

# PRINCE EDWARD ISLAND LEGISLATIVE ASSEMBLY



Speaker: Hon. Francis (Buck) Watts

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## Standing Committee on Public Accounts

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**MEETING STATUS:** PUBLIC

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

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

**COMMITTEE:**

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

**COMMITTEE MEMBERS ABSENT:**

Jordan Brown, MLA Charlottetown-Brighton [Vice Chair]

**MEMBERS IN ATTENDANCE:**

Jamie Fox, Hon. Leader of the Opposition

**GUESTS:**

Auditor General's Office (Sheri Griffin, Jane MacAdam, Barbara Waite)

**STAFF:**

Ryan Reddin, Clerk Assistant (Research, Committees and Visitor Services)

Edited by Hansard



The Committee met at 10:00 a.m.

**Chair (Aylward):** Okay, ladies and gentlemen, we'll call the meeting to order. First thing, I'd like to call for a motion for the adoption of the agenda.

**Mr. Perry:** Called.

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

We have our Auditor General here again. It seems like it has been forever since we've seen you, Jane. Welcome back.

You have someone with you today, as well.

**Jane MacAdam:** Sheri Griffin. She's an audit manager in the office.

**Chair:** Welcome.

Just to remind everybody, silence your phones, please. Even take them off vibrate, because if they're on the table and they're vibrating Hansard picks it up. It's hard to record the proceedings with that.

With no further ado, I guess we'll turn it over to the Auditor General. I believe, correct me if I'm mistaken, but I believe we had finished chapter two and we were moving onto chapter three –

**Jane MacAdam:** Chapter three yes.

**Chair:** – developmental lending.

**Jane MacAdam:** Developmental lending.

I'll just give a bit of background and the objectives of the audit and we'll get into some of the detailed findings.

At March 31<sup>st</sup>, 2015, net developmental loans receivable amounted to \$150 million. These loans are administered by two Crown corporations, Island Investment Development and Finance PEI.

The objectives of our audit were to determine whether, for Finance PEI, developmental lending division and Island Investment Development Inc., whether sufficient and appropriate due diligence was applied in approving and monitoring of loans, and whether impaired loans were

identified, actively managed and reported to appropriate levels of senior management and governing bodies.

Our audit scope included Finance PEI, developmental lending loans and IIDI loans that existed at March 31<sup>st</sup>, 2014. We also included loans that were approved between April 1<sup>st</sup>, 2014 and July 31<sup>st</sup>, 2014.

For clarity, our audit did not include Finance PEI Commercial and Resource Lending Division and it did not include loan guarantees.

Overall, what we found is that neither, finance PEI or IIDI measures and reports on the economic benefits of its developmental lending program. Overall, approval and monitoring of development loans in our sample was adequate; however, loans to one borrower exceeding \$30 million present a significant risk to the province. We also found that Treasury Board and the boards of directors of Finance PEI and IIDI are not receiving adequate information to provide oversight on developmental loans.

**Chair:** Mr. Fox, but just before Jamie you ask your question, just a housekeeping item; I'd like to welcome Richard Brown to the committee this morning.

**Mr. R. Brown:** (Indistinct) Chairman.

**Chair:** We have a letter from the Premier identifying that you would be substituting for Jordan Brown.

Welcome, Richard.

Jamie.

**Leader of the Opposition:** Thanks, Chair.

Jane, can you go back to that paragraph you just said about – you read a paragraph there, a statement a minute ago, about \$30 million and –

**Jane MacAdam:** Okay, so that's in paragraph 20?

**Leader of the Opposition:** Yeah.

**Jane MacAdam:** Sorry, page 20. It was one of the overall conclusions that we had for the audit. Loans to one borrower exceeding

\$30 million presents significant risk to the province.

**Leader of the Opposition:** The question would be: Who is that loaned to?

**Jane MacAdam:** The loan was to – there were a couple of borrowers, but the parent company was Homburg Invest.

**Leader of the Opposition:** Was anybody advised of the significant risk to the province?

**Jane MacAdam:** We talk about that over on – I'll go over to the report on page 30. In paragraph 3.45 we say: IIDI initially assessed the request for financing and there were several significant issues raised by IIDI and we list those issues here; that it would increase the province's overall exposure to more than \$37 million as the borrower already had \$7.9 million in loans outstanding with another government business entity.

There were concerns raised over whether there would be enough cash flow generated to cover the debt repayments. It was noted that cost overruns could materially affect the overall project costing, which would impact the ability to service the debt. The analysis also concluded that the entire ability to repay financing was dependent on a guarantee from the parent company of the borrower, and not the business case as presented.

**Leader of the Opposition:** Final question on this is: If IIDI had significant issues or concerns about this, who approved it? Was it Cabinet? Executive Council? Treasury Board? Who approved it?

**Jane MacAdam:** As we indicate in the report, it was Executive Council that approved it in October of 2008.

**Leader of the Opposition:** Thank you, for now.

**Chair:** Mr. Palmer.

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

Jane, would some of those concerns identify that cost overruns could materially affect the

overall project? Would those be concerns with most construction projects?

**Jane MacAdam:** That's a general concern –

**Mr. Palmer:** A fairly standard risk?

**Jane MacAdam:** That would be something that would be considered.

**Mr. Palmer:** Yes, what's the other one? Concerns whether there'd be enough cash flow generated to cover the debt; I think those are just – correct me if I'm wrong – are those standard risks in any kind of loan?

**Jane MacAdam:** Those are standard things that would be considered in assessing a loan application.

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

Thanks, Chair.

**Chair:** Next I have Ms. Compton on the list.

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

Thank you for coming out again.

Just going back to what you examined. You say that you looked at the developmental lending division and why did you leave out the commercial and resource lending division, as well as the loan guarantees, from your audit? Was there reasoning behind that?

**Jane MacAdam:** Well, we couldn't look at everything so we scoped developmental lending. They were significant dollar value and they pose a risk just due to their nature, their developmental.

**Chair:** Darlene?

**Ms. Compton:** You talk about at some point here, I know I read thorough it last night – Michael Mayne's prosperity strategy – loaned out 7.7 million of an announced 200 million in two years and then it seemed to have disappeared. Do you have any indicators as to why that \$200 million prosperity strategy disappeared, because \$7.7 million was loaned out and then we seemed to have nothing further on that? Was that part of (Indistinct) –

**Jane MacAdam:** Well we do comment in paragraph 3.21 that there was a progress report in 2011. There was a progress report published on the overall strategy and we followed up to see if there were any further progress reports and there wasn't since that time. They did indicate at the completion of our audit that a new strategy had not been developed, but that they were in the process of developing one.

**Chair:** Darlene.

**Ms. Compton:** So, when you question that and they said there was no new strategy developed, we already had a strategy for the \$200 million and I'm assuming that that would have been the justification for loaning out the first \$7.7 million. So, the \$7.7 million just became loans and the strategy is no longer there? Is that the reasoning or the justification behind –

**Jane MacAdam:** The prosperity strategy was in 2008 –

**Ms. Compton:** Right.

**Jane MacAdam:** – and the implementation began in 2009. It was a five-year strategy, so that's one aspect of when you would expect a new one, considering this was a five-year strategy. But the 7.7 that you're talking about, what are you referring to there?

**Ms. Compton:** Well, the 7.7 was loaned out when that strategy was announced, right? The initial \$200 million –

**Jane MacAdam:** It had already invested, yes.

**Ms. Compton:** The \$200 million was part of a big strategy and you're saying after two years, they threw that out the window and we're looking at something else? Or we don't know if there's anything else?

**Jane MacAdam:** What they advised, we indicate on top of page 26: senior management advised that a new economic development strategy would be developed by government. So, we asked them and they said that they would develop one, but there was not one at the time of the completion of our audit.

**Ms. Compton:** So that original strategy didn't really go anywhere is what we're saying?

**Jane MacAdam:** Well, they did report some progress in 2011. Information was provided on some of the priority sectors, so we do recommend that they develop performance indicators and that they measure and report in relation to those indicators to see what impact these developmental loans are having on the economic development of the province. That's what's driving the recommendations.

**Chair:** Darlene and then I've got a couple more.

**Ms. Compton:** So, just back to that – that announcement of \$200 million really didn't go anywhere. That's what we're saying here, right? There was going to be a new strategy. After the announcement of the \$200 million, 7.7 million was loaned out, but then nothing else progressed with that strategy because they're saying a new strategy had not been developed. We're going from one strategy to another with an announcement, but it really didn't go anywhere. That's what we're saying. If you have a \$200 million strategy, there must have been a plan in place for that money.

**Jane MacAdam:** We say that developmental lending activities were not monitored and reported based on strategic priorities and those strategic priorities were in the strategy, so there wasn't enough monitoring and reporting of results achieved from that first strategy.

**Chair:** Next on the list I have Peter Bevan-Baker.

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

I imagined that we would be going through this in chronological order, but I'm just going to follow-up on a couple of the comments that have been made.

The Island Prosperity Strategy was a five-year strategy. Halfway through that, less than 4% of the funds set aside had been allocated or given out and we have had no report since 2011. That strategy, if it were indeed a five-year strategy, if it were a strategy at all, would have been concluded

in 2014. Is there any indication as to – between 2011, the last report we had, and today – how much of that \$200 million has actually been given out?

**Jane MacAdam:** We completed this work – this was for our 2016 annual report – so I really can't comment on up to today for sure. I can only comment to when we completed our work, but we do know that developmental loans – I think in our background here, we indicate that loans receivable in exhibit 3.1. Gross loans receivable, at that time, were 191 million and net loans receivable were 150 million.

I don't have all the details as to how that specifically grew during that time with the strategy; we didn't set out to assess how much of that – whether there was 200 loaned out during that period of time.

**Chair:** Peter.

**Dr. Bevan-Baker:** The conclusion of the five-year strategy would have been 2014. Is that correct? At least on paper that's when it would have finished. As far as you're aware there is no further reporting since 2011, when only less than 4% of that money had been distributed. There has been no further reporting since then.

