started out by saying one of the greatest challenges of our time and I absolutely agree with you. I think it's very timely that we do this and if you were to write a synopsis of what government has done since 2008 when they produced their last climate change report, it would be sort of halfhearted, informal, insipid attempt to do anything and as we know, reporting, it really hasn't been at the top of the agenda. But, I do think that with the arrival of the climate change secretariat, at least I hope that that's going to change. I hope we're not sitting here in a couple of years with similarly, sort of, a lack of movement on government's side.

I want to jump to the very last part, 2.78, where you presented your report to CLE and you ask for a written response. I'm just wondering whether you've actually received that.

**Jane MacAdam:** Yes, I did.

**Dr. Bevan-Baker:** Great.

**Jane MacAdam:** I received a response.

**Dr. Bevan-Baker:** I wonder if you could give us a synopsis of what they said.

**Jane MacAdam:** Just as an overview, and this was signed by the deputy minister of environment: The recommendations are well received and many through the efforts of the new climate change secretariat are being implemented presently.

The letter goes on to talk about some – give an update on some of the work of the secretariat, which we've previously talked about – they're meeting on a frequent basis and working on the strategies. But, I can speak to each of the recommendations and their comments if you would like me to.

**Ms. Casey:** That would be great.

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

**Jane MacAdam:** Okay.

Recommendation 2.44, I believe that's the first recommendation – no, 2.43. Excuse me: They should coordinate provincial strategy development and implementation. The response was: The climate change secretariat, which is housed within the Department of Communities, Land and Environment, is in the process of developing a climate change action plan which will include both strategies and implementation measures regarding climate change.

With regards to recommendation 2.44, really that talks about developing a strategy and the key elements that should be in the strategy. It says: The climate change action plan will encompass both mitigation and adaptation strategy components. It will be constructed in the stages with the mitigation components being added in 2017. Adaptation components will be added in 2018. A risk assessment from the climate change perspective is to begin in 2017. This assessment will inform the secretariat on risks to public assets. Work being done by UPEI Climate Research Lab will inform the secretariat on risks to other assets. The action plan will include objectives, planned actions, timeframes, roles and responsibilities, and details around public reporting.

2.45, which is Executive Council approval: The action plan will be presented to Executive Council for approval.

2.46, on public reporting on progress made to mitigate and adapt to climate change: The climate change secretariat will be reporting on progress made to adapt to and mitigate climate change on a regular basis by way of report (Indistinct) in through web-based venues. At a minimum, there will be annual reports submitted to the Legislature.

Recommendation 2.66, which is the provincial targets for the reduction of greenhouse gases: Provincial targets will be considered as part of the mitigation portion of the climate change action plan which will be submitted to Executive Council for approval. Any targets adopted will be publicly communicated.

2.67, was on the implementation plans, that they are completed for all key mitigation actions. So, again, the implementation plan will include measures for implementation on key actions around climate change mitigation, including the assignment of leads, determination of timelines, required resources including partnerships, as well as listing co-benefits and metrics to measure progress.

There is a couple more.

2.76, this one is on the province-wide risk assessment. A risk assessment of public assets from climate change is to begin in 2017. This assessment is being led by transportation, infrastructure and energy and will inform the secretariat on risks to public assets. The work being done by UPEI Climate Research Lab will inform the secretariat on risks to other assets.

2.77, on the implementation plan for adaptation: The climate change action plan will include measures for implementation on key actions around climate change adaptation, including the assignment of leads, determination of timelines, required resources including partnerships, as well as listing co-benefits and metrics to measure progress.

In closing, we wish to confirm that our operational plan to deliver a climate change

action plan includes the recommendations arising from your audit.

**Chair:** Brad Trivers and then Peter.

**Mr. Trivers:** We know that starting in 2018 there's got to be carbon pricing brought in for the province. So when you were preparing your audit on climate change, did you find any evidence and planning for carbon pricing or a carbon tax that's going to come into play?

**Jane MacAdam:** There was not a lot of action taken in that area, no.

**Barbara Waite:** No.

**Mr. Trivers:** No?

**Jane MacAdam:** There wasn't (Indistinct) there hadn't been any – they hadn't implemented a plan or made any sort of announcement –

**Ms. Casey:** At the time of the report.

**Jane MacAdam:** At the time of our report, right, which was substantially completed in December. Again, (Indistinct) change since then.

**Mr. J. Brown:** What's bradtrivers.com saying?

**Chair:** Peter?

**Mr. J. Brown:** What's on the webpage? Come on, tell us.

**Dr. Bevan-Baker:** My question is going to be on carbon pricing and where it appears, and clearly that's something they're working on, but the timeline is really short for that. We only have four or five months now in order – if we want the province to take control of its own destiny when it comes to how we're going to raise the funds and how we're going to distribute them and I hope we don't just sit and wait for the federal government to impose something that Islanders, perhaps, don't want.

**Unidentified Voice:** Agreed.

**Dr. Bevan-Baker:** Thanks, Chair.

**Mr. J. Brown:** Brad wants the carbon tax.

**Chair:** Any other questions on this section?

Okay ladies and gentlemen, I'm going to propose, because of the hour again, that we move onto agenda item five and that we look to the Auditor General and the committee members to reschedule another meeting so that we can continue to review the 2017 report. I don't really think we need a motion for that. Do I have any agreement at this time?

