



AUDITOR GENERAL

Prince Edward Island

Annual Report to the Legislative Assembly
2021



Prince Edward Island

Office of the
Auditor General

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

In accordance with the requirements of the *Audit Act*, I have the honour of presenting
my 2021 Annual Report to the Legislative Assembly.

Respectfully submitted,

Darren Noonan, CPA, CA
Auditor General

Charlottetown
Prince Edward Island
March 8, 2021

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INTRODUCTION

REPORT OVERVIEW

The *Audit Act* requires the Auditor General to report annually to the Legislative Assembly.

This 2021 Annual Report provides findings, recommendations, and information in accordance with section 16 of the *Audit Act*. It also includes information pertaining to performance audits and special investigations, and previous recommendations completed by our Office during the year.

Following is a brief overview of my 2021 Annual Report:

Chapter 1: Office of the Auditor General

This chapter includes information on the mandate and responsibilities of the Auditor General. Summary information is also presented on our assurance engagements, Office resources, professional standards and professional affiliations.

Chapter 2: Public Accounts Committee

The Public Accounts Committee plays an important role in holding government accountable for the management of public resources. A primary focus of the Committee is the review of the Auditor General's Annual Report to the Legislative Assembly, and following up with Crown corporations, agencies, funds and departments on recommendations included in the report. This chapter includes summary information on the Committee and its interactions with our Office.

Chapter 3: Introduction to Performance Audits and Examinations

This chapter provides information on the mandate and processes for conducting performance audits and examinations.

Chapter 4: Prince Edward Island International Student Program

This chapter includes findings and recommendations on the delivery of the Prince Edward Island International Student Program. We outline our findings and make a number of recommendations.

Introduction

Chapter 5: Crown Corporations Governance Survey

This chapter reports on a survey sent to a number of board of directors of different Crown corporations and agencies to gather information around governance. We provide summary comments and recommendations resulting from the survey.

Chapter 6: Report in Accordance with Climate Leadership Act

The Auditor General reports annually to the Legislative Assembly the amount of the levy collected under this Act and the amounts returned to consumers, businesses and municipalities.

Chapter 7: Report in Accordance with Government Advertising Standards Act

The Auditor General reports annually to the Speaker of the Legislative Assembly about those matters the Auditor General considers appropriate relating to his or her powers and duties under this act.

Chapter 8: Update on COVID-19 Special Examination

This chapter provides an update on the status of our Office's COVID-19 special examination.

Chapter 9: Follow-up on Performance Audits 2017 and 2018

Our performance audits result in recommendations to various departments, Crown corporations, and agencies. This chapter includes information on the status of implementation of recommendations reported in our 2017 and 2018 annual reports.

Chapter 10: Follow-up with Treasury Board

In March 2019, Treasury Board informed all departments of the requirement to report quarterly on the status of the implementation of the recommendations of the Auditor General. This chapter includes information on the review of this reporting requirement.

Chapter 11: Introduction to Financial Audits

This chapter provides introductory comments to summarize standards and Office responsibilities related to financial audits.

Introduction

Chapter 12: Indicators of Financial Condition

This chapter provides summary financial information on the Province's operating results and financial position from 2016 to 2020. Information is also provided on a number of financial indicators, based primarily on the Province's audited consolidated financial statements.

Chapter 13: Audit of the Consolidated Financial Statements

Each year, we audit the Province's consolidated financial statements. This chapter provides summary comments, findings and recommendations from our March 31, 2020 audit.

Chapter 14: Issues Noted in Other Financial Audits

This chapter provides a summary of issues communicated to management as a result of our financial audits of government organizations, government business enterprises and trust funds.

Chapter 15: Appropriations and Special Warrants

This chapter provides summary information on appropriations and special warrants for the year ended March 31, 2020.

SUMMARY COMMENTS

The Office of the Auditor General of Prince Edward has a long history of serving Islanders. We conduct independent audits and examinations that provide objective information, advice and assurance to the Legislative Assembly. We promote accountability and best practices in government operations.

The Office serves Members of the Legislative Assembly with integrity and independence, which is the foundation of our work. We strive to make a positive difference for Islanders.

On May 26, 2020, the Members of the Legislative Assembly unanimously approved my appointment as Auditor General of Prince Edward Island. It is an honour and a privilege to serve as Auditor General for the people of Prince Edward Island.

Introduction

I would like to thank the departments and government organizations that assisted us in completing our audits this year. We continue to encourage senior government officials to implement our recommendations, which are important for improving the efficiency and effectiveness of government.

Lastly, I would like to thank the staff of the Office of the Auditor General of Prince Edward Island for welcoming me with such great support and enthusiasm.

INTRODUCTION

APERÇU DU RAPPORT

L'*Audit Act* (loi sur la vérification des comptes publics) stipule que le vérificateur général doit déposer un rapport devant l'Assemblée législative tous les ans.

Le présent rapport de 2021 fournit conclusions, recommandations et renseignements conformément à l'article 16 de l'*Audit Act*. Cela inclut aussi l'information concernant les vérifications de gestion et les enquêtes spéciales ainsi que les recommandations effectuées par notre Bureau au cours de l'année.

Voici un aperçu du contenu du rapport annuel de 2021.

Chapitre 1 : Bureau du vérificateur général

Ce chapitre comprend des renseignements sur le mandat et les responsabilités du vérificateur général. De l'information sommaire est également fournie sur les missions de certification, les normes et affiliations professionnelles et les ressources du Bureau.

Chapitre 2 : Comité des comptes publics

Le Comité des comptes publics joue un rôle important en rendant le gouvernement responsable de la gestion des ressources publiques. L'une des tâches principales du Comité est d'examiner le rapport annuel du vérificateur général pour l'Assemblée législative et de faire le suivi avec les sociétés de la Couronne, les organismes, les fonds et les ministères sur les recommandations incluses dans le rapport. Des renseignements sommaires sur le Comité et ses interactions avec le Bureau sont fournis dans ce chapitre.

Chapitre 3 : Introduction aux vérifications et aux examens de gestion

Ce chapitre offre des renseignements sur le mandat et les processus liés à la réalisation des vérifications et des examens de gestion.

Introduction

Chapitre 4 : Programme des élèves internationaux de l'Île-du-Prince-Édouard

Ce chapitre présente les conclusions et les recommandations concernant la prestation du Programme des élèves internationaux de l'Île-du-Prince-Édouard. Nous soulignons nos conclusions et présentons un certain nombre de recommandations.

Chapitre 5 : Sondage sur la gouvernance des sociétés de la Couronne

Ce chapitre rend compte d'un sondage envoyé à un certain nombre de conseils de différents organismes et sociétés de la Couronne pour recueillir de l'information concernant la gouvernance. Nous fournissons des commentaires généraux et des recommandations découlant du sondage.

Chapitre 6 : Rapport conformément à la Climate Leadership Act (loi sur le leadership climatique)

Le vérificateur général doit présenter un rapport annuellement à l'Assemblée législative concernant le montant de prélèvement recueilli en vertu de cette loi et le montant retourné aux consommateurs, aux entreprises et aux municipalités.

Chapitre 7 : Rapport conformément à la Government Advertising Standards Act (loi sur les normes de publicité gouvernementale)

Le vérificateur général doit présenter un rapport annuellement au président de l'Assemblée législative concernant les questions que le vérificateur général considère comme appropriées relativement à ses pouvoirs et tâches en vertu de la loi.

Chapitre 8 : Mise à jour sur l'examen spécial lié à la COVID-19

Ce chapitre fait le point sur le statut de l'examen spécial lié à la COVID-19 réalisé par notre Bureau.

Chapitre 9 : Suivi sur les vérifications de gestion 2017 et 2018

À la suite des vérifications de gestion, des recommandations sont faites à divers ministères, sociétés de la Couronne et organismes. Ce chapitre fournit de l'information sur l'état de la mise en œuvre des recommandations émises dans les rapports annuels de 2017 et de 2018.

Introduction

Chapitre 10 : Suivi auprès du Conseil du Trésor

En mars 2019, le Conseil du Trésor a informé tous les ministères de nouvelles exigences de déclarations trimestrielles pour rendre compte au Conseil du Trésor du statut de la mise en œuvre des recommandations du vérificateur général. Ce chapitre comprend de l'information sur l'examen de cette exigence de rapport.

Chapitre 11 : Introduction aux vérifications financières

Ce chapitre fournit des commentaires d'introduction qui résument les normes et les responsabilités du Bureau quant aux vérifications financières.

Chapitre 12 : Indicateurs de l'état des finances

Ce chapitre fournit de l'information financière sommaire sur les résultats d'exploitation et la situation financière de la Province entre 2016 et 2020. Il fournit également de l'information sur un certain nombre d'indicateurs financiers, tirée principalement des états financiers consolidés vérifiés de la Province.

Chapitre 13 : Vérification des états financiers consolidés

Chaque année, le bureau vérifie les états financiers consolidés de la Province. Ce chapitre présente les commentaires, conclusions et recommandations sommaires découlant de la vérification allant jusqu'au 31 mars 2020.

Chapitre 14 : Questions soulevées dans le cadre d'autres vérifications financières

Ce chapitre présente un résumé des questions portées à l'attention des hauts dirigeants à la suite de vérifications financières auprès d'organisations gouvernementales, d'entreprises publiques et de fonds de fiducie.

Chapitre 15 : Comptes de crédits et mandats spéciaux

Ce chapitre fournit de l'information sommaire sur le compte de crédits et les mandats spéciaux pour l'exercice qui s'est terminé le 31 mars 2020.

COMMENTAIRES SOMMAIRES

Le Bureau du vérificateur général de l'Île-du-Prince-Édouard est au service des Insulaires depuis longtemps. Il s'occupe d'effectuer des

Introduction

vérifications et des études indépendantes qui permettent de donner de l'information, une assurance et des avis objectifs à l'Assemblée législative. Le Bureau promeut ainsi la responsabilisation et les pratiques exemplaires en ce qui concerne les activités du gouvernement.