**Jane MacAdam:** At the time of our audit.

**Dr. Bevan-Baker:** Yeah.

**Jane MacAdam:** There was – we do say information was provided; some information was provided on each of the priority sectors, but there was no overall reporting on the strategy, what was achieved, under that strategy.

**Chair:** Peter.

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

I'd like to pick up on something that Mr. Fox asked on earlier. Again, thinking that we would get to this later, but it's section 3.46 and it's about the submission of IIDI on the \$30 million Homburg loan.

To me, the first sentence of this paragraph conflicts with the last one. It says, "Except for the submission to Executive Council, there was no documentation in file to show

that IIDI supported the loan request for \$30 million." Then, the last sentence says, "The loan application was not presented to the IIDI Board of Directors approved until after Executive Council had provided the approval."

Am I mistaken in seeing a conflict there? Did IIDI approve that for Executive Council, or did Executive Council approve it before the IIDI Board of Directors saw it?

**Jane MacAdam:** Executive Council approved it before the IIDI board approved it.

**Dr. Bevan-Baker:** Thank you for that clarification.

Thank you, Chair.

**Chair:** Thanks, Peter.

Jamie Fox.

**Leader of the Opposition:** Thanks Chair.

With that, Executive Council approved it before the board of IIDI. Wouldn't that not be highly irregular?

**Jane MacAdam:** Well in a –

**Leader of the Opposition:** Or inappropriate, I guess, might be the word.

**Jane MacAdam:** In a normal governance framework the board is the governing body of the organization. They would deal with make specific decisions because it's up to their – there's approval levels. Typically, it would go through the board of directors, and then depending on the value of the loan, it could go to Treasury Board and from there to Executive Council.

**Leader of the Opposition:** Would you class it as being political interference?

**Jane MacAdam:** I wouldn't say that. They're just presenting the facts here.

**Leader of the Opposition:** Yeah.

**Jane MacAdam:** This is, sort of, the timeline of the events.

**Leader of the Opposition:** Okay.

If we go back to page 20, and one thing I'm wondering about, Jane, is in 2005, you mentioned that the loan of both corporations was around 70 million, and then in 2015, it had ballooned to 191 million.

I'm wondering did you find any cases in there, of basically, I'll almost call it double-dipping, where a client would apply in one side, not get approval, but then will shove it over to another side to get approval over there.

Did you see anything like that?

**Jane MacAdam:** No, we didn't see anything like that.

**Leader of the Opposition:** Okay, thank you.

**Jane MacAdam:** Not in our sample files that we looked at.

**Leader of the Opposition:** Okay.

**Chair:** I just have one quick question to follow up on that.

Do you see any examples where a client had accessed a loan through Finance PEI, and additionally, had accessed a loan through IID?

**Jane MacAdam:** You mean a developmental loan?

**Chair:** Yeah.

**Jane MacAdam:** Not in our sample. We didn't observe any.

**Chair:** Thank you.

Next, I have Chris Palmer.

**Mr. Palmer:** Thanks, Chair.

I just want to make sure I was clear on that section, 3.21. That 7.7 million of the 200 million was loaned out. So, the remaining – whatever the math is on that – has not been allocated. That strategy and the theory of, or the programs under those loans, it stopped after 7.7 million of that was loaned out. Is that correct? Do I understand that properly?

**Jane MacAdam:** No. It's after two years, 7.7 million. It says: The ministry reported that two years into the five-year 200 million strategy, it had invested 7.7 million in over 100 projects. That's for two years.

**Mr. Palmer:** That 7.7, up to that point in time, so the remainder of that money, the other 96%, as Peter talked about, that has been loaned out; or stopped, or did it stop at that point? Or is that as far back as you looked during this?

**Jane MacAdam:** We didn't really assess whether or not all the monies, the \$200,000 was invested as of a particular date. That wasn't what we –

**Mr. Palmer:** Right, okay.

**Jane MacAdam:** – part of audit scope. We were just saying that the developmental lending activities were not monitored and reported based on strategic priorities.

**Mr. Palmer:** The point of that is not that they spent a certain amount of the allocated budget, let's say, it's the reporting side of it, more importantly.

**Jane MacAdam:** Right.

**Mr. Palmer:** My final question.

With your recommendation, here, you talked about the economic indicators were identified and reporting on the performance and that they should publish that.

**Jane MacAdam:** Right.

**Mr. Palmer:** Has that happened? Has that recommendation been adopted do you know?

**Jane MacAdam:** Based on the 2017 annual report, we have followed up with the entity on the implementation of these recommendations and they advised that all of the recommendations have been implemented. We didn't go back and assess whether or not. We didn't do any work on that, any audit work on that, but that's what they advised, that they're all implemented.

**Mr. Palmer:** That's good.

All right, thanks, Chair.

**Chair:** Next, I have Darlene Compton on the list.

**Ms. Compton:** Thanks, Chair.

Just going back to the loan portfolio growing from 70 million to 191 million was there – and I don't remember seeing it in here, concern about the fact that the province is, for all intents and purposes, becoming a bank to high-risk propositions? Really, that's what we're doing, because the loans through this department are, for all intents and purposes, high risk. To grow from 70 million to 191 million, was there any concern about the fact that that has happened? That for all intents and purposes, we are becoming a bank and acting as a bank to friends of government, possibly, and the perception of that to the public.

I think the argument might be, well, we're making money on the interest, but it's a pretty high-stakes game. We've seen over and over again where this government has failed with high-stakes games.

Is there a concern with the amount that the loans have grown?

**Jane MacAdam:** The fact that the loans have grown was one of the reasons why we chose to do the work, but it's a policy decision of government if they want to invest in economic development. That's their prerogative. We don't comment on that. We were just auditing the approvals and the monitoring and the reporting to the governing bodies.

**Chair:** Darlene.

**Ms. Compton:** Is it typical then, for lending institutions and governmental lending arms to have no policy for problem accounts? No definitions of what a problem account is and no procedures to deal with such a process.

If we're going to go into this – if we're going to become bankers of high-risk – did you look at other lending institutions and governmental lending arms to see what they're procedures are and how they differ with our own?

**Jane MacAdam:** We didn't look at any other; we only looked at developmental loans in Finance PEI and IIDI.

We point these out as problems. Yes, we would expect there to be a definition of a problem loans and we point out other weaknesses.

We had criteria that we used, which are standards that we expect. We point these out in 3.3. Those were the lending criteria that – the standards that we used to determine whether or not loans were adequately assessed.

**Chair:** Go ahead, Darlene.

**Ms. Compton:** For your audit files you state that: Decision-makers were aware of security shortfalls.

Which specific decision-makers are you referencing and on what loan files are you talking about if you're talking about decision-makers?

**Jane MacAdam:** The decision-makers would be the staff that were looking at the loan applications. I don't have a list of all the files with me.

**Ms. Compton:** You don't have a list of the files –

**Jane MacAdam:** No–

**Ms. Compton:** – so just in general.

**Jane MacAdam:** But, in general we talk about it in paragraph 3.35: Given the developmental nature of many of the borrowers of both Finance PEI and IIDI, security deficits during the loan application stage are common. It's because they are economic development loans, it's common to have some security deficits. In all cases, those security deficits were identified and provided to decision makers as part of their process to make a decision on the loan application.

**Ms. Compton:** Chair?

**Chair:** Go ahead, Darlene.

**Ms. Compton:** You want to ensure that they are making the decisions based on some kind of system?

**Jane MacAdam:** Yes, full information.

**Ms. Compton:** Yeah, right.

Because, I'm assuming each and every one of these cases is quite different. Each loan would be quite different and they are assessing the risks versus the gains for the province.

**Jane MacAdam:** (Indistinct)

**Ms. Compton:** Okay.

In 3.36, you reference a \$2.14 million loan that the public servant responsible noted significant shortfall in the security package and in December 2012, Al Roach, was innovation minister, approved the loan; the same amount to the PEI Brewing Company. How big of a gap was there in the security for this loan?

**Jane MacAdam:** There was a 1.6 million security shortfall. So, the personal guarantee was used to address the security shortfall, and the issue we had was that they did not verify the value of the guarantee.

**Ms. Compton:** Do you know – or why did Al Roach and IIDI choose not to gather sufficient financial information on the guarantor's net worth to guarantee that loan? There wasn't sufficient information right? Do we know why?

**Jane MacAdam:** There wasn't any specific reason, I don't think. They may have assumed that it was okay; they didn't have to do any additional work, I'm not sure. We just note here that it wasn't done. If there's a guarantee, typically you would assess the value of that guarantee before you would proceed.

**Ms. Compton:** So the minister himself approved the loan, correct?

**Jane MacAdam:** This loan was approved by Executive Council.

**Ms. Compton:** If I look at the press release, it says: Al Roach, minister of innovation, approved the loan to the Prince Edward Island Brewing Company just before Christmas of that year. So, assuming that information is what was provided to the press at the time and I'm wondering why the minister approved the loan to the PEI Brewing Company without proper facts being assembled. That's the question.

**Jane MacAdam:** No, it was Executive Council according to our audit records.

**Ms. Compton:** The minister at the time was Al Roach, so we're assuming this was part of a file that he had. He would be vouching for the company, obviously, as the minister, to make this – it's over the \$1 million that the deputy would be approving so the minister would be saying: My department has reviewed this file and vouching for the company, basically.

If we don't have all the information we need and we don't have – we have \$1.6 million shortfall in the guarantee; that decision had to come from somewhere. It would have been a loan through Al Roach's department. I'm just wondering why we're doing this. Did you look into that?

**Jane MacAdam:** Well, we raised it as a concern. That's why we highlight it in the report, is that this was an instance where there was not enough work done to ascertain the value of the guarantee. Clearly, it was a concern to us and that's why it's in the report.

**Ms. Compton:** Chair?

**Chair:** Go ahead, Darlene.

**Ms. Compton:** Cabinet had already loaned this company \$850,000 just 12 months previous. How much had the company requested that first time around? Do you know that? Was it a bigger amount than the \$850,000?

**Jane MacAdam:** We don't have all the details, but these two loans could be connected; the ones that you're talking about. This could be –

**Sheri Griffin:** (Indistinct)

**Jane MacAdam:** This was the second ask? I'm not sure if this was a second ask that's related to what you're talking about, I'm not sure.