**Unidentified Voice:** Yeah.

**Chair:** Thank you, committee members.

Thank you, Jane and staff for coming in today. Appreciated, and we'll be obviously in touch to schedule another meeting.

**Jane MacAdam:** Okay, thank you.

**Some Hon. Members:** Thank you.

**Chair:** Consideration of motions as agenda item number five.

Jordan.

**Mr. J. Brown:** Yeah, I was just thinking, Chair, after we had the update there from the Auditor General in relation to – I gather it was one of the ministers or deputy minister, I think, who provided an update. But, I wondered if we could get an update from the climate change secretariat on those recommendations – or maybe, I'm not sure if (Indistinct) climate change secretariat or perhaps the minister's office or whatever on those recommendations.

**Chair:** Yeah.

**Some Hon. Members:** (Indistinct)

**Mr. J. Brown:** Ask for it maybe in writing and then see what we get from there and (Indistinct) have them in after we're done of the reports or whatever if time permits.

**Chair:** Yes, most definitely.

There's another item that I neglected to talk about just as we got into number four and that is annually we do send out correspondence to the departments that have been audited asking for their management letter and a follow-up action plan to come

back to this committee so that we have that in advance of our deliberations with the AG. So, if I could ask the clerk to draft those letters and we'll get those signed in the next couple of days and off to the departments.

**Mr. J. Brown:** Just to be clear, Chair, on this one I was thinking climate change secretariat has – I don't know what that would say in response to the – I mean, she read it out so that's probably what it would say, but I'm thinking the climate change secretariat, hopefully, is now up and going and has something substantive that they can tell us as to what their action plan or whatever might be as opposed to just hearing that a climate change secretariat has been created from the minister or whoever responds to the recommendations that (Indistinct)

**Chair:** Yeah. I could be wrong, but I believe what Jane was reading off there too was their actual action plan moving forward.

**Mr. J. Brown:** Right, yeah.

**Chair:** I thought she referred to it as the management letter, I believe, and then the follow-up.

**Ms. Compton:** That was in April, too so if they are meeting weekly –

**Some Hon. Members:** (Indistinct)

**Mr. Dumville:** (Indistinct) meeting (Indistinct)

**Ms. Compton:** There should be, yes.

**Mr. J. Brown:** Because I think what she said was there was an – the climate change secretariat was to do an assessment piece in a certain period of time and a mitigation strategy in a certain period of time and all that was going to have information added to it. So, I'm curious as to where that (Indistinct)

**Chair:** Sure, yeah.

**Mr. J. Brown:** Basically.

**Chair:** Yeah, okay.

So Ryan, you can draft that up as well.

**Clerk Assistant (R. Reddin):** Yeah.

**Chair:** Thank you.

Are there any other motions that the committee members would like to put forward today?

Peter Bevan-Baker.

**Dr. Bevan-Baker:** I'm not sure whether this requires a motion or not, but going back to the discussion we had on the repeated recommendation of the Auditor General that Crown corporations produce fuller budgets for the Legislative Assembly timelines, and I don't know whether we can sort of enforce that or endorse that with a recommendation from this committee.

**Chair:** I think my thought on that was that the clerk has taken note of that during our discussion, and that when we come together to meet to review our draft report that would be included there, yeah; but thanks for reiterating that.

**Mr. J. Brown:** I wonder, too, but I might state, and I wasn't trying to be tricky or difficult or whatever in asking the questions I was asking, but just give like – this goes back to, I'll call it the Binns government I guess, but back a ways. Obviously, she takes a position on it. There's been a new accounting standard that says it's not what they're advocating for.

I wonder if there's additional information that we should be looking at to try and bolster our – like that's why I want to hear what's going on in other provinces, what's Canada's standards or whatever, to make sure that we're getting the whole picture as to what's being recommended.

**Chair:** I believe the AG did say that there was a report that was produced; I think she said annually, from another organization that could provide sort of an overview of the scope of the other jurisdictions.

**Mr. J. Brown:** So why don't we see – I think we asked her to bring that back, Chair?

**Chair:** Yeah.

**Mr. J. Brown:** She was going to bring it back or –

**Chair:** Yeah.

**Mr. J. Brown:** Let's, I'd –

**Chair:** Yeah.

**Mr. J. Brown:** I'd like to see what that says and maybe we need to do some follow-up research to find out what the (Indistinct) –

**Chair:** Sure, and I would suspect we would have that research anyway before we met to do our draft report.

Brad Trivers.

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

I know I can't make any motions here today, but there was one – I wanted to find out what the sources of debt are on PEI.

**Chair:** Yeah, and I believe the Auditor General said that she would bring that information back to us as well.

**Mr. Trivers:** I just want to make sure there's no motion needed for that. She just said she committed to it.

**Chair:** Yeah.

**Mr. Trivers:** Okay, thank you. Good.

**Chair:** Any new business committee members would like to bring forward at this time?

With no further new business, I'd like to call for an adjournment.

**Ms. Casey:** So moved.

**Chair:** Adjourned.

Thanks very much.

The Committee adjourned