Le Bureau sert les membres de l'Assemblée législative en faisant preuve d'intégrité et d'indépendance, la nature même de notre travail. Nous visons à générer des retombées positives pour les Insulaires.

Le 26 mai 2020, j'ai été nommé vérificateur général de l'Île-du-Prince-Édouard à l'accord unanime des membres de l'Assemblée législative. C'est un honneur et un privilège pour moi de remplir cette fonction au service des Insulaires.

Je souhaite remercier les ministères et les organisations gouvernementales qui nous ont aidés à effectuer nos vérifications cette année. Nous continuons d'encourager les hauts dirigeants à mettre en œuvre nos recommandations afin d'améliorer l'efficacité du gouvernement.

Pour conclure, j'aimerais remercier le personnel du Bureau du vérificateur général de m'avoir accueilli avec tant de soutien et d'enthousiasme.

OFFICE OF THE AUDITOR GENERAL

1. OFFICE OF THE AUDITOR GENERAL

AUDITOR GENERAL'S MANDATE

1.1 The Auditor General is an independent officer of the Legislative Assembly appointed under the authority of the *Audit Act*. The *Audit Act* establishes the framework for an independent audit office. This independence enables the Office of the Auditor General (the Office) to offer impartial opinions, observations, and recommendations on government operations and management practices.

1.2 The key components of the Office's independence are:

- the authority of the Auditor General to select audits and examinations;
- the right of access to records, information, and individuals necessary to conduct audits and examinations;
- the power to request and receive required information and explanations;
- the requirement to report at least annually to the Legislative Assembly; and
- a Legislative Audit Committee that reviews the Office's budget.

1.3 The *Audit Act* provides the Office with the authority to conduct audits and examinations of provincial departments, Crown corporations, agencies, and funds. Financial audits include the Province's consolidated financial statements, as well as various other financial statement audits. Special audits and examinations conducted by our Office include performance audits, which may sometimes be referred to as value-for-money audits.

1.4 In accordance with the *Audit Act*, the Auditor General reports at least annually to the Legislative Assembly. The annual report

- provides observations, recommendations, and information pertaining to the audits and examinations of government operations conducted by the Office during the year;

1. Office of the Auditor General

- calls attention to anything that the Auditor General considers necessary to be brought to the attention of the Legislative Assembly; and
- includes other specific reporting requirements pursuant to the *Audit Act*.

1.5 By exercising these responsibilities, the Auditor General assists the Legislative Assembly in its responsibility to hold Government accountable for its management of public resources.

1.6 The *Audit Act* was amended in July 2020, which expanded the authority of the Auditor General in conducting audits and examinations, and in reporting to the Legislative Assembly. These amendments include: the Auditor General may now conduct work within organizations outside of government, that have received government funding, and the Office may report to the Legislative Assembly more than once per year. It is anticipated that the frequency of reporting by the Auditor General will increase in the future.

1.7 In 2020, the Office established a Strategic Advisory Committee. The Strategic Advisory Committee will assist with updating the Office's Strategic Plan and choosing potential topic areas for future performance audits, and will serve as a special committee to challenge our report findings before reports are finalized.

AUDITS AND OTHER ASSURANCE ENGAGEMENTS

1.8 Each year, we conduct a variety of audits and examinations, some of which are mandated by legislation, while others are selected at the discretion of the Auditor General.

1.9 The Office annually completes approximately 13 financial audits, including the consolidated financial statements of the Province. On an annual basis, the Office completes a number of performance audits and examinations. Various factors are considered in establishing priorities for performance audits and examinations. In addition, follow-up work is completed on previous audit recommendations. Work plans of the Office can also be impacted by requests from the Legislative Assembly and/or Executive Council.

1. Office of the Auditor General

1.10 The *Climate Leadership Act* and the *Government Advertising Standards Act* require the Auditor General to report annually to the Legislative Assembly on specific matters.

1.11 The Office staff complement consists of three audit directors, sixteen professional auditors and two administrative staff.

1.12 All audit staff in the Office have a professional accounting designation and continue to meet the annual professional development requirements of the Chartered Professional Accountants of Prince Edward Island (CPAPEI). We strive to provide staff with relevant and timely professional development opportunities and training. Individual staff members attend various professional courses, conferences, webinars, and meetings. Staff also participate in various committees of the Canadian Council of Legislative Auditors (CCOLA).

1.13 The Legislative Audit Committee is responsible for administrative oversight of the Office of the Auditor General. This Committee includes the Speaker of the Legislative Assembly (Chairperson), the Leader of the Opposition, and the Minister of Finance. On an annual basis, the Committee reviews the budget estimates submitted by the Auditor General.

PROFESSIONAL STANDARDS

1.14 The Accounting Standards Board and the Auditing and Assurance Standards Board establish the accounting and assurance standards which apply to public sector entities and our work. In conducting our work, we rely on these standards as well as guidance provided by the Chartered Professional Accountants of Canada (CPA Canada) and other authoritative sources.

1.15 For financial audits, the Office is subject to a periodic practice inspection conducted by CPAPEI, which is the regulatory body that provides oversight of the public accounting profession in the province. A practice inspection is designed to protect the public interest by ensuring Office practices meet professional standards. The next practice inspection by CPAPEI is expected in 2021.

1. Office of the Auditor General

1.16 The Office also participates in the CCOLA peer review process for financial statement audits and performance audits and examinations. This peer review process provides additional assurance that the Office is conducting audits in compliance with the applicable standards of CPA Canada. The peer review process also exposes our Office to practices and methodologies of other offices, which assists in improving our professional practices.

1.17 In addition, the Office complies with the Canadian Standard on Quality Control 1 of CPA Canada. This standard requires that internal quality assurance systems be established and maintained. Our quality assurance system is designed to provide us with reasonable assurance that:

- the Office and staff comply with professional standards, regulatory and legal requirements, and internal policies; and
- the reports issued are appropriate in the circumstances.

PROFESSIONAL AFFILIATIONS

1.18 The Office maintains an affiliation with a number of professional organizations to share information, experience, knowledge, and methodology, with a view to contribute to the ongoing development of legislative audit practices and standards. We strive to remain current in audit practices and new developments within the profession.

1.19 Key affiliations include:

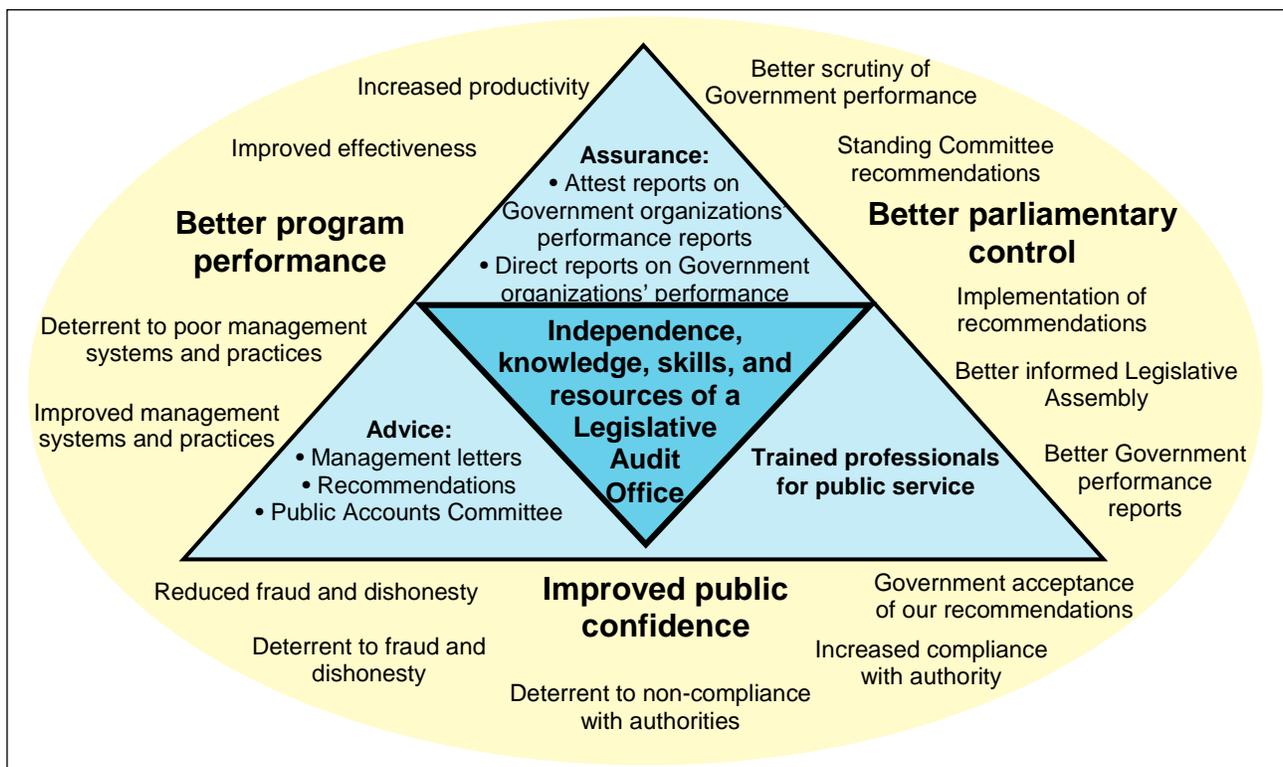
- **Canadian Council of Legislative Auditors (CCOLA)** - The Auditor General is a member of CCOLA. CCOLA brings together legislative auditors of the federal government, the provinces, and the territories. Office staff also serve on various CCOLA committees. CCOLA provides an opportunity for professional development and practice improvement through information exchange, peer reviews, discussion, and sharing of audit methodologies and practices.