**Ms. Compton:** I mean, I'm questioning the fact that we have loaned almost \$1 million to the company a year previous and then they're back looking for another \$2.1 million, and they don't have the security to cover that loan is what we're saying here and it, for all intents and purposes, Mr.

Roach approved the loan because it was through his department, so it's a concern; I can see totally why.

Do you have any idea: Is that loan up-to-date?

**Jane MacAdam:** At the time of our audit it was up-to-date, but our audit is dated material now.

**Ms. Compton:** Okay.

**Chair:** Darlene, I don't know if you had more questions (Indistinct)

**Ms. Compton:** That's all right, go ahead.

**Chair:** Chris Palmer is on the list there too.

Go ahead, Chris.

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

I just want to follow up on Darlene's questions around the recommendation, I think, that you had made which was: In placing reliance on guarantees as part of the loan security, IIDI should obtain sufficient financial information to support the guarantee. That was a recommendation that you had made based on this information.

**Jane MacAdam:** Yes.

**Mr. Palmer:** Do you know where that stands?

**Jane MacAdam:** Well as I indicated before, all management responded that all of these recommendations were implemented.

**Mr. Palmer:** Okay, so they saw that maybe based on the guidance from you, is that there are ways that we can tighten this up and their report from management is that they have done that.

**Jane MacAdam:** Yes, that's what they indicated.

**Mr. Palmer:** Okay, thanks.

**Chair:** Any other questions?

Darlene.

**Ms. Compton:** Well, you can go ahead (Indistinct)

**Chair:** Okay.

Jane, I guess one of the questions I have is you have given a couple of examples here today where IIDI or, well yeah I guess mainly IIDI, had reviewed a request and were going through their own due diligence and maybe it didn't pass the test of the policies that they had in place, but then somehow it got catapulted to Executive Council and then approved. So, the process just seems that it's being circumvented in some cases.

Is that a concern to you, that we have a department that's in place to loan money to Island companies and to do the due diligence and go through all the policies and procedures to make sure that everything is set up in a properly structured way, but when there possibly is an issue with regards to security or guarantees and things like that, it can still get approved by Executive Council and then comes back to the department, who then if forced to go ahead and approve it anyway.

**Jane MacAdam:** You know, as we do say here in the report, IIDI staff did assess the request and they did have concerns. But, Executive Council did approve the loan. I mean it is Executive Council's prerogative to approve these loans. There was information that was analyzed and assessed and, I mean, that's the way the system works. Executive Council, it's within their authority to approve it and we're just presenting the facts here as to how it unfolded.

**Chair:** How large was your sample size?

**Jane MacAdam:** We looked at a sample of 21 loan files, and it was approximately 35% of the value of the loans.

**Chair:** Out of the 21 loan files that you looked at, do you see any significant variance with regards to interest payments set up attached to the various loans or other types of discrepancies between one loan to the next? Or are these loans set up quite structured as far as company A and company X is responsible for similar –

**Jane MacAdam:** If there's a range, I'm just looking for – there is a range – loan terms – the policy says a minimum of 4 to 6% interest rate. So that's kind of a range that's there for interest rate. That was at IIDI at the time that we did our work so there could be some variants from that. I mean that could be approved to go outside those rates as well.

**Chair:** Over and above the rates, were there any other variances that you saw that raised your eyebrow as far as the length of time the money could be loaned out?

**Jane MacAdam:** We point out in the report that there weren't a lot of policies around the requirements for lending. We talk about that in 3.27: Although lending policies existed, we found they were broadly stated and provided limited guidance for staff. There were certain requirements that were clear, like equity contributions, annual risk reviews, and typical repayment terms for loans, but there wasn't standardized requirements for all loans. In some areas, we did have concerns around that and we made a recommendation. So, I don't know if that's really answering your question or not.

**Chair:** No, it does. Thank you.

Bush Dumville was next on the list.

**Mr. Dumville:** Just a follow-up on that sample size. How do you select those 21 loan files? What's the criteria? In any audit, especially this one, how would you decide which ones you're going to look at?

**Jane MacAdam:** We look at the high-value ones. I think we looked at anything over 2 million. So, any loan that was over 2 million – I believe that was the threshold. We looked at those and then we selected a random sample of smaller loans.

**Mr. Dumville:** Now what would you term a smaller loan? Would the average loan on Prince Edward Island – I understand it's around 360,000?

**Jane MacAdam:** I'm not sure what the average loan would be.

**Mr. Dumville:** So, would your focus be just on larger amounts – big companies? What percentage would be just relatively mid-

sized companies in the 3 to \$600,000 range versus the ones that are over 2 million?

**Jane MacAdam:** I'm not sure that we have that.

In 3.12, though we say: Eight of the sample items were selected from high value loans. These 8 sample items totaled 75 million. Then an additional 13 loans totaling 7.6 million were selected from the remaining loans. I'm not sure, with those remaining loans, what the average size of the loan would be.

**Mr. Dumville:** Okay.

**Jane MacAdam:** I don't have that with me, but we covered off on 35% of the loan-receivable balance.

**Mr. Dumville:** I guess this question was asked earlier. How was our performance year-to-year? Are we getting worse in terms of our performance on collecting on bad debts? Are they going up?

**Jane MacAdam:** We didn't specifically include that in our audit scope. I know that financial audits are done on these Crown corporations and part of the financial audit would look at whether or not there's provisions on the loans, so that's something that would be included in the financial statements.

**Mr. Dumville:** Do you have bank criteria of kind of what banks – what's acceptable as a loan-loss in banks? Are we outside that parameter?

**Jane MacAdam:** These developmental loans are typically loans that commercial lenders wouldn't touch.

**Mr. Dumville:** The lender of last resort.

**Jane MacAdam:** Right. They're typically – I mean developmental loans by their nature are riskier – meaning government's willing to accept a higher risk than a commercial lending institution.

**Mr. Dumville:** Well commercial lending institutions are not in the business of probably building a company – we have to take over that shortfall, I understand.

Thank you, Chair.

**Chair:** Next I had Jamie Fox on the list.

**Leader of the Opposition:** Actually, Chair, he asked the question I was going to ask.

**Chair:** Okay.

Kathleen Casey is next.

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

It's no secret that Prince Edward Island is open for business and from some of the questioning or the questions that were just asked and certain companies were named. The Auditor General stated that the company that was mentioned, that their loans are up-to-date and we love doing business with people who pay their bills. I don't know if people realize that with our loan portfolio in the province, \$1.3 billion in revenues are generated. We make money off our loans. That's not a secret and I think we're happy to do that because it helps with health care and education and we're open for business here in PEI and also, 60% of our provincial loans supports business in rural PEI.

I know the Auditor General has stated that all of the recommendations have been implemented as of the 2017 report and our businesses in PEI that are supported by our loans, together with their employees, represent almost \$100 million in provincial tax revenue annually. That's impressive. So, I'm glad to say that Prince Edward Island is open for business and love to have people paying their bills. I'm pleased to see that the auditor said that the recommendations have been implemented.

Thank you.

**Chair:** Ms. Casey, I just might mention in addition to that: Actually, the Auditor General didn't say that the recommendations were all implemented. She said that she was told that the recommendations were all implemented. So, unless the Auditor General has had a chance to go back and review those recommendations and the management plan, I don't think it's fair to say that the Auditor General said that they have been recommended.

Peter Bevan-Baker.

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

It's all nice to paint a rosy picture of how things are here and that PEI is open for business, but are we open and transparent in the way we do business? Is government providing value for money through the various mechanisms by which we loan out taxpayers' dollars to risky ventures?

I think it's worth pointing out that of the ten recommendations in this section of the Auditor General's report, only one of them suggested updates or changes to policy. They were all saying: do what you're supposed to do. And if you do what you're supposed to do, we'll be fine.

Clearly, they were not doing what they were supposed to do or these recommendations would not have been made. All we have from the department is a verbal indication that they are now are going to do what they said they were going to do and should have been doing all along. I think we should not get too excited about the news from government that they are implementing all of these recommendations, because 9 out of ten are just saying: follow the rules. Only one is suggesting that we update policies and that's 3.7, which is on problem loans.

My question to Jane is – and I realize this was likely outside the scope of what you did but: Do you believe that a review is required for the policies and structure of how we deliver loans here on Prince Edward Island?

**Jane MacAdam:** I think that – like some of these recommendations point to the need. The first two recommendations about establishing performance indicator, I think that they should identify key economic indicators for the developmental loan program and report on performance in relation to these indicators. We talk about it again in 3.22, we say: Given the importance placed on economic development and as a rationale provided for loan applications approvals – we expected them to have a system to measure, monitor, and report on performance in relation to those objectives.

We say that often jobs are used as a rationale for approving loans and stimulating economic development, but

there needs to be a reporting back on how many jobs did you create and what impact is that having? I think that's one of the key messages that comes out of this chapter is: when you make these loans, what's the purpose of making them and are you following through to make sure that you're achieving that purpose?

**Chair:** Peter.

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

I could not agree more that we need some performance measures – some performance indicators as to whether we're getting value for money. The fact that virtually nothing exists in the department, I find quite disturbing. The three various points at which policy, I believe, should be reviewed entirely are the criteria for granting these loans, the monitoring of these loans, plus the outcomes. I'm actually for the reporting of this, which I guess is the outcomes.

You pointed out fairly significant deficiencies. The monitoring, I think, you were happier with, than the other two, but clearly the criteria for granting these loans, the process for that. And of reporting on the success, if I could put it that way, or the impact of these loans is significantly lacking and I appreciate the fact that you're saying: That's what we're saying.

I would love to see an indication from government that, indeed, that, rather than just a verbal: Yes, we're doing this. I'd love to see clear indications of that.

Thank you, Chair.

**Ms. Compton:** I agree.

**Chair:** Darlene was on my list, here, as well.

**Ms. Compton:** On that, I was going to get into – you reported quite thoroughly on the Homburg file and that fiasco, basically, there's no other way to put it.