1. Office of the Auditor General

- **Canadian Audit and Accountability Foundation (CAAF)** - The Office has been a member and supporter of CAAF since its inception in 1980. CAAF is an organization dedicated to promoting and strengthening public sector performance audit, oversight, and accountability, in Canada and abroad, through research, education, and knowledge sharing.
- **Chartered Professional Accountants of Canada and Chartered Professional Accountants of Prince Edward Island** - The Office maintains an important professional relationship with these organizations. We provide input into the development of accounting and assurance standards and receive information on various topics relevant to the profession.

1.20 Exhibit 1.1 provides a summary of the value and benefits provided by a Legislative Audit Office to the Legislative Assembly and the public.

EXHIBIT 1.1 THE VALUE AND BENEFITS OF A LEGISLATIVE AUDIT OFFICE



Light yellow: Value and benefits of a Legislative Audit Office

Light blue: Key services and products of a Legislative Audit Office

Adapted from a Canadian Legislative Auditors Working Group

PUBLIC ACCOUNTS COMMITTEE

2. PUBLIC ACCOUNTS COMMITTEE

REVIEW OF AUDITOR GENERAL'S REPORTS

2.1 The Standing Committee on Public Accounts (the Committee) is charged with matters concerning the Public Accounts of the Province, the Annual Report and other reports of the Auditor General, and fiscal management. The Committee is dedicated to improving public administration in partnership with the Auditor General. Through its work and reporting to the Legislative Assembly, the Committee contributes to improvements in operations, transparency, and accountability in the province's public sector.

2.2 The Auditor General's Annual Report and other reports to the Legislative Assembly, are referred to the Committee for review and consideration. The Committee may request the Auditor General and other witnesses to appear and answer questions on matters raised in the reports. The Auditor General met with the Committee on several occasions in 2020 to complete the review of the 2020 Annual Report.

2.3 During the year, the Committee has been very active in following up with Crown corporations, agencies, funds and departments, on their progress with the implementation of the recommendations of the Auditor General. This is a critical component of making positive improvements to government operations.

2.4 Representatives from the Canadian Audit and Accountability Foundation provided a workshop to members of the Public Accounts Committee. The workshop discussed the review and interpretation of the annual Public Accounts, in an effort to provide a better understanding of debt management in government.

2.5 The working relationship between the Public Accounts Committee and the Office of the Auditor General has improved significantly over the last couple of years. We would like to thank the Committee for their work.

2. Public Accounts Committee

COMMITTEE REPORTS

2.6 On June 16, 2020, the Committee submitted a report to the Legislative Assembly on its activities. The Committee made a recommendation encouraging audited government entities to implement the recommendations of the Auditor General in a timely manner, and to be dedicated in working toward 100% implementation.

2.7 The Committee reported to the Legislative Assembly again on December 3, 2020, to provide a further update on its activities. The Committee endorsed all of the recommendations and observations made in the 2020 Annual Report of the Auditor General, and expressed concerns over the implementation rates of the recommendations from past annual reports of the Auditor General. The Committee stressed the importance for agencies, boards and Crown corporations to meet their audited financial statement reporting deadlines, and to ensure annual reports are submitted in a timely manner, in accordance with legislative, regulatory or policy deadlines.

PERFORMANCE AUDITS AND EXAMINATIONS

3. INTRODUCTION TO PERFORMANCE AUDITS AND EXAMINATIONS

3.1 The Auditor General has a broad mandate for conducting performance audits and examinations. Section 13(2) of the *Audit Act* states that the Auditor General may conduct any audit or examination considered necessary to determine whether any agency of government is achieving its purpose, is doing so economically and efficiently, and is complying with the applicable statutory provisions. In July 2020, the *Audit Act* was amended by broadening the powers of the Auditor General. The Auditor General may now audit activities of funding recipients, related to the receipt and expenditure of government funding, and the activities of any public contractors that have provided services to or on behalf of government.

3.2 Given the complexity and magnitude of government operations, we cannot examine all government programs on an annual basis. We focus our efforts to make the best use of our resources. To determine our annual work plan, we consider numerous factors including:

- financial magnitude of the entity or program;
- significance of potential issues;
- impact of the subject matter on Islanders;
- complexity of the operations;
- results of previous audits;
- availability of Office resources;
- timing of previous audit work;
- input from our Office’s Strategic Advisory Committee; and
- results from other jurisdictions.

3.3 Under the *Audit Act*, the Auditor General must conduct any audits or examinations requested by Executive Council. In addition, the Office may receive a request from the Public Accounts Committee or the Legislative Audit Committee. These are completed at the discretion of the Auditor General.

3. Introduction to Performance Audits and Examinations

3.4 On April 10, 2020, the Honorable Dennis King requested the Auditor General, under Section 14(d) of the *Audit Act*, to undertake a special assignment to examine Government’s COVID-19 pandemic response. In particular, “a financial examination of the provincial government COVID-19 programming and supports and the special warrants associated with COVID-19 for the period starting March 13, 2020, with a report back to Executive Council no later than August 1, 2021”.

3.5 Due to the special COVID-19 request, the Office of the Auditor General of Prince Edward Island was required to defer two previously scheduled performance audits. The demands that the COVID-19 special examination placed on our staff resources, resulted in this annual report only including chapters for a performance audit completed for the Prince Edward Island International Student Program and for a survey related to governance sent to a number of Crown corporations. Previously scheduled performance audits related to Crown Lands and Property Tax Arrears will be reported on in the future.

3.6 Performance audits are objective assessments that assist in determining how well government is fulfilling its responsibilities. These audits provide reasonable assurance and are planned, performed, and reported, in accordance with the Canadian Standards on Assurance Engagements (CSAE) 3001 for direct engagements. In performing these audits, the Office complies with independence and other ethical requirements of the Chartered Professional Accountants of Prince Edward Island Rules of Professional Conduct, and the Code of Conduct of the Office of the Auditor General.

3.7 These audits assess the broad practices affecting an organization or program, and may examine topics such as accountability relationships, economy, efficiency, compliance with legislation, and procedures to measure effectiveness. There are three distinct phases in conducting performance audits: planning, implementation, and reporting.

3.8 In the planning phase, audit staff obtain a thorough knowledge of the function, organization, or program selected for audit, and the environment in which it operates. Auditors consider the risks facing the organization or program and the processes to mitigate those risks. Using

3. Introduction to Performance Audits and Examinations

this knowledge, an audit plan is developed which establishes the audit objectives, criteria, scope, and timing.

3.9 Audit criteria are the standards against which performance is assessed. The audit criteria are determined by the audit team and are often based on regulations, policies, other generally accepted sources, or best practices. These are communicated to, and discussed with management responsible for the subject matter, to gain their agreement on the nature of our engagement prior to the commencement of the detailed audit work.

3.10 During the implementation stage, the auditor gathers sufficient and appropriate audit evidence using various audit procedures, such as interviewing key personnel, reviewing documentation and legislation, analyzing data and information, and testing samples of files. Audit evidence is evaluated and assessed against the criteria established in the planning phase. Audit findings are identified and discussed with management.

3.11 During the reporting phase, a draft audit report is prepared, which includes audit conclusions, audit findings, and recommendations. The draft audit report is discussed with senior management responsible for the subject matter of the audit. At the conclusion of the audit, a final draft report is provided to the organization subject to audit, and we request a written response from management to each recommendation. These responses are included in our final report.

4. PRINCE EDWARD ISLAND INTERNATIONAL STUDENT PROGRAM

CHAPTER SUMMARY

Why it's important

International student programs create new relationships between our residents and people from countries beyond Canada. These relationships bring strong social and cultural benefits to our communities.

In addition, international student programs provide significant contributions to the economy, through both direct and indirect student spending. In the 2020 fiscal year in Prince Edward Island, the international student program had 137 international students attend Island public schools and generated direct revenues of approximately \$1.5 million.

What we found

The Department of Education and Lifelong Learning (the Department) does not have processes to effectively manage the PEI International Student Program (PEIISP):

- There is no documented and approved long-term strategic plan for the PEIISP.
- Documented and approved policies and procedures have not been developed for the PEIISP.
- Required documentation is not always maintained in application files.
- Tuition fees are not always collected in a timely manner.
- The Department has not developed standardized, documented agreements with education agents, who recommend international students to the PEIISP.
- There is no screening or monitoring of homestay arrangements for PEIISP students.
- There are no formal agreements with homestay providers.
- Management is not able to access reliable and timely program data.
- There is limited reporting on program results.
- There is limited monitoring and feedback on PEIISP students.

4. Prince Edward Island International Student Program

We have made 13 recommendations to the Department of Education and Lifelong Learning. The recommendations and responses from the Department are included in **Appendix A**.

BACKGROUND

4.1 International student programs help diversify the education sector, promote global relationships and grow local economies. International students in Canada spent an estimated \$21.6¹ billion on tuition, accommodation and other expenses in 2018.

4.2 International student programs provide educational services for students who are not citizens or residents of Canada. Canada's public schools have been accepting international students since the 1980's, according to the Canadian Association of Public Schools - International (CAPS-I). CAPS-I is a non-profit association that sets the standards for quality international student programs across Canada. Membership of the association is comprised of 128 publicly-funded school districts/branches, with students from kindergarten to completion of high school, including the Department of Education and Lifelong Learning (the Department) in PEI.

4.3 International students studying in PEI are recruited and accepted through the Prince Edward Island International Student Program (PEIISP). The Program allows international students to enter the Island's public school system as fee-paying students. There are several ways for students to become part of the PEIISP. Students may apply to the PEIISP through the process posted online, or may engage the services of an education agent who recommends the PEIISP. Applicants who enter the program through these options are referred to as non-resident program students as neither they, nor their parents, are pursuing Canadian residency.

4.4 The PEIISP is also informally connected to immigration. The program has grown over the years largely due to the growth in provincial immigration programs, which has attracted many families with school aged children. Students may enroll in the program as non-resident immigration students if their parents are in the process of applying for a

¹ This amount includes university programs.