**An Hon. Member:** It's still there.

**Ms. Compton:** Saying that it's too big to fail, we have to keep pumping money into a man and a company that is supposedly going

to do things for the province that are going to make for economic stimulation and jobs.

Just on that because, as Peter mentioned, and we have been saying it over and over again: If we followed the rules, we wouldn't have these problems. Part of the concern is something that I'm hearing regularly from constituents is about the fact that we financed, 100% financed, businesses in the mall across the street there. What the justification was behind that was there any mention about that? Also, who was the minister responsible for that?

Obviously, we just skipped all of the rules and all of the regulations and decided to keep pumping money into something that, for all intents and purposes, is too big to fail, is what we're assuming government is thinking, I'm just wondering what the insight was behind the 100% financing of those businesses and who the minister responsible was, at that time, who made that decision?

**Jane MacAdam:** If you're talking about the original loan, I guess we should go back to the original loan. It was financed, 75% was the approval from Executive Council for those three projects that we list here on exhibit 3.3.

**Ms. Compton:** No, it's not so much that. We've gone through this before and we know the chronological order of the Homburg deal, the Homburg heist, whatever we want to call it, but at the very end –

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

**Ms. Compton:** – the very end, we finance 100% - well the end of the story we've got so far – 100%, the Grand Senses Spa, the mini putt and screen golf in the mall. What are the justifications? One hundred percent financed. That's part of this whole report is what I'm assuming, what processes did we go through to do that? Or did we go through any, or did the minister just say: Away we go; we're going to finance these?

It's a concern. I've heard it a number of times out in the public: How do I get 100% finance deal for the business I want to do? That's what Islanders are asking.

I'm just wondering where that came into play in this review right here. We've talked about Homburg at length.

**Jane MacAdam:** In the refinancing here, the 38.5 that we're talking about, we do indicate in 3.59 that there was 100% financing provided to new businesses to start up. That was part of the refinancing package. It was all part and parcel of the approval to refinance. There were a couple of businesses that were 100% financed.

**Ms. Compton:** There was no real justification to you why that happened. We know it was refinanced because they couldn't pay the bills they had and we're going to throw more money at them. We're going to pay their property taxes and now, we're going to give them money to finance businesses for 100%.

I'm just wondering if you looked at that. If we're looking at the processes we're going through and what rules are in place to determine how we lend money out. Was that part of the question that you asked? Is, yes, it's part of the refinancing deal, but –

**Jane MacAdam:** At that time, and we talk about it briefly in paragraph 3.58, but the province was looking at its options with regards to the fact that it had security on these assets.

One option was to refinance and the assets would be transferred back to the original borrower. This was after there was a long creditor protection process and a number of complex transactions over a period of time.

One option to government was to refinance the loans, and the other was to realize on the security. Those were the two main options that government was considering.

Realizing on the security, I mean it had implications as well; we point that out in 3.61. There were concerns with that option. There could be, potentially, businesses shut down if they went through with that.

At the end of the day, that puts a bit of context into what government was dealing with at the time.

**Chair:** Darlene.

**Ms. Compton:** This goes back to a decision made earlier on without following the rules that needed to be followed because it wasn't – and correct me if I'm wrong – this was not approved by IIDI from the very beginning as to the Homburg loan and how much we're going to get into this.

You stated that you were very concerned with the province having a loan of over \$30 million with one particular company.

Do we go back to the very beginning and say: The rules were never followed?

**Jane MacAdam:** I don't know that I said I had a concern with them having a loan of \$30 million to one company.

We did say it presented significant risk and that's based on the audited financial statements of the province, which indicated at March 31<sup>st</sup>, 2015, which were the ones available when we did this work. There was a significant provision on the loan. That was the basis of the comment that it poses a significant risk to the province.

I just wanted to clarify that.

**Chair:** Darlene, do you have any further questions on that?

**Ms. Compton:** No, I'm good.

**Chair:** I don't, currently, have any other names on my list for questions. Just before we move off of this chapter, Jane, do you have anything that you'd like to speak about before we move onto the next chapter?

**Jane MacAdam:** No, I think we've covered a lot of areas.

**Chair:** We'll be moving onto chapter 4, page 39, payments to private nursing homes.

**Ms. Casey:** Mr. Chair, I'm going to step away from (Indistinct)

**Chair:** Oh, yes, thank you, Ms. Casey.

**Jane MacAdam:** Chapter 4.

Long-term care facilities or nursing homes provide accommodation, personal care and medical services to residents on a 24-hour basis. Residents are admitted to a long-term

care facility if they require nursing care at a level that can no longer be safely offered at their homes or at a community care facility.

The health portion of each resident's cost of care is paid by government. Nursing home residents are responsible for paying the accommodation portion of their cost of care.

Eligibility for accommodation subsidization is now based on income and not total financial resources, including assets and income.

During 2014-2015, Health PEI received 290 applications for accommodation subsidy. At March 31, 2015, there were 19 long-term care facilities across the province. Nine of these were operated by government and the remaining 10 were privately owned.

The privately-owned homes operated, approximately, 48% at the 1,141 long-term care beds in the province, which makes them key players in providing nursing home care.

Health PEI pays private nursing homes a predetermined daily rate for the health care costs of all residents. Financial assistance or subsidization is provided for eligible residents to assist with their accommodation costs, as well as, a monthly comfort allowance for residents to purchase items for personal use, comfort and recreation.

We noted that payments to private nursing homes had been increasing each year since 2010-2011. Payments have increased \$6.1 million from \$14.8 million in 2010-2011 to \$20.9 million in 2014-2015, a 41% increase. The overall increase in payments is a combination of higher per diem rates per bed, as well as the addition of 55 beds at private nursing homes between April 1<sup>st</sup>, 2012 and March 31<sup>st</sup>, 2015.

Each private nursing home has a contract with Health PEI in the Department of Health and Wellness and it defines the basic health care services that are to be provided free of charge to residents and accommodation services are also set out in the contracts. Approximately 77% of the total payments to private nursing homes are for health care costs – so that's the bulk of them – the cost.

The objectives of our audit were to determine whether Health PEI has

appropriate procedures for the calculation review and approval of long-term care subsidies; whether Health PEI has controls to ensure payments to private nursing homes are made in accordance with legislation and signed agreements; whether Health PEI monitors funding to private nursing homes and reports information on long-term care subsidies.

We randomly selected 35 applications for subsidy received by Health PEI and we also selected a random sample of monthly claims from private nursing homes during the period of April 1<sup>st</sup>, 2014 to March 31<sup>st</sup>, 2015.

When the *Long-Term Care Subsidization Act* was changed in 2007, a new rate structure for payment of nursing homes was implemented. Again, it was broken down between two separate rates: one for health care and one for accommodation costs. If the accommodation costs exceed the resident's income, Health PEI provides a subsidy for the shortfall.

Overall, we found that Health PEI has appropriate procedures for the assessment and approval of applications for long-term care subsidies. Annual reviews and case audits are not regularly conducted as required by legislation and review of claims submitted for payment needs to be strengthened. That was our overall conclusion based on all the work that we had done.

There were four main sections of the report: contracts with the private nursing homes, claims submitted from the private nursing homes, accommodation subsidies, and monitoring and reporting.

We reviewed the current contract (Indistinct) the 10 private nursing homes and each contract included the key terms and conditions required by Treasury Board policy. All contracts were authorized in accordance with Treasury Board policy, so we didn't have any concerns there. We noted that the claim review process needs to be strengthened. Private nursing homes submit monthly claims to Health PEI. For our sample items, the rates for health care and comfort allowance were entered correctly for all of our sample items.

We did, however, note three instances where the amount of the accommodation subsidy for a resident was over-stated on the claim submitted to Health PEI. In one instance, the resident's monthly income was correctly pro-rated for the first month in a nursing home. This reduced the income amount remaining on the claims in subsequent months, resulting in a higher subsidy paid for that resident. In total, this error resulted in overpayment of 3,323 to the private nursing home over a seven month period. In the second instance, there was an overpayment of approximately \$2,000 to a nursing home and the third instance; there was a small calculation error.

For most of the items in our sample, the correct number of days were claimed on the monthly claim. However, we noted two instances where there was insufficient documentation to determine if the days claimed by the private nursing home were correct. So, we did have some issues with the claims and two – we made one recommendation, actually: Health PEI should establish clearly defined review procedures for monthly claims submitted by private nursing homes; take appropriate action to ensure the review procedures are consistently applied; and obtain sufficient documentation to support the amounts claimed.

**Chair:** I'm just going to step in for a second: Richard Brown had indicated there a little earlier he had a question.

**Mr. R. Brown:** Thank you, Mr. Chairman.

The private nursing homes and nursing homes in general is an important file to all of us. I know that because it's some cases, the most vulnerable people on Prince Edward Island – our seniors that are in nursing homes that require constant care and stuff like that, so we should do our due diligence and assure that they're getting the best service that they can.

There has been a review done in terms of a quality assurance report of each nursing home, to ensure that the quality is there. Have you reviewed those reports?

**Jane MacAdam:** That wasn't part of our audit scope. We did check to see that they all had an up-to-date license, but we didn't

look at any background documentation on the particular quality of care at any particular nursing home.

**Mr. R. Brown:** So we didn't audit the quality of care, we just audited the financial (Indistinct).

**Jane MacAdam:** No, we didn't audit the quality of care. We did check to see that each nursing home had a license.

**Mr. R. Brown:** But those license are conditional that they're doing proper due diligence in this stuff?

**Jane MacAdam:** There are criteria for being licensed.

**Mr. R. Brown:** Were there any reports on your audit that there may be some not up to standards?

**Jane MacAdam:** In terms of the quality of care?

**Mr. R. Brown:** Yeah.

**Jane MacAdam:** We didn't specifically look at that.

**Mr. R. Brown:** I guess I understand that the department has done a quality of each one and has ranked it. The restaurants, for example, their quality assurance is done and they're checked and if they fry an egg wrong, they get reported publically, but there are reports here, Mr. Chairman, and you've indicated before yourself, quality assurance reports have been done and they're not made public. I've requested this a number of times. I'd like this committee to consider requesting that those documents be tabled here.