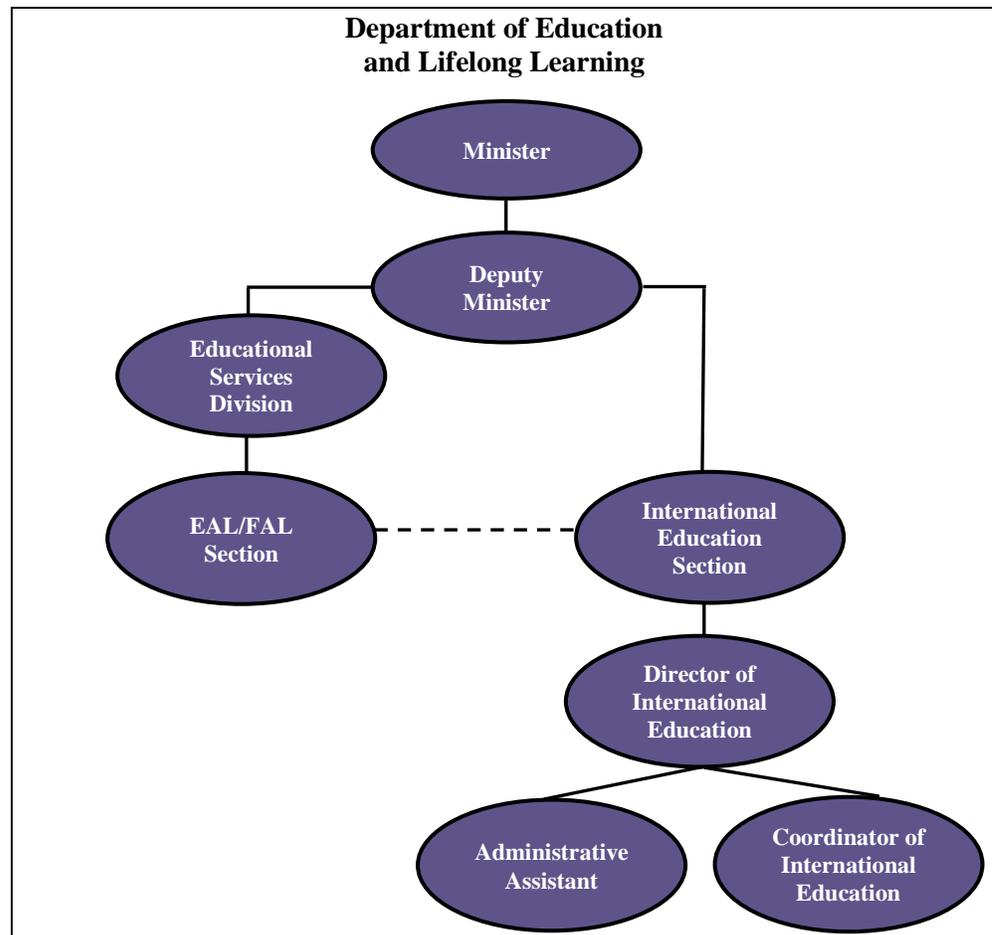
Source: Building on Success: International Education Strategy 2019-2024 - Global Affairs Canada.

4. Prince Edward Island International Student Program

Canadian residency permit. Once the permit is received, the students are no longer considered affiliated with the PEIISP, and can register and attend PEI schools without having to pay tuition fees.

4.5 The PEIISP falls under the Department of Education and Lifelong Learning. It was initially managed by the section English as an Additional Language (EAL), but in 2019 an International Education Section was established which now manages the PEIISP. The International Education Section also manages the Affiliated Schools Program, but this program is not included in the scope of our audit. **Exhibit 4.1** shows the primary positions involved in the management and delivery of the PEIISP.

EXHIBIT 4.1
MANAGEMENT AND DELIVERY OF THE
PEI INTERNATIONAL STUDENT PROGRAM
AS AT JUNE 30, 2020



Source: Excerpt adapted from the Department of Education and Lifelong Learning organizational chart

4. Prince Edward Island International Student Program

4.6 There is no legislation specific to the PEIISP; however, the *Education Act* and regulations do provide some requirements for non-resident fee-paying students. The *Education Act* and regulations include sections on

- the authority to charge tuition to a non-resident student;
- the right to access education in PEI;
- education service agreements;
- application requirements;
- the placement of students into PEI schools; and
- tuition amounts.

4.7 To apply to the PEIISP, students complete an application form, provide supporting documentation, and pay an application fee. If a student is accepted to the program, a letter of acceptance is issued and the student can then apply for a study permit through Immigration, Refugees, and Citizenship Canada. Once the study permit has been issued, students may register at a school based on their place of residence in PEI.

4.8 The number of PEIISP students had been increasing over the last several years, primarily due to immigration. Tuition and application fees paid by international students are included in the revenues of the Department, and are currently prescribed by the *Education Act Student Regulations* as \$10,600 for a full school year or \$5,300 per semester. **Exhibit 4.2** depicts the number of fee paying, non-resident students and the estimated revenue over the last six years.

4.9 The numbers presented in **Exhibit 4.2** represent a combination of non-resident program students and non-resident immigration students. For example, of the 137 fee-paying students in the 2019-20 school year, 46 (34 percent) are ‘non-resident program’ students and 91 students (66 percent) are ‘non-resident immigration’ students. Non-resident program students are those that have chosen PEI solely for educational purposes, while non-resident immigration students are those that are awaiting residency (temporary or permanent) permits.

4. Prince Edward Island International Student Program

EXHIBIT 4.2 DEPARTMENT OF EDUCATION AND LIFELONG LEARNING INTERNATIONAL EDUCATION PEI INTERNATIONAL STUDENT PROGRAM

	2015	2016	2017	2018	2019	2020
Number of Students¹	39	87	114	181	183	137
Estimated Revenue² (\$000s)	329	789	1,061	1,713	1,751	1,488

Source: Department of Education and Lifelong Learning

4.10 Each international student program delivered across Canada is unique, as education falls under provincial jurisdiction. **Appendix D** provides a comparison of key features among the international student programs in each of the Maritime Provinces.

AUDIT OBJECTIVE AND SCOPE

4.11 The objective of this audit was to determine whether the Department of Education and Lifelong Learning has processes to effectively manage the Prince Edward Island International Student Program.

4.12 On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. Following this declaration, the PEI Chief Public Health Office suspended in-school classes in PEI for a two-week period, effective March 23, 2020. The suspension was eventually extended for the remainder of the school year ending June 30, 2020. Our audit scope covered the 2019-2020 school year.

¹ Based on school year-end

² Based on the fiscal year-ends and estimated using Government's financial information

4. Prince Edward Island International Student Program

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

OBSERVATIONS AND RECOMMENDATIONS

STRATEGIC DIRECTION

Summary of Findings

4.14 The PEIISP has operated for approximately ten years without a documented or approved strategic plan. As a result, the program does not have defined goals and objectives, action items or performance measures. Draft business plans have been developed for the PEIISP over the years, but have not been implemented or approved.

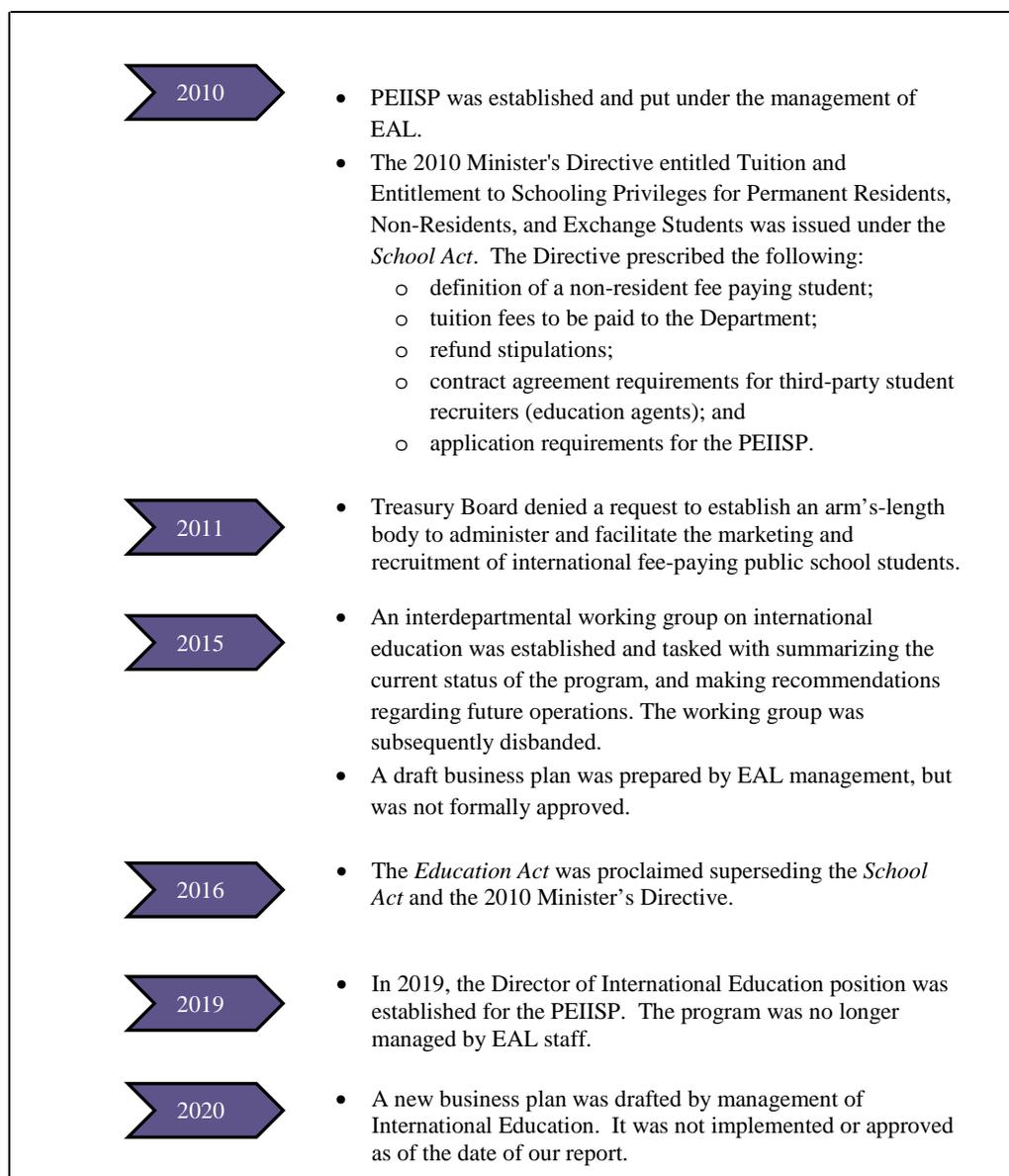
4.15 A strategic plan is important to provide management with a framework for the activities required to achieve a program's goals. It is a tool used to guide decision making and evaluate performance, which in turn helps management make the changes necessary to achieve desired outcomes.

No documented and approved strategic plan

4.16 Since its inception, there have been changes to the management structure of the PEIISP, as well as to applicable legislation. There have been actions taken in an attempt to develop strategic direction for the PEIISP. These actions included requests to Treasury Board to establish a separate corporation for international education in 2011, to the forming of an interdepartmental task force to make recommendations for the future of the program in 2015. As of the date of this audit report, there is no documented and approved strategic plan for the PEIISP. **Exhibit 4.3** provides a summary timeline that outlines key events which impacted the PEIISP from 2010 to 2020.

4. Prince Edward Island International Student Program

EXHIBIT 4.3 PEI INTERNATIONAL STUDENT PROGRAM TIMELINE OF KEY EVENTS



Source: Department of Education and Lifelong Learning

4.17 In February 2020, a draft business plan was developed by management of International Education. The business plan contained components of a strategic plan including a timeline, performance indicators, and risk management strategies. At the time of this report, this plan has not been implemented or approved.

4. Prince Edward Island International Student Program

Recommendation

4.18 The Department of Education and Lifelong Learning should document and approve a strategic plan for the PEI International Student Program.

POLICIES, PROCESSES, AND DOCUMENTATION

Summary of Findings

4.19 There are no documented and approved internal policies for the PEIISP. Some internal processes were not consistently followed. Student application files did not always contain all supporting documentation, or certain supporting documentation had expired. The application process also lacked evidence of a quality control process.

4.20 Program policies are important because they provide a framework of processes and procedures designed to achieve program objectives. We would expect that staff would have internally documented policies to provide guidance for such things as:

- assessing student applications;
- maintaining documentation, managing applicant data, and managing collection of payments;
- outlining appropriate approval levels for admissions, education agent payments, refund payments and authorizing supports; and
- managing education agents and homestay provider relationships.

No documented policies, and processes not always followed

4.21 At the time of our audit, the Department's website provided general PEIISP information, application forms, program FAQs, and an overview of the program for potential applicants. Program processes, including application steps, fees, and refund protocols were also available on the website. With the exception of these processes, the PEIISP does not have any documented and approved internal policies for administering key aspects of the program.

4.22 In lieu of documented policies, we used the processes posted online to conduct our audit testing. We noted areas where these processes were not consistently followed. For example, although the PEIISP admissions process required students to take language proficiency

4. Prince Edward Island International Student Program

assessments, 24 percent of students in our sample were permitted to opt-out of the assessments. These assessments are important to determine to what extent a student may require language supports while attending Island schools.

4.23 Implementing well-defined, documented policies helps to ensure applications are consistently assessed, program decisions are supported, and legislative requirements are met.

Recommendation

4.24 The Department of Education and Lifelong Learning should document, approve and implement policies and procedures for the PEI International Student Program.

Supporting documentation missing from applicant files

4.25 We selected a sample of approved applications to the PEIISP for the 2019-2020 school year and, in the absence of formally approved policies, tested the files to determine if students were accepted to the program in accordance with the *Education Act* and established internal procedures. Staff use an internal procedure form as a checklist to collect all required documentation. We reviewed each application in our sample to determine if files contained

- a complete and authorized internal procedure form;
- sufficient supporting documentation such as:
 - PEIISP application form;
 - physician's statement of health;
 - waiver release form;
 - fee receipts;
 - proof of immigration status;
 - proof of health insurance coverage;
 - letter of acceptance; and
- proof of a completed language proficiency assessment.

These documents are important to support application decisions and decisions regarding the supports students may require at school.

4. Prince Edward Island International Student Program

4.26 We were unable to locate 10 percent of internal procedure forms in our sample. The other 90 percent were examined and we noted that all of the forms had incomplete sections.

4.27 All files examined, with the exception of one, contained letters of acceptance issued by PEIISP to the applicant; however, 47 percent of these files were either missing key documentation or the documentation in the files was expired. Examples of the missing or expired documentation included proof of health insurance and immigration status.

4.28 None of the applicant files tested contained evidence of a quality control review. Such a review could assist in identifying inconsistencies and errors. It could also help to ensure that appropriate documentation is maintained.

Recommendations

4.29 The Department of Education and Lifelong Learning should maintain all key supporting documentation in PEI International Student Program files and include documentation requirements within the policy guidance for the PEI International Student Program.

4.30 The Department of Education and Lifelong Learning should document and maintain a quality assurance process for PEI International Student Program applications.

FEES

Summary of Findings

4.31 PEIISP tuition fees were not always collected on a timely basis. The PEIISP did not apply interest or late fees, and there is no policy guidance for staff on what actions to take when payments are outstanding.

Applications Fees

4.32 The PEIISP charges an application fee of \$275 for processing applications. From our sample of applicants, we examined files to determine whether application fees were collected prior to issuance of letters of acceptance in accordance with established processes. In 13 percent of the sample files, there was no documentation in the application file to support whether the application fee had been collected. Management subsequently provided documentation for all but one application fee.

4. Prince Edward Island International Student Program

4.33 Processes for remitting application fees and tuition payments are posted on the PEIISP website. We expected collection of application and tuition fees to be made in accordance with these processes and proper documentation would be maintained in the files.

Tuition Fees

Tuition fees not collected on a timely basis

4.34 We checked whether documentation was on file to support that the applicant was charged the appropriate tuition amount and payment was collected in accordance with the terms of payment applicable at the time of application. In all cases, the correct tuition amount was charged. However, 33 percent of the applicants in our sample paid their tuition fees late. The PEIISP did not apply interest or late fees to any of these late payments.

4.35 The PEIISP does not have policy guidance for staff on what actions to take when payments are outstanding. Management informed us that requests for payments are sent when amounts are overdue. Collection of payments in a timely manner helps to ensure that appropriate consideration has been received for education services provided.

Recommendation

4.36 The Department of Education and Lifelong Learning should establish procedures for collecting overdue tuition fees and include these procedures within the policy guidance for the PEI International Student Program.

THIRD PARTY AGREEMENTS

Summary of Findings

4.37 The PEIISP does not have documented agreements with education agents and does not perform due diligence on these agents. The PEIISP does not provide homestay arrangements for its students, and also does not have formal agreements with homestay providers. In addition, PEIISP does not screen or monitor the homestay arrangements for its students to ensure it is a safe environment and that basic needs are being met.

Education Agents

4.38 Education agents offer education advisory services to international students and their parents or guardians. Education agents direct applications to the PEIISP and are paid a 15 percent commission, based on tuition fees collected by the program.

4. Prince Edward Island International Student Program

Education agent commissions calculated accurately and paid after receipt of tuition

4.39 For a sample of commission payments made to education agents, we tested whether there was an invoice on file, if the student had paid tuition fees, and if the payment was calculated correctly. In all instances, the necessary documentation was on file and payments to agents were calculated accurately and paid to the proper education agent.

No standardized agreements with education agents

4.40 Treasury Board policy requires a contract to be in place when services are provided for payment. The purpose of the contract is to document elements, such as the work to be performed, the compensation to be paid, and the roles and responsibilities of each party to the contract. Conducting due diligence prior to entering into a contract is important, as it should assist in identifying business and legal risks.

4.41 Education agents were used by 66 percent of the applicants in our sample. However, there were no contractual agreements in place between the PEIISP and these education agents. In addition, PEIISP did not perform due diligence procedures on these agents, such as performing background checks, conducting interviews, or verifying credentials.

4.42 When contractual agreements are not in place, there is a risk of misunderstandings regarding expectations. Furthermore, the reputation of the PEIISP and services provided to students could be jeopardized when effective due diligence procedures are not carried out.

Recommendations

4.43 The Department of Education and Lifelong Learning should develop and implement a standardized contractual agreement for education agents in accordance with Treasury Board policy.

4.44 The Department of Education and Lifelong Learning should perform due diligence procedures on education agents associated with the PEI International Student Program.

4. Prince Edward Island International Student Program

Homestay Providers

4.45 A valid fixed address in Prince Edward Island is necessary to enroll in the provincial education system. International students coming to PEI to study must secure accommodations prior to arriving in the province. If the student is not living with family or a legal guardian, they seek out homestay accommodations. Successful applicants requiring accommodations during their semesters in PEI schools are required to make their own homestay arrangements. Alternatively, education agents may make arrangements for homestay accommodations for applicants.

4.46 The PEIISP provides links on its website to two homestay providers, but specifies that they do not arrange homestay accommodations for students. For the 2019-2020 school year, 52 percent of students used homestay providers for their living arrangements.

4.47 According to standards of practice established by CAPS-I, Canadian international student programs, such as the PEIISP, should have homestay standards of practice in place. **Appendix E** outlines the standards of practice identified by CAPS-I related to homestay arrangements. These are divided into two categories:

- screening and selection practices; and
- monitoring and support practices.