**Chair:** Well, we can duly note that and put it in as a recommendation in our report.

**Mr. R. Brown:** Because, again, I think the families of their loved ones that are in these facilities have to be assured that their parents, mostly, are getting the best care that we can give and any potential organization – and I'm not saying anything, I'm just saying: where are the reports so we can see the reports on each facility? Because if we can see them for a small, little, tiny restaurant, surely we can see them for some

of the biggest expenditures we have here, plus for Islanders – senior Islanders that are in these places.

Thank you, Mr. Chairman.

**Chair:** Mr. Brown, I guess I just want to get clarification from you. The reports you're specifically referring to, would that be the nutrition or the food and beverage side of these facilities?

**Mr. R. Brown:** No.

**Chair:** It's a complete inspection, evaluation of –

**Mr. R. Brown:** Yeah, there was a review – an inspection review done. I'm sure that is – I stand to be corrected, but –

**Chair:** We have somebody sitting at the table that actually used to work in the industry and I think she indicated that she might have something to add.

Ms. Compton.

**Ms. Compton:** Well, there are annual inspections for all aspects of care in those facilities and in order to retain your license, you need to do that.

But the comment I'll make – there are a number of tangible things we can look at: bricks and mortar, three square meals a day and they're being bathed on a regular basis. All those things are very tangible, but the intangibles that make the difference between a good facility and a fair facility, is how regularly the residents may be changed, what the quality of the food is, the concern and care that are provided by the workers – those things are really hard to measure. That's really – with my past experience – that's what makes a good facility versus a wonderful facility and they're very hard to measure – I guess is what you'd say.

**Mr. R. Brown:** You've indicated there are annual inspection reports done. Are they public as other annual reports done for restaurants and hotels?

**Ms. Compton:** I would assume they are, but I don't know if they're made public.

**Chair:** That's something we'd have to look into.

**Mr. R. Brown:** Okay. Good.

Thank you.

**Chair:** I'm sure if they were public, there'd be a lot of people in eastern PEI asking for the inspection of the manor in Montague, I'd say.

**Ms. Compton:** Which comes down to the tangible versus intangible.

**Chair:** Exactly.

**An Hon. Member:** Chair?

**Chair:** Do you have a question or just continue on?

Go ahead, Bush.

**Mr. R. Brown:** Don't get me wrong, I think the inspection reports for the public facility should be made public also.

**Mr. Aylward:** Oh yeah, most definitely.

**Mr. Dumville:** In regard to restaurants, inspections, they've always been there in terms of a health standard and lately it's been taken – the ante has been upped where health inspectors are coming in on a regular basis and they're also – not unlike the *Liquor Control Act*, where people's licenses are suspended. They don't do that usually to a restaurant, but they're given a certain time to clean up their act if it's a health issue, and it's also recorded in the paper.

The last thing a chain, or any restaurateur, wants is the fact that the health department visited the restaurant and they found them to be deficient in a health situation. That is very public, but I haven't seen anything very public in regards to nursing homes.

Thank you, Chair.

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

Chris Palmer was on the list, I believe, here for question.

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

Jane, on the overpayment of \$3,300 over a seventh month period, was that – was the client also charged? Was this an overpayment over and above what payments were expected, or the province paid more and the customer paid less? Do you know where that –

**Jane MacAdam:** Well, it was a higher subsidy paid on behalf of the resident to the nursing home.

**Mr. Palmer:** So, the resident paid less than they should have during this time period? Or the resident paid what they were supposed to and the calculation was wrong and the province ended up paying more?

**Jane MacAdam:** The province ended up –

**Sheri Griffin:** (Indistinct)

**Jane MacAdam:** The resident would have paid what they were supposed to, because it was a timing issue where there was a proration in the first month and instead of correcting it in the second month to include all their income, they just continued with the lower amount of income and that got caught.

**Mr. Palmer:** So, that would be a bookkeeping issue for the province to make sure, to verify, that all of those calculations are done properly.

**Jane MacAdam:** Yes.

**Mr. Palmer:** Is that the recommendation that you would make?

**Jane MacAdam:** Yes. They should establish clearly defined review procedures and take action to ensure those review procedures are followed.

**Mr. Palmer:** When you make that recommendation, is it Health PEI weren't doing it at all or they just didn't have clearly defined procedures?

**Jane MacAdam:** They do it. They review the claims.

**Mr. Palmer:** Right.

**Jane MacAdam:** But, we would expect more due diligence, really.

**Mr. Palmer:** Right, okay. Do you know where that recommendation stands to Health PEI?

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

**Jane MacAdam:** The indication in the 2017 annual report, it indicates that four of the seven recommendations have been implemented. I have my 2017 annual report so I can tell you what it says about that particular one.

**Mr. R. Brown:** Here you go.

**Mr. Palmer:** Is that what you have there?

**Mr. R. Brown:** Yeah, that's the report.

**Mr. Palmer:** Oh, okay.

**Jane MacAdam:** It says implemented. It says that one is implemented.

**Mr. Palmer:** So that's, again, advice from management. We made recommendations to management and management have come back and said: Yes, we have implemented that, but you haven't verified that yet.

**Jane MacAdam:** We will go in later and do some audit work to –

**Mr. Palmer:** Right, to verify.

**Jane MacAdam:** – determine whether or not it is in fact implemented.

**Mr. Palmer:** Okay, good. Thank you.

Thanks, Chair.

**Chair:** Thank you.

Thank you, Jane.

Carry on.

**Jane MacAdam:** Okay.

The next issue we had then was transportation costs were not consistently approved. There are exceptional health care costs and transportation costs that are paid to private nursing homes on behalf of residents. For the monthly claims in our sample, we reviewed all payments for

exceptional costs paid for the health care of residents. In all but two instances, costs were appropriately approved.

We noted inconsistencies in the application of the policy regarding non-emergency medical transportation services for subsidized residents. We made a recommendation in 4.34 that: Health PEI should pay transportation expenses for subsidized residents in accordance with the policy. They weren't really following the policy.

**Mr. R. Brown:** What would those transportation costs be? What page are you on?

**Jane MacAdam:** It's in paragraph 4.33.

**Chair:** Page 48.

**Mr. R. Brown:** Thank you, Chairman.

**Jane MacAdam:** The policy states that the cost for transport by ambulance or a specialized transport vehicle which is required for the health, treatment and/or the diagnostic purposes will be covered. We noted inconsistencies in how that was applied in practice.

Some employees at Health PEI approved payments for the roundtrip transportation expense and then in other cases, they were only approved for one-way transportation.

**Mr. R. Brown:** How'd they get back? Hitchhike?

Mr. Chairman, when we say subsidized residents, these are residents that can't afford – they're on the bottom level of the income. They're probably getting OAS and GIS.

So where would they get the money to get back if they didn't give them the money to get back or to help them? Where would they – how would they get back and forth from their care?

**Jane MacAdam:** Well, as we indicate in here, we say: In situations where transportation expenses were not paid by Health PEI, the resident would be responsible for the cost.

**Mr. R. Brown:** But if they –

**Jane MacAdam:** So, they would have to – like we point out here, as these residents use all of their income towards their accommodation expenses, they may have to pay for the transportation out of their comfort allowance –

**Mr. R. Brown:** Which is \$100 a month.

**Jane MacAdam:** – or by any other means.

**Mr. R. Brown:** Which is \$100 a month and they have to pay for what out of that? Their toothpaste and stuff like that? (Indistinct)

**Jane MacAdam:** So –

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

**Mr. R. Brown:** How many cases have you seen of that?

**Jane MacAdam:** With an inconsistency? There were 11 instances where transportation expenses were claimed. In 10 of these instances, only one way was paid by Health PEI; but in one case, two-way transportation was approved.

**Mr. R. Brown:** And that's out of a sample. That's not everybody.

**Jane MacAdam:** That's a sample.

**Mr. Dumville:** (Indistinct)

**Mr. R. Brown:** No, but what if you didn't have a family?

**Chair:** Hang on a second.

**Mr. R. Brown:** Sorry, Mr. Chairman.

**Chair:** Is there anything else, Richard?

**Mr. R. Brown:** No, I'm good, Chairman.

**Chair:** Darlene Compton on my list next.

**Ms. Compton:** I can just speak to that for a minute, Richard, if you want me to.

I know at the Gillis Lodge we have a bus where we can put wheelchairs in, but if there is a conflict or someone needs Pat and the Elephant, a lot of times it would be their

comfort allowance that pays for that or it's a family member that comes forward. I know that was a battle on a regular basis to ensure that we could try and get those subsidized patients covered for those trips because they need to go to the doctor. It's as simple as that.

But it's quite a web when you get into who can pay and how much they can pay and whether they're subsidized for both their – if their nursing care, if they're subsidized for their health care portion of it, but depending on their income might not be fully subsidized for their accommodation part.

But then depending on their drugs and whether there are drugs that are not covered, even though they're seniors, they have to pay for that too. It can build up as far as what they owe, I know from a private nursing home, what they owe the nursing home versus – I don't know what they do at a public facility, but there is always a running balance there for each resident, both to the plus and the minus and it is a concern.

I can also speak to reporting to Health PEI. I would venture a guess that Calvin Joudrie is on top of his game and I can speak to that for sure. You would submit your spreadsheet every month and there are changes because of new residents coming and some passing away, you're always updating that, and every resident has a different situation so their numbers are different.

The discrepancy you found, I'm questioning: Is that just an error in submission and somebody missed it? Because there are a number of residents that would go – all of these forms go to the province from all of the nursing care facilities, and was that your determination that it was just an error and then the facility would owe that to the province, basically, would be the end result I'm assuming?

**Jane MacAdam:** Yes.

**Ms. Compton:** It's just under-inputting a number, basically.

**Jane MacAdam:** Yes.

**Ms. Compton:** Okay.

**Chair:** Next I had Chris on the list.

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

Darlene may have answered my question, but the Health PEI policy – it states that the cost of transportation by ambulance or specialized transport which is required for health treatment would be covered for subsidized residents.

So, the sample that you did of 11 cases, 10 of them that should have been subsidized residents were not paid for? Is that – did I understand that correctly?