No screening or monitoring of homestay arrangements for students

4.48 Management confirmed that the PEIISP does not follow any of the homestay standards of practice listed in **Appendix E**. PEIISP management informed us that they do not have any direct involvement with the management or operations of homestay providers or host families. As a result, there is no screening or monitoring of homestay arrangements for PEIISP students. This is not in accordance with CAPS-I Standards of Practice.

4.49 There are also no mechanisms in place to monitor PEIISP students using homestay accommodations. Monitoring mechanisms could identify issues with the social, emotional and physical wellbeing of the students, and help with conflicts and misunderstandings.

4. Prince Edward Island International Student Program

No formal agreements with homestay providers

4.50 CAPS-I Standards of Practice recommend if homestay programs are outsourced, that there are agreements with the homestay provider. At a minimum, we would expect an agreement with the homestay provider to outline:

- criminal record and vulnerable sector check requirements for host families;
- basic need requirements for the student using the homestay service; and
- processes to allow regular monitoring by the PEIISP (ie. home visits).

4.51 In other provinces, homestay is often provided by the respective international student program or there are agreements with homestay providers providing accommodations to students in their international student programs. The PEIISP does not have such agreements with homestay providers. Agreements would reduce the business and legal risk to the province, and can help to protect the well-being of students in the PEIISP.

Recommendations

4.52 The Department of Education and Lifelong Learning should implement a screening and selection process for homestay providers, and regularly monitor the well-being of PEI International Student Program students living in homestay accommodations.

4.53 In accordance with CAPS-I Standards of Practice, the Department of Education and Lifelong Learning should have agreements with homestay providers.

MONITORING AND REPORTING

Summary of Findings

4.54 Management is unable to access reliable data on a timely basis. There is no documentation of meeting minutes between the Director of International Education and senior management. There is limited monitoring of student satisfaction with the program and limited reporting of the PEIISP is available to the public.

4. Prince Edward Island International Student Program

4.55 As previously discussed, the PEIISP does not have a documented and approved strategic plan. Therefore, the program lacks formal performance targets and indicators that it should have for management to evaluate results. At a minimum, we expected that management of the PEIISP would have access to complete and accurate student and financial data on a timely basis.

Management not able to access reliable data on a timely basis

Information Systems

4.56 Until April 1, 2019, the PEIISP was managed by the EAL Section of the Department. As a result, the student data for the program is recorded within a database that was developed specifically for the EAL Section. The database records key information of the PEIISP, such as:

- contact details of the applicant;
- status of study permits;
- education agent used (if applicable);
- living arrangements (homestay or other); and
- tuition payments made.

4.57 We did not audit the database used by the International Student Program; however, management informed us that it is difficult to segregate and retrieve reports from the database specifically for PEIISP students. As a result, staff within PEIISP created an internal tracking document to have more readily accessible information. However, we were informed that this document had limited internal controls, and management and staff were not regularly reviewing information to ensure completeness and accuracy.

4.58 Management advised that neither the tracking sheet nor database, could easily provide key management reports, such as outstanding tuition fees. To obtain this information, staff are required to manually sort and review information from both systems, which takes a significant amount of time and is prone to human error. Timely and reliable information is essential for management to make effective decisions and report on results.

4. Prince Edward Island International Student Program

Limited reporting on program results

4.59 On a bi-weekly basis, meetings between the management of the PEIISP and senior management of the Department are occurring; however, no minutes are documented. Meeting minutes are an important tool for recording decisions, responsibilities and deadlines. They can provide the record of why decisions were made and who was involved. At a minimum, we would expect that significant strategic or operational decisions be documented.

4.60 Annual reports for the Department and Public Schools Branch are being issued; however, the annual reports contain very limited reporting on the PEIISP. Given its impact on the Island school system, it is important that key program information specific to the PEIISP be regularly reported to the public.

Recommendations

4.61 The Department of Education and Lifelong Learning should obtain reliable program data on a timely basis to enable effective management and oversight of the PEI International Student Program.

4.62 The Department of Education and Lifelong Learning should document meeting minutes, noting any significant strategic or operational decisions for the PEI International Student Program.

4.63 The Department of Education and Lifelong Learning should report publically on the performance of the PEI International Student Program on an annual basis.

Student Monitoring and Feedback

4.64 For the 2019-2020 Island school year, there were 137 PEIISP students. The PEIISP students were enrolled in and attended 14 different schools across PEI. These students and their families are the customers of the PEIISP and the success of the program relies on the satisfaction of these customers. Therefore, we expected management of the PEIISP to monitor and gather feedback from its students.

Limited monitoring and feedback collected on PEIISP students

4.65 According to management of the PEIISP, as well as administrators within the Public Schools Branch, there is no differentiation between resident immigrant students and PEIISP students within the schools.

4. Prince Edward Island International Student Program

Therefore, there is little, if any, communication occurring between the schools and PEIISP on the educational performance of the students within the program. Also, the PEIISP does not gather feedback directly from the students or the students' parents, or guardians, in the form of exit interviews, surveys or complaint processes.

Recommendation

4.66 The Department of Education and Lifelong Learning should monitor student satisfaction with the PEI International Student Program.

CONCLUSION

4.67 Overall, we concluded that the Department of Education and Lifelong Learning does not have processes to effectively manage the PEI International Student Program (PEIISP).

4.68 The PEIISP has operated for approximately ten years without a documented or approved strategic plan. Although there have been several initiatives to establish strategic direction for the PEIISP, as of the date of our audit report, there is no documented or approved long-term strategic plan for the PEIISP. Draft business plans have been developed for the PEIISP over the years, but have not been implemented or approved.

4.69 Formally documented and approved internal policies have not been developed for the PEIISP. Posted procedures for such things as language proficiency testing were not consistently followed.

4.70 As well, we noted student application files did not always contain key supporting documentation or that the documentation on file had expired. There was also no evidence that a quality control process was conducted on application files.

4.71 There is no policy guidance for staff on what actions to take when payments for tuition are outstanding. As a result, PEIISP tuition fees were not always collected on a timely basis, and there was no interest or late payment fees applied to outstanding balances.

4. Prince Edward Island International Student Program

4.72 There were no standardized documented agreements between the Department and education agents, which is not in compliance with Treasury Board policy. There was also no due diligence performed on education agents prior to issuing commission payments.

4.73 The PEIISP does not screen or monitor the homestay arrangements for its students. Also, the PEIISP does not have agreements with homestay providers, which is not in accordance with CAPS-I Standards of Practice.

4.74 Student data for the PEIISP is recorded in a database designed for the EAL Section; however, timely and relevant information from this database is difficult for management of the PEIISP to obtain. Although regular meetings are being held with senior management, documentation of key decisions is not maintained. Also, public reporting on the program is very limited.

4.75 The PEIISP does not monitor or gather feedback from students to assess student satisfaction with the PEI International Student Program.

4. Prince Edward Island International Student Program

APPENDIX A
Page 1 of 4

RECOMMENDATIONS*	MANAGEMENT'S RESPONSE
<p>Recommendation 4.18 The Department of Education and Lifelong Learning should document and approve a strategic plan for the PEI International Student Program.</p>	<p>The Department of Education and Lifelong Learning will develop a strategic plan for the PEI International Student Program.</p> <p>Timeline for completion: November 2021</p>
<p>Recommendation 4.24 The Department of Education and Lifelong Learning should document, approve and implement policies and procedures for the PEI International Student Program.</p>	<p>All policies and procedures are currently being reviewed for potential required changes with the addition of a mandatory insurance program, Western Union payment solution, TRUE North database and an RFP for a homestay partner.</p> <p>Decisions made regarding the strategic direction may also impact policies and procedures.</p> <p>Timeline for completion: New policies and procedures will be finalized by January 2022 and will impact those applying for the 2022 school year.</p>
<p>Recommendation 4.29 The Department of Education and Lifelong Learning should maintain all key supporting documentation in PEI International Student Program files and include documentation requirements within the policy guidance for the International Student Program.</p>	<p>Much of the current program relies on manual processes from application to final maintenance. The PEIISP is currently negotiating to purchase the service of TRUE North database which will streamline many of the current processes to an electronic application and maintenance system. Reducing the number of entry points for filing and information will significantly reduce the potential for error and all records will be maintained accurately. TRUE North is a secure, multi-user, web-based system to manage the information tracking, reporting and collaborative needs of international education programs. TRUE North works with over 60 school boards from coast to coast in Canada. The PEIISP will have access to critical data, which includes but is not limited to:</p> <ul style="list-style-type: none"> ● Student demographics ● Country of origin ● Agency and agent information ● Insurance, passport, and student permit details ● Homestay details ● Fees <p>TRUE North includes a robust suite of financial tools including invoice creation, fee and payments tracking, receipting, as well as expense and commission tracking. Invoices can be quickly generated with custom letterhead and custom payment instructions.</p>

*Recommendation numbers refer to the paragraph numbers in this chapter.