**Jane MacAdam:** Well, in 10 of the 11, there was transportation paid for one way and in the other it was paid for both –

**Mr. Palmer:** Those were –

**Jane MacAdam:** – going and returning –

**Mr. Palmer:** – subsidized residents?

**Jane MacAdam:** Yes.

**Mr. Palmer:** The 11 that you looked at.

**Jane MacAdam:** Yes.

**Mr. Palmer:** It seems to be a pretty high error rate –

**Ms. Compton:** I can speak to that.

**Mr. Palmer:** Okay.

**Ms. Compton:** Sorry.

**Chair:** Darlene, go ahead.

**Ms. Compton:** If you don't mind. I can speak to that. Depending on whether the resident is coming from a hospital and was transferred to a different facility, but that's the not the facility they want to be in, they would cover to the first facility, but maybe not to where they want to be.

You need help getting from the Charlottetown hospital to Tyne Valley, or wherever we're going to send them –

**Mr. Palmer:** Right, okay.

**Ms. Compton:** – or to Beach Grove, but they really want to be at the Riverview Manor. So, they would pay to go to Beach Grove –

**Mr. Palmer:** Health PEI?

**Ms. Compton:** Health PEI would pay to go to Beach Grove, but not necessarily pay for them to go to –

**Chair:** Riverview Manor.

**Ms. Compton:** Riverview Manor because that's their choice.

**Mr. Palmer:** The policy states: The cost of transportation by ambulance, doesn't say where you're going, is covered.

**Ms. Compton:** Yeah.

**Mr. Palmer:** The policy, 10 out of 11 times is not being followed by Health PEI. Is that –

**Ms. Compton:** There would be a lot, not a lot, but there are definitely cases, because when you're going to be going into a nursing facility, you have three choices right? One, two, three, so you might not get your first choice to begin with.

**Mr. Palmer:** So, if I don't get into choice number one, I get into choice number two, and when number one opens that's my problem to get there?

**Ms. Compton:** It could be.

**Mr. Palmer:** The policy says: If I'm a subsidized resident the cost of transportation by ambulance, or specialized transportation required for health treatment –

**Mr. R. Brown:** Treatment, yeah, you're coming back (Indistinct)

**Mr. Palmer:** – or diagnostic purposes is covered.

**Ms. Compton:** It's just one of – I can just speak to you, that was one of –

**Mr. Palmer:** Right.

**Ms. Compton:** – the discussions we had on a regular basis.

**Mr. Palmer:** The implementation of that policy has a subsection to it that is not written or certainly isn't here.

**Ms. Compton:** That would be my interpretation. Whether that's what you found out or not, I don't know. There are so many different specifics on each resident.

**Mr. R. Brown:** Yeah, (Indistinct) if they're going to get an eye treatment or something, and they have got to go someplace and they have got to take it out of their comfort allowance to get back, which, the comfort allowance is only \$100 a month. We have to understand that. I know it has gone up in the last couple of years, and I appreciate that and the people that – I have a couple of places in my district and a lot of them are subsidized. They are quite happy with the increased funding that has gone to them. Twenty dollars, now, it's up to \$140, which is significant. It hasn't been increased in a number of years.

If now they're required to – if they have to go down and get something at Murphy's Pharmacy or – a pressure test or something and they have to find their way back. That's unacceptable to me.

**Chair:** Bush Dumville is on my next list here.

**Mr. Dumville:** I'm just following up on this, and maybe Darlene can answer this.

In regards to a definition –

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

**Mr. R. Brown:** You can go sit down now with Jane, Darlene.

**Mr. Dumville:** – I'm sorry about this, but maybe this kind of goes to the policy instead of audit.

The definition of subsidized residents, is it different with community care and nursing care? I have gone through this with community care where my mother was falling and breaking her hip and stuff. The ambulance came and took her off.

I can't remember if we paid for the ambulance or not, but then we always

brought her back to the resident. I can't remember her going on nursing care, but I guess I'm just wondering, subsidized residents, if the family, in community care, use up the assets of the resident first, and then the family kicks in and keeps them in community care, but in nursing care the government pretty well does it all.

Is there any difference in terms of this here, this ambulance in regards to community care and nursing care?

**Ms. Compton:** As far as transportation?

**Mr. Dumville:** Yes.

**Jane MacAdam:** We didn't look at community care, so I'm really not sure if it would be the same.

**Ms. Compton:** There is a difference. As someone in community care, you are expected to exhaust all of your assets before social services will kick in and support you, right?

Then, when they do support you when you have a trip that you have to make, then that bill has to go to social services, basically, rather than Health PEI –

**Mr. Dumville:** Or the family.

**Ms. Compton:** Or the family, yeah.

There are different – there is always the one-off case where there might be something out of the ordinary that would change that. The big difference with community care and nursing care is, nursing care, they just look at your income, they don't touch your assets. With community care you have to exhaust all of your assets before you're going to be covered through the province through social services.

**Mr. Dumville:** I understand that. Been through it.

**Ms. Compton:** Yeah.

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

**Ms. Compton:** Yeah.

**Chair:** All right –

**Mr. R. Brown:** And Darlene.

**Chair:** – Chris Palmer is next.

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

I wanted to follow up on that same line. When we talked about health – your recommendation, Jane, is, "Health PEI should pay transportation expenses for subsidized residents in accordance with the policy."

Can you give us an update on where that recommendation is?

**Mr. R. Brown:** Ninety-five.

**Jane MacAdam:** Management advised that it was implemented.

**Mr. R. Brown:** I want that verified.

**Mr. Palmer:** As part of your audit in future years, you'll verify that management – that very well could have been a policy, unwritten sub-policy, but you made a recommendation, they're saying that they implemented –

**Jane MacAdam:** (Indistinct)

**Mr. Palmer:** – but we will see that – what would your guess be? When would you audit that part? Is that in next year's audit –

**Jane MacAdam:** That would be –

**Mr. Palmer:** – that we would see?

**Jane MacAdam:** – in 2019.

**Mr. Palmer:** I think I understand here, you made a recommendation. Management said they did it.

**Jane MacAdam:** Yes.

**Mr. Palmer:** That's been implemented.

**Jane MacAdam:** Yeah.

**Mr. Palmer:** Thank you.

**Chair:** Jane.

**Jane MacAdam:** The next area.

We noted that trust accounts are not regularly reviewed: Comfort allowances are claimed for each subsidized resident in accordance with the *Long-Term Care Subsidization Act Regulations*. For our scope period this amount was \$103 per month. It's to be used for the personal use, comfort and recreation of the resident.

Health PEI policy requires that all disbursements from a resident's comfort allowance trust account be documented in a manner, which would satisfy the requirements of an audit.

The regulations authorize Health PEI to review the trust accounts, but does not require that these reviews be done. We noted that trust accounts of residents in private nursing homes are not reviewed. We were advised trust accounts are only reviewed when complaints are received, but there was no documentation available to indicate that such reviews had been completed.

Without periodic review of trust accounts, Health PEI does not have assurance that the trust accounts of residents are accurate and being used for the purpose intended.

We had a recommendation at 4.39 that Health PEI should periodically review the trust accounts of subsidized residents at private nursing homes and maintain adequate documentation to support their review.

**Chair:** Any questions on those recommendations?

**Mr. R. Brown:** Yeah.

**Chair:** Mr. Brown.

**Mr. R. Brown:** Thank you.

This is the benefit, I guess, of having a good Auditor General to look into the most vulnerable on Prince Edward Island here to make sure that the rules are being followed here.

**Chair:** Did she move to your district?

**Mr. R. Brown:** No. I don't know (Indistinct) – No, I have a number of nursing homes in my district and the comfort allowance has always been an issue with me.

I wanted to ensure that \$100 a month that the resident does get.

We have to understand these are residents with no money. All of their money goes to the cost of staying there. The hundred bucks a month is for everything else and I want to make sure that that \$100 or 140 now is being used by the resident for their concerns.

I'm not saying anything about the nursing homes. I just want to make sure that that money is going to the resident and it's not being diverted, saying: Oh, well, we gave you this or gave you that.

This should be done in the public ones also because there is a substantial amount of people on that: The comfort allowance in each nursing home is to be reviewed annually. Reviews are to be conducted by a long-term care subsidization manager. Reviews will be documented in the private nursing homes financial claims archives.

I'd like the committee to probably follow up on that one, especially make sure that the manager – seeing that that one's being done. I'd like a report from that manager saying how his review has gone in the last year.

Thank you.

**Chair:** I'll ask the clerk to note that.

Mr. Dumville, I think you were next.

**Mr. Dumville:** It's just a quickie that goes along with Mr. Brown's comment: If the \$100 a month or 140, whatever it is, they use \$50 that month, does that account build? And are we ensuring that all the money is there? Like, in other words, does it build up?

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

**Jane MacAdam:** If it's not – it should build. If there's no –

**Mr. Dumville:** Okay.

**Jane MacAdam:** – disbursements for the revenue.

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

**Chair:** Okay. Darlene?

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

The trust accounts; it's sometimes very difficult to ensure that the money is going where it should go, because a lot of times if you have a family member who has power of attorney or control over that resident, they come in and say: I'm going to buy Jane a new blouse. We always want to see that there's a receipt. You know: I just spent \$20 for gas to take them to wherever.

We always try and get a receipt, but sometimes it's difficult because if they have power over that person, they basically can take that money. It's very hard for the facility to say: No, you can't have it.

**Mr. R. Brown:** Yeah. (Indistinct)

**Ms. Compton:** I have done that personally and it's very difficult to do, but I think it comes back to does that go to the public trustee office and – you know, protecting vulnerable Islanders, how can we ensure that that is happening and there is a receipt for everything and is that receipt actually what was purchased and used for that resident?

It is very difficult monitor that in some ways, but that is all the money they have. So if they want their hair done or a pack of cigarettes or whatever, that's all they have. I don't know if that's something that you looked at as far as your scope on how we can ensure that the vulnerable Islanders that we're talking about there, that their comfort allowance is going where it should go.

Through no fault of the facility – I think we all really work hard to make sure that it does, but sometimes you think: Hmm, not sure that that's where the money's actually going. But you can't prove it, really.