RECOMMENDATIONS*	MANAGEMENT'S RESPONSE
	<p>TRUE North allows detailed search and extract capabilities with all financial information, to ensure synchronization with district financial systems. There are financial search filters, so it is simple to track students with outstanding fees.</p> <p>There are also useful statistics on the homepage that give a quick snapshot of district receivables, paid and owing, as well as expense tracking.</p> <p>An identified area of concern in the report was the maintenance of up to date insurance information. The PEIISP has taken the step to conduct an RFP for mandatory insurance provider for students in the program. This is the most common practice across the country and will significantly reduce the administrative challenges associated with the current practice.</p> <p>Timeline for completion: TRUE North will be operational and current files converted to the operation system by June 30th, 2021. Insurance program will be in place for students starting September 2021.</p>
<p>Recommendation 4.30 The Department of Education and Lifelong Learning should document and maintain a quality assurance process for PEI International Student Program applications.</p>	<p>Once the PEIISP adopts the TRUE North application system and process, any further quality assurance steps will be determined through the professional development and training offered by TRUE North.</p> <p>Timeline for completion: Spring 2021</p>
<p>Recommendation 4.36 The Department of Education and Lifelong Learning should establish procedures for collecting overdue tuition fees and include these procedures within the policy guidance for the PEI International Student Program.</p>	<p>To the best of our knowledge, no other program has overdue tuition policies and procedures. The tracking occurs up front and requires all payments by a certain date or in full prior to beginning school.</p> <p>The newly implemented policy of receiving tuition payment prior to the issuance of the Letter of Acceptance is a procedural step that will eliminate unpaid tuition occurrences for new students. Returning students will be better tracked with the Western Union payments solution and with TRUE North allowing PEIISP staff to ensure a student does not begin school prior to tuition being paid in full.</p> <p>Timeline for completion: January 2022</p>

*Recommendation numbers refer to the paragraph numbers in this chapter.

RECOMMENDATIONS*	MANAGEMENT'S RESPONSE
<p>Recommendation 4.43 The Department of Education and Lifelong Learning should develop and implement a standardized contractual agreement for education agents in accordance with Treasury Board policy.</p>	<p>An agent agreement will be finalized in the spring of 2021 and in practice for applications for September 2022.</p> <p>Timeline for completion: September 2022</p>
<p>Recommendation 4.44 The Department of Education and Lifelong Learning should perform due diligence procedures on education agents associated with the PEI International Student Program.</p>	<p>All agents are required to complete and submit an Agent Profile Form and at least one current reference is checked (this specifically applies to agents with whom the PEIISP does not currently have a relationship).</p> <p>Timeline for completion: September 2021</p>
<p>Recommendation 4.52 The Department of Education and Lifelong Learning should implement a screening and selection process for homestay providers, and regularly monitor the well-being of PEI International Student Program students living in homestay accommodations.</p>	<p>PEIISP is conducting an RFP to select a preferred homestay provider. This homestay provider will not have exclusive rights to PEIISP. Students and parents will have the right to select another provider.</p> <p>The RFP contains requirements for monitoring the well-being of students and communication with the PEIISP:</p> <p>(From the RFP):</p> <p>D.3.6 Communication with Department</p> <p>3.6.1 The proponent(s) must be able to provide the Department with comprehensive, accurate and timely student and host information 24 hours a day, 7 days a week, upon request. Provide details as to how you provide this service.</p> <p>3.6.2 It is important that student and host family information be communicated to the Department in a timely and accurate manner. Outline your company's strategy for communicating information – initial host family information, host family changes, concerns that arise about a host family or student, etc.</p> <p>3.6.3 The Department must have the ability to access your secure electronic database for communication purposes. Provide details of how you can provide this access for the appropriate Department staff.</p> <p>Timeline for completion: September 2021</p>

*Recommendation numbers refer to the paragraph numbers in this chapter.

4. Prince Edward Island International Student Program

RECOMMENDATIONS*	MANAGEMENT'S RESPONSE
<p>Recommendation 4.53 In accordance with CAPS-I Standards of Practice, the Department of Education and Lifelong Learning should have agreements with homestay providers.</p>	<p>See response to recommendation 4.52.</p> <p>Timeline for completion: September 2021</p>
<p>Recommendation 4.61 The Department of Education and Lifelong Learning should obtain reliable program data on a timely basis to enable effective management and oversight of the PEI International Student Program.</p>	<p>See response to recommendation 4.29.</p> <p>Timeline for completion: June 30, 2021</p>
<p>Recommendation 4.62 The Department of Education and Lifelong Learning should document meeting minutes, noting any significant strategic or operational decisions for the PEI International Student Program.</p>	<p>The Department will develop a process of documenting any decisions that can be captured in an operational binder.</p> <p>Timeline for completion: March 2021</p>
<p>Recommendation 4.63 The Department of Education and Lifelong Learning should report publically on the performance of the PEI International Student Program on an annual basis.</p>	<p>This can be accomplished through the Department's annual report.</p> <p>Timeline for completion: 2022</p>
<p>Recommendation 4.66 The Department of Education and Lifelong Learning should monitor student satisfaction with the PEI International Student Program.</p>	<p>The PEIISP will complete a jurisdictional scan for similar process/documents and create a process to monitor client satisfaction.</p> <p>Timeline for completion: September 2022</p>

*Recommendation numbers refer to the paragraph numbers in this chapter.

AUDIT STANDARDS, OBJECTIVE AND SCOPE

STANDARDS

This independent assurance report was prepared by the Office of the Auditor General of Prince Edward Island. The purpose of this audit is to independently conclude on whether the Department of Education and Lifelong Learning (the Department) complies in all significant respects with the applicable criteria. The Department accepted responsibility for the subject matter under audit.

Work conducted for this audit was performed to a reasonable level of assurance in accordance with Canadian Standards on Assurance Engagements (CSAE) 3001 - Direct Engagements set out by the Chartered Professional Accountants of Canada (CPA Canada) in the CPA Canada Handbook - Assurance.

The Office applies the Canadian Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal, and regulatory requirements.

In conducting the audit work, we have complied with independence and other ethical requirements of the Rules of Professional Conduct of the Chartered Professional Accountants of Prince Edward Island, and the Code of Conduct of the Office of the Auditor General of Prince Edward Island. Both the Rules of Professional Conduct and the Code of Conduct are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

OBJECTIVE

The objective of this audit was to determine whether the Department of Education and Lifelong Learning (the Department) has processes to effectively manage the Prince Edward Island International Student Program (PEIISP).

We developed a number of criteria to assess whether the Department had met the objective. These criteria are listed in **Appendix C**.

Criteria were primarily based on literature review of widely used practices and criteria used by other legislative audit offices. Management accepted the relevance and suitability of the criteria used in the audit.

SCOPE AND APPROACH

The scope period of our audit was April 1, 2019 to June 30, 2020. We examined documentation outside that period as necessary.

Our approach included

- interviewing management and staff of the Department and PEIISP;
- examining a sample of 30 PEIISP applications and supporting documentation during the scope period;
- interviewing stakeholders of the PEIISP;
- interviewing directors of Maritime Provinces with international student programs;
- examining a sample of five education agent commissions paid during the scope period; and
- examining minutes, procedure documents, reports and other documentation as required.

It is important to note that our observations and conclusions relate only to the management practices of the Department and the PEIISP, and consequently, our comments and conclusions do not pertain to the practices or performance of any third parties.

DATE OF REPORT

We obtained sufficient and appropriate audit evidence on which to base our conclusions on February 19, 2021, in Charlottetown, Prince Edward Island.

4. Prince Edward Island International Student Program

APPENDIX C

AUDIT CRITERIA
1. The Department has a long-term strategic plan as well as documented policies for the PEIISP.
2. The Department administers the PEIISP in accordance with approved policies and general best practice.
3. The Department has accountability mechanisms established for the PEIISP for effective monitoring and reporting on the results of the program.

4. Prince Edward Island International Student Program

APPENDIX D

International Student Program - Maritime Comparison

The following highlights some of the key similarities and differences between the international student programs in Prince Edward Island, New Brunswick and Nova Scotia.

INTERNATIONAL STUDENT PROGRAMS MARITIME COMPARISON ANALYSIS

Comparison Type	PEI International Student Program	New Brunswick International Student Program	Nova Scotia International Student Program
Only 'non-resident' program students	No	Yes	Yes
Tuition fees ¹	\$10,600	\$10,000	\$9,000
Application fees ¹	\$275	\$700 ²	\$600 ²
Homestay coordinated by province?	No	Yes	Yes
Mandatory language proficiency assessment?	Yes	Yes	No
Agent agreements in place?	No	Yes	Yes
Approximate number of students enrolled in the 2019/2020 school year	137 ³	800	1400

¹ Sourced from CAPS-I

² Includes orientation fees

³ PEI does not distinguish between non-resident program and non-resident immigration students. Therefore, all students in the PEIISP program are included for comparison basis.

CANADIAN ASSOCIATION OF PUBLIC SCHOOLS-INTERNATIONAL (CAPS-I)

HOMESTAY SCREENING AND SELECTION PRACTICE STANDARDS

CAPS-I - Homestay Screening and Selection Practices¹
1. Providing homestay services either in-house or outsourced and having an oral/written agreement with the homestay service provider if outsourced.
2. Utilizing a comprehensive application form to compile a profile of prospective homestay families.
3. Conducting criminal/police record/vulnerable sector/child abuse registry checks (as applicable in each province) and personal reference checks with initial screening of all host family members (that are the age of majority at a minimum) and updated/reviewed per individual Board policy and/or procedures.
4. Conducting home visits and interviews with prospective homestay families to ensure the following is in place: private, single room, key/security to the home, meals, desk, access to laundry, access to internet and in compliance with local building codes.
5. Having a formal Code of Conduct/agreement which clearly defines expectations of homestay families to ensure a minimum level of service/care/support is provided to all students.
6. Having staff responsible for the homestay program as well as an established process for record keeping that complies with protection of privacy legislation.
7. Ensuring both students and host families receive profile information in a timely fashion.
8. Having host families consult with their insurance provider, advise they will be hosting and update their policy as necessary.

¹ Sourced from CAPS-I Standards of Practice

CANADIAN ASSOCIATION OF PUBLIC SCHOOLS-INTERNATIONAL (CAPS-I)

HOMESTAY MONITORING AND SUPPORT PRACTICE STANDARDS

CAPS-I - Homestay Monitoring and Support Practices¹

- | |
|---|
| 1. Providing homestay families with a profile of their student and attend an orientation session or provide a welcome package prior to arrival. International students should receive a profile of the homestay family, emergency information card, welcome package, Homestay Coordinators contact info, city map, timetable and orientation session information. |
| 2. Clearly defining expectations for both students and homestays. |
| 3. Monitoring all host families to ensure the social, emotional and physical well-being/needs of the international student are satisfied. |
| 4. Having a process in place to deal with homestay conflicts and misunderstandings. |
| 5. Conducting exit interviews or utilize evaluation forms with homestay families and students regarding their experience. |

¹ Sourced from CAPS-I Standards of Practice

5. CROWN CORPORATIONS GOVERNANCE SURVEY

EXECUTIVE SUMMARY

Strong governance in the public sector plays a critical role in ensuring government services are delivered in an effective and efficient manner, ensuring the safeguarding of public funds.