**Mr. R. Brown:** And I'm not (Indistinct). If the resident comes down and the facility has the comfort allowance in a trust account and they want \$20, they get the \$20. I'm not questioning that. I'm not saying that you go to the resident and say: Well, I don't think you're spending that \$20 appropriately. No, that's their money and –

**Ms. Compton:** And –

**Mr. R. Brown:** I've been around a long time, and this comfort allowance has always

been a thorn in my side, that that's all they have a month: \$100, 140 now.

**Ms. Compton:** And sometimes there's a family member that comes in and then they have the resident come into the office saying: Oh, I need my comfort allowance –

**Mr. R. Brown:** Yeah.

**Ms. Compton:** – to give so and so –

**Mr. R. Brown:** Yeah.

**Ms. Compton:** – and you know –

**Mr. R. Brown:** Yeah, I know.

**Ms. Compton:** – and there's really nothing you can (Indistinct) –

**Mr. R. Brown:** No, I understand.

**Ms. Compton:** But I understand where you're coming from, Richard, because it was always concerning to me, because that's the only money they have.

**Mr. R. Brown:** Yeah.

**Chair:** A quick question: I just want to poll the committee members here. How many members of this committee are also on the standing committee on health?

**Mr. R. Brown:** Yeah.

**Chair:** Okay, well, there are several of us. I'd like to make a proposal as well – because public accounts still has a considerable amount of work to do – but I'd like to make a proposal, or not necessarily a motion, that the health committee perhaps ask –

**Mr. R. Brown:** Yeah.

**Chair:** – and do some work on this and –

**Mr. R. Brown:** For them to come in, yeah, okay.

**Chair:** – and get some authority in to give us a briefing on how some of these things are –

**Mr. R. Brown:** Sure.

**Chair:** – structured, how the policies are set up. Because I'll be honest with you; my mother is in a facility. I know that there's a comfort allowance. I don't know if it was \$10 a month or what it was. We pay ourselves for what she needs and I'm power of attorney. I didn't know there was a trust account, so I want to find more about this, too.

**Mr. R. Brown:** Yeah, no, the only ones that get the \$100 a month are the ones that have no other money.

**Chair:** Right, yes.

**Mr. R. Brown:** And the family's not contributing to anything.

**Chair:** Yeah.

**Mr. R. Brown:** They're alone in the facility. It could be alone.

**Ms. Compton:** There would be very few, Richard, that wouldn't get a trust account, even if they're paying.

**Mr. R. Brown:** Oh, is that right? Okay.

**Ms. Compton:** Even if they're paying their way, they still do get a trust account.

**Chair:** Yeah.

**Ms. Compton:** There'd be very few that wouldn't.

**Mr. R. Brown:** So if you were making \$100,000 a year – no, but you wouldn't be subsidized then.

**Ms. Compton:** Depends on the income. I'm sure there's a certain threshold –

**Mr. R. Brown:** Well, that's good. The chairman has indicated a good route to go.

**Chair:** So perhaps as Chair –

**Mr. R. Brown:** Thanks, Jane.

**Chair:** – of Public Accounts I can write to the –

**Mr. R. Brown:** Good job.

**Chair:** – chair of the health committee requesting this.

**Mr. R. Brown:** Yeah.

**Chair:** Even though I have a request in already for May 19<sup>th</sup> and I still have yet to hear back from the chair of the standing committee on health, but that's for another day. Okay.

Jane, back to you.

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

**Mr. R. Brown:** No, I'm not chairman of health.

**Jane MacAdam:** We noted that long-term care residents met the eligibility requirements and were approved by Health PEI for nursing home care. We also noted that not all required income documentation was on file.

So when applying for financial assistance, the *Long-Term Care Subsidization Act* regulations require an applicant to provide a copy of his or her income tax and benefit return, as well as a copy of the notice of assessment for the previous taxation year.

If the applicant's income is less than the cost of care, he or she will apply all income toward the accommodation fee and receive a subsidy for any shortfall. Subsidy amounts for each eligible resident are paid directly to a nursing home.

We found that for all our sample items, the financial need was correctly calculated based on the resident's expenses and income documentation on file; however, we were not able to review adequate documentation to indicate that staff obtained the required CRA documents for the majority of our sample items.

We were informed that effective – that since April 2014, the long-term care subsidization program has been part of an agreement whereby CRA, with written consent of the taxpayer, will electronically provide income information to Health PEI for purposes of determining eligibility for the program.

We were advised that due to this access, as well as data storage limitations within the

system, staff were not maintaining copies of both the income tax and benefit return as well as the notice of assessment. Where these were not on file, there was no other documentation to support that staff had reviewed the required documents.

We're saying even if they're not on file, there should be something on file to indicate that the staff had looked at those documents to check the income because it is a requirement of the regulations. So we made a recommendation that: "Health PEI should maintain adequate documentation to support that each applicant's income was verified in accordance with the *Long-Term Care Subsidization Act* Regulations."

**An Hon. Member:** That's a good recommendation.

**Chair:** Are there any questions on that recommendation?

**Jane MacAdam:** We noted that annual reviews were not always completed. Based on the regulations again, a resident's financial information is to be reviewed at least annually. Nine of the 30 applications in our sample had been receiving the subsidy for over a year at the time of our work, and we expected an annual review. We found that of the nine residents who were due for an annual review, only two had been completed.

Health PEI advised that they strive to annually review the files with the most complicated income calculations. So we had a recommendation that they conduct annual file reviews on all subsidized residents to comply with the *Long-Term Care Subsidization Act* regulations. So these are all compliance-related recommendations.

Another issue was that case audits are not regularly conducted or documented. Again, the regulations require that case audits are to be conducted on a random or continuing basis, and that a report be provided to the minister on the conduct and results of these case audits.

Health PEI did not have a formal policy on the scope or conduct of these audits. There was no indication in the files in our sample that a case audit had been conducted on any of the files. We were advised that these case

audits were occasionally conducted by Health PEI but there were no records maintained to document either the work completed or the results. Due to this limitation, we could not conclude if the reviews were conducted.

Again we had a recommendation, that they "...should conduct, document, and report on case audits in accordance with the...Regulations."

The next finding was on monitoring and reporting. We noted that external reporting is not in accordance with the legislation. The act requires an annual report on the administration of the program to be submitted to the Legislative Assembly. Health PEI presents an annual report on its activities during the year, but it does not provide specific information to the long-term care subsidization program.

We noted the last annual report, tabled in the Legislative Assembly specifically, for the long-term care subsidization program was in April 2012 for the 2011-2012 fiscal year. That report contained an overview of the program, its mandate and statistics – including the number of applicants to the program, the number of residents in the program, and the subsidies paid during the year.

So, we made a recommendation in paragraph 4.59 that Health PEI should report annually on the administration of the Long-Term Care Subsidization Program in accordance with the *Long-Term Care Subsidization Act*.

**Chair:** Jane, a question from me on that. Again, I think that's a great recommendation because they should be reporting, but were you given any information back as to why they were not reporting?

**Jane MacAdam:** Not specifically. They do prepare – Health PEI does prepare an annual report, they just don't include all the information on the subsidization program that's required under the act.

**Chair:** Peter Bevan-Baker.

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

Jane, I think this section of your report illustrates one of many challenges that the province will face as the demographic shift that we're experiencing arrives. I have a couple of questions on that, and certainly an annual report would be a useful – I may not need to ask these questions if I had an annual report to refer to.

You mention at the very beginning of this section that the increase in costs – the 41% over three years – is related to two things: the number of people in care and the cost for each of those individuals. If I do the math on the – 48% of 1,100 or so patients are in private care, that's about 500-550 people. So, the 55 extra that we see there is a 10% increase.

Am I right in thinking that the other 31% of the increase in costs is related to costs per person? My math may be a little bit off there, but the point I'm trying to make here is it seems to me that the vast – the reason for the increase in costs is likely mostly per person, rather than the number of people in the facilities.

**Jane MacAdam:** We do have some information on the per diem rates. It's in paragraph – so the daily health care rate during our scope period was \$91.99 from April 1<sup>st</sup> to September 30<sup>th</sup>, 2014 and then it went to \$93.37 from October 1<sup>st</sup>, 2014 to March 31<sup>st</sup>, 2015.

So, it did change during the scope period – the health care cost portion – from \$91.99 to \$93.37. The daily accommodation rate was the same during your entire scope period – it was \$80.73.

**Chair:** Peter?

**Dr. Bevan-Baker:** Jane, do you have any sense as to whether that increase in number of people – again, 10% over three years in the private facilities – if that's mirrored in the public facilities here or do you not look into that at all?

**Barbara Waite:** (Indistinct)

**Jane MacAdam:** I think it's probably more private than it is public, but we didn't do a lot of analysis on that.

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

**Chair:** Okay, Peter.

**Dr. Bevan-Baker:** If you break down the health care costs – which, of course, are the lion's share of the costs for all of the residents in these nursing care homes – it comes out at over \$30,000 per person, per year. I know we've spoken a lot about the comfort allowance, but just for a bit of comparison, that represents 3-4% of the health care cost per person.

My question is this: We know that there are beds – nursing care beds – sitting empty in facilities. We know that there are beds in hospitals which are being occupied by people who could be moved to those beds and this is an administration policy question, but with health care costs that high, I'm wondering whether – as far as you're aware – is there a quota on the number of nursing care beds in the province and is that – are there geographic limitations to that quota? You may not know the answer to that; I'm just – for my own interest.

**Jane MacAdam:** I'm not sure if there is a quota.

**Dr. Bevan-Baker:** And the other – and this is a comment, Chair – if we've had a 41% increase in the last three years, we know where the demographic trends are going. We sort of have to ask ourselves what lies ahead here for health care costs related to long-term care in the province. It's a rather scary picture and I hope that government looks into alternative ways of spending money – in a way that we – of course we have to look after these people. No question about that, but are there other ways? Aging in place and there are community supports – nursing care at home – whether we can get, again, better value for money out of doing that.

Thank you, Chair.

**Chair:** Chris Palmer.

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

This is more of a general comment for our committee and I know you've heard me say this before that we are a forward-looking committee and the AG looks at the business unit – that's what this report is. Luckily enough, as Richard had stated before, we

have a terrific AG who will go in, look at the business unit, find efficiencies, and make recommendations, and bring them back to us.

So for the last hour and a half, we've been going through a list of deficiencies and the one that I'll use as an example, the 11 different folks that were driven one way and not back and they weren't subsidized – that we sit here and go: That is terrible. The AG has made her recommendations: Do it different. The management has accepted those recommendations and said: Yeah, we'll do it different.

So why are we talking about that? Shouldn't we be spending our time talking about things that the Auditor General recommends that management don't or won't implement? Isn't that a better use of our time? Because I know we're all looking at 11 people who were driven one way and it's terrible, but it's – management says it's fixed. Do we need to spend our time on that?

Now having said that, the Auditor General is also going to go back and verify what management has said and then those could be – then let's assume worst case, management says they did it, the Auditor General goes back and they didn't do it. Well, those are things we need to be talking about. That's where we need to be spending our time.

As a forward-looking committee, I would suggest where probably a better use of our time would be to look at issues that management either didn't implement and said they did, or have rejected for whatever reason and then we can learn from that. We should dig into those ones a little bit more, other than me, really, inside my head really not understanding how could 10 of those people have to get home by themselves and with money they don't have when I read the next paragraph and it says: Management says it's fixed.

Really, as a committee, shouldn't we be trying to fix the problems and make recommendations based on the problems as opposed to hearing about a list; and it's great work, but, hearing about a list of problems that have already been identified and implemented. I just think there's a better use of our time and I'd look for comments from

others around the table here to see what they think.

**Chair:** Peter.

**Dr. Bevan-Baker:** Oh, I'd just like to point out the irony that I don't think anybody else mentioned that we just spent five minutes of committee time talking about something that you wish we didn't talk about.

**Chair:** Thank you.

Yeah, Richard –

**Mr. Palmer:** So, is that a productive part of that conversation?

**Chair:** Sorry, Chris. Richard wanted to make a comment.

**Mr. R. Brown:** I guess we've been so long on the 2016 report, we've got the 2017 report that has implementations to the recommendations of what was done, and it says: A review has begun as of November 2016. Comfort accounts in each nursing home are to be reviewed. Annual reviews are to be conducted by the long-term care subsidization manager. Reviews will be documented in the private nursing home financial claims archives; and it says: Implemented.

That's what the department has said to her. I want to make sure it's being done. That's all. I want to make sure of it, because \$100 a month; I go back to it 100 times. I've been on this since I got elected. It's a minimum amount of money and I want to make sure that – if one of these things are going to be verified, that's the one I'd want verified as quick as possible.

**Mr. Palmer:** I would suggest they're all verified.

**Chair:** Thank you.

I guess, Mr. Palmer, I don't think it's fair to say that they're all verified. If you start looking at the next chapter, update on previous recommendations, quite often, you'll see recommendations that the Auditor General has made and implemented; outstanding, implemented, outstanding.

For example, if you get to page, I think it's – where is it here? Page 69, there's – out of one, two, three, four, five, six, seven, eight, nine recommendations on that page alone. There are one, two, three, four, five, so over 50% of the recommendations on that page alone, they're still outstanding –

**Mr. Palmer:** (Indistinct)

**Chair:** We are an oversight committee so it's incumbent upon us as the Public Accounts committee to look at the work of the Auditor General, to listen to her, and listen to her concerns, and to address the recommendations. It's our responsibility to ensure that government and the departments are doing what the Auditor General has said.

Now, there is great discussion and there is education process for all of us around this table at every meeting. That's one of the reasons why, today, I made the recommendation, or the suggestion, that we take some of this and take it from Public Accounts to the standing committee on health so that the health committee then can delve into this deeper so that we can continue to do our oversight work.

**Mr. Palmer:** Right.

**Chair:** But to say that we don't need to meet with the Auditor General anymore. We just need to sit down and read this and not review it with her because, you know what? The sun is shining and everything is great. She made recommendations. Management says they've accepted the recommendations so face value, let's move on.

That's not what Public Accounts is to do –

**Mr. Palmer:** Correct, Chair.

**Chair:** – we are an oversight committee.

**Mr. Palmer:** I agree with that.

My point is because the Auditor General will go back and verify that those pieces that management said were implemented were, in fact, implemented. And if they weren't, that's where we – that 50% that you're talking about, that's where we should be spending our time.

**Mr. R. Brown:** Yeah.

**Mr. Palmer:** Not our 50% of the other to say: Hey, we see a deficiency; the Auditor General has identified for it, which is terrific. We've implemented the Auditor General in the next review; verifies that it was implemented. Do we need to talk about that? Or is it those 50%, really, that weren't implemented that, either they said they were or management decided they shouldn't be. That's where we should be spending our time on those pieces would be my recommendation.

I do think it's important enough, Peter, for me to spend five minutes to talk about that, as opposed to just trying to blow it off and say that everything that says it's being implemented is because it's – some of it might not be. I think that's where we need to spend our time and our resources to make sure that none of those pieces fall through the cracks. So, to build upon the good work of the Auditor General, I think, is where we need to go.

**Mr. R. Brown:** Mr. Chair.

**Chair:** Richard.

**Mr. R. Brown:** Thanks.

I stand to be corrected, Jane. I've been around a long time. Originally, we used to get these reports and it would say, the department accepts the recommendations and that was the end of it. I know, I guess, it's your staff and your implementation went back and started auditing to make sure implement – before you it wasn't done. I'm almost sure –

**Jane MacAdam:** (Indistinct)

**Mr. R. Brown:** Yeah, so I have to commend the Auditor General for this because in the past there was: Yeah, we accept the report. And it was over.

Now, at least, this Auditor General, and I commend her for it because I've been through some of her audits. The most important ones, I think, are; you said you implemented it, I want proof that you did implement it. I got to commend you for that, your work in that area because, I think, that is the most important thing of all that is

being done. What we said we're doing is being done.

**Mr. Palmer:** Yes.

**Mr. R. Brown:** You're auditing that now and I commend you for that. The ones that shouldn't maybe you should write a –

**Chair:** Richard, I'll add to that, as well –

**Mr. R. Brown:** Yeah.

**Chair:** – and not to take anything away from the Auditor General, but –

**Mr. R. Brown:** And the committee, yeah.

**Chair:** – and Mr. Palmer, to you, it's – I know you're newer around the table, but just a couple of years ago we were having this exact conversation with the Auditor General: What is one of your biggest challenges? We were told: My inability because of my lack of resources to go back and follow up on my previous recommendations.

This committee, one of the recommendations we put forward – and it was unanimous around this table – was to get more financial – basically, to increase the AG's office's budget so that she could have more staff so that it would give them the ability to go back and check on some of these.

If we weren't meeting with the Auditor General; we weren't having this discussion and learning more about the inner workings that may not have happened.

**Mr. Palmer:** Chair, I think, maybe, I wasn't clear. I'm not suggesting that we don't have these meetings, but we focus on the pieces that are still outstanding, as opposed to the fully adopted verified by the Auditor General.

Those ones, she has dealt with. It's the other ones that maybe we need to exert a little bit more pressure on, or whatever it is that we can do as an important committee, to deal with those outstanding pieces.

Certainly, Chair, I apologize if you think that I'm saying that we shouldn't be meeting at all. We should be meeting and we should

be spending our efforts to assist the Auditor General on the continual outstanding pieces.

If the Auditor General makes a recommendation and management says they have adopted it and they haven't, when she goes back to do her next audit, that's where we need to be spending our time.

We need to make sure that that is happening. Or, other ones that the Auditor General would say: Here is a recommendation and management says: No, we're not doing it –

**Mr. R. Brown:** Yeah, I agree there.

**Mr. Palmer:** – that's where we need to be spending our time, I would suggest.

**Mr. R. Brown:** Good.

**Chair:** I don't disagree with some of your statements, but, at the same time, too, I firmly believe that through our discussions with the Auditor General that we continually learn more about how these departments are functioning and maybe where some of the deficiencies are so that we can assist the Auditor General in moving forward.

It's one of my continuing frustrations as chair of this committee that, every year when we receive the AG's report, the annual report, a letter is written by the Clerk, signed by myself and the vice-chair to the minister of the individual departments that were audited asking for their management plan in how they're going to address the recommendations.

When I first became chair, I would get a two sentence note back saying: Yeah, we think the recommendations are great and we're going to adhere to them. I'm sorry, but as chair of Public Accounts I want to know exactly how you're going to implement these recommendations and what work you're doing to move forward.

I don't want to just have a pat on the head and say: Oh, Mr. Chair, don't worry about it, everything is fine, go back to sleep. That's not what this committee is all about.

**Mr. Palmer:** Agreed.

**Chair:** Thank you.

Are there any further questions on this section?

In the interest of time, I know I have an appointment fairly soon. Jane, did you want to give us an overview of the previous recommendations, or would you prefer to – probably we should look at rescheduling to have to you come back in.

As Mr. Palmer alluded to we need to spend a considerable amount of time on the outstanding recommendations and why they haven't been addressed as of yet.

**Jane MacAdam:** If you want to reschedule, that's fine.

**Chair:** Not reschedule, but schedule another meeting. I know I sent out a couple of dates. One, today was acceptable to everyone. June 28<sup>th</sup>, I had also put that date out and unfortunately, it wasn't available.

Perhaps, I'll ask the Clerk to check with the Auditor General and with the committee members to see when the next closest date would be for this committee to reconvene and to complete this 2016, so we can move on to 2017.

Again, thank you very much for your time today. I appreciate you coming in.

Are there any motions from any committee members that you wanted to put forward.

**Mr. R. Brown:** (Indistinct) health committee –

**Chair:** Yeah, okay.

Number five is ticked off because we're going to send out a note about our poll with regards to committee scheduling.

Any new business?

Seeing as there is no new business, I'll call for adjournment.

**Mr. Dumville:** (Indistinct)

Thank you, Mr. Dumville.

The Committee adjourned