Crown corporations in Prince Edward Island work in all major industry sectors of the province's economy and manage assets totalling over \$1 billion. These corporations are governed by boards of directors. Poor governance in these organizations could lead to adverse consequences, including financial losses, real or perceived conflicts of interest, as well as loss of confidence in public institutions.

This chapter includes results from a governance survey sent to board members of 32 Crown corporations. In total, we sent surveys to 117 individuals and received 50 responses from 17 Crown corporations, for a response rate of 43 percent. Surveys were sent to individuals the week of July 20, 2020 with responses requested by August 14, 2020.

What we found

Based on our survey, respondents stated the following:

- 28 percent did not receive an orientation when they joined the board;
- 50 percent felt more training was needed for board members;
- 50 percent of boards do not set time aside to deal with strategic planning issues;
- 88 percent either did not have an IT strategic plan, or were unsure if one had been developed for their board;
- 24 percent were not satisfied with how often the responsible Minister meets directly with the board;
- 16 percent felt their board does not do a good job of reporting organizational performance publicly;
- 30 percent did not sign a conflict of interest declaration when they joined the board;
- 76 percent of respondents indicated their board either did not have, or they were unsure if they had, an audit committee;

5. Crown Corporations Governance Survey

- 18 percent of boards have not established clear, measurable objectives for the CEO's performance; and
- 46 percent of boards do not conduct a formal evaluation of its performance.

We have made 11 recommendations to Treasury Board. Our recommendations and the response from Treasury Board are included in **Appendix A**.

We sincerely thank each individual who responded to our survey. This survey and its results will provide information on current best practices for public sector governance and highlight areas for discussion. The survey and its related results will help board members identify any areas of weakness, and identify where improvements in board practices can be made.

Each Crown corporation and its board of directors is unique in its size, structure, mission, and level of independence from the responsible government department. Users of this report should consider the results of the survey and how the results might impact the practices and needs of each individual Crown corporation and its board.

BACKGROUND

5.1 In its simplest form, the term governance refers to the act of overseeing the control and direction of an organization. In practice, governance of an organization is much broader. It includes the structures, systems and practices that an organization uses for establishing its strategic direction, overseeing its service delivery, and reporting on its performance. **Exhibit 5.1** summarizes the five basic principles of good governance.

EXHIBIT 5.1 PRINCIPLES OF GOOD GOVERNANCE

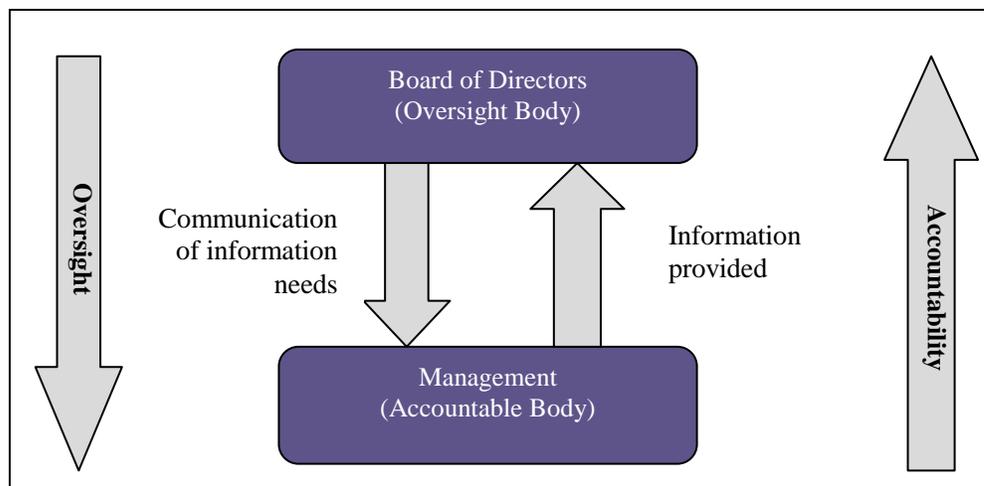
1.	Accountability: is the process whereby organizations, and the individuals within them, take responsibility for their decisions and actions.
2.	Leadership: is the “tone at the top” which is critical if an entire organization is to embrace good governance.
3.	Integrity: is acting in a way that is impartial, ethical and not misusing information or resources.
4.	Stewardship: is the act of looking after resources on behalf of the public and is demonstrated by maintaining or improving capacity to serve the public interest over time.
5.	Transparency: is achieved when decisions and actions are open, meaning stakeholders, the public and employees have access to full, accurate and clear information on these matters.

Source: Adapted from Public Sector Governance: A Guide to the Principles of Good Practice, Office of the Auditor General of British Columbia.

5.2 The role of a board of directors should be separate from that of management; however, communication between these two oversight bodies is key for effective governance practices. A board of directors should focus on high level aspects of the organization, such as establishing strategic direction and risk tolerances, as well as overseeing performance. The board relies on management to provide complete and timely information. In turn, management must be made aware of the decisions of a board, so they can operate the organization in accordance with board direction. **Exhibit 5.2** depicts the relationship between the board of directors and management.

5. Crown Corporations Governance Survey

EXHIBIT 5.2 RELATIONSHIP BETWEEN BOARD OF DIRECTORS AND MANAGEMENT



Source: Adapted from Practice Guide to Auditing Oversight, Canadian Audit & Accountability Foundation

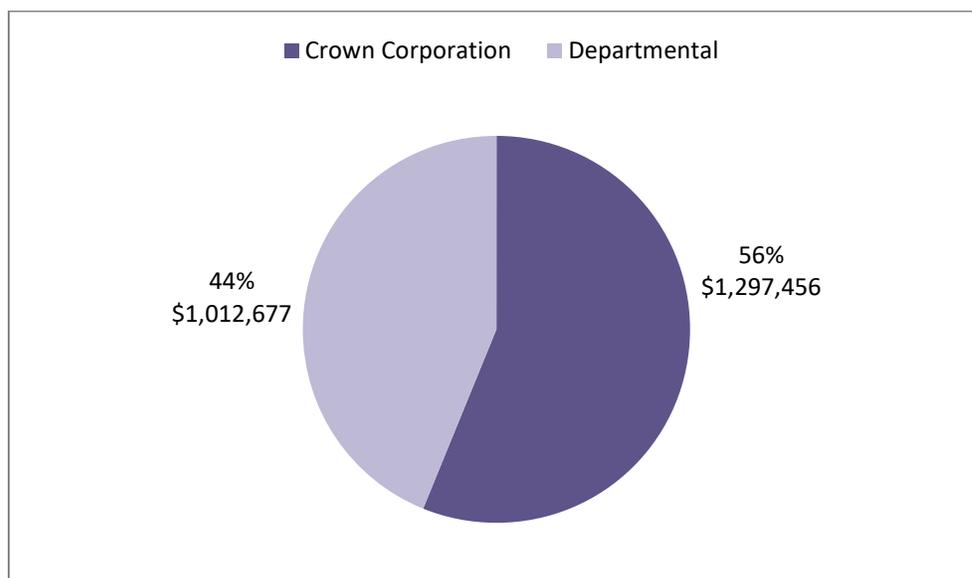
5.3 Our survey included boards of directors for Crown corporations in Prince Edward Island which are responsible for providing public sector services, managing public assets and spending public dollars in most sectors of the Island's economy.

5.4 Crown corporations in Prince Edward Island are accountable through a Minister to the Legislative Assembly. These corporations vary in size, extent of financial resources and the level of autonomy of their operations from the responsible government departments.

5.5 As shown in **Exhibit 5.3**, the expenses of Crown corporations are significant. Total government expenses, for the year ending March 31, 2020, were approximately \$2.3 billion. Crown corporations account for approximately 56 percent of these expenses.

5. Crown Corporations Governance Survey

EXHIBIT 5.3 FISCAL EXPENSES YEAR ENDING MARCH 31, 2020 (\$000)



Source: Derived from Public Accounts of the Province of PEI Volume I Consolidated Financial Statements for the year ended March 31, 2020.

5.6 Engage PEI oversees the recruitment and appointment process for boards of directors for Crown corporations in the province. It is administered by staff of the Executive Council Office.

5.7 Applications are reviewed as vacancies arise. A list of recommended applicants is then forwarded to a cabinet committee for review and recommendation to Executive Council. Once Executive Council nominates a candidate and the appointment is accepted, an Order-in-Council is issued and published in the Royal Gazette with the name of the successful applicant.

5. Crown Corporations Governance Survey

OBJECTIVE AND SCOPE

5.8 We conducted a survey of Crown corporations to compile and report on an overview of current governance practices. This study is not an audit, an evaluation of the board of directors, or an assessment of governance practices being utilized by these boards. The purpose of this report is to provide information on existing practices within PEI Crown corporations and highlight areas for discussion and improvement among the various boards.

5.9 We identified 32 Crown corporations to take part in the survey. **Appendix B** provides a listing of those Crown corporations. **Appendix C** provides our survey methodology, including the criteria for which Crown corporations were included in, or excluded from, the survey. Our report provides responses for selected survey questions. See **Appendix D** for the complete survey with a summary of all responses.

5.10 A total of 117 individuals received the survey. Some individuals who received the survey were members of senior management who also sit on the respective boards. There were some board members who sit on several boards, and in these situations, the individual was directed to select one Crown corporation to complete the survey for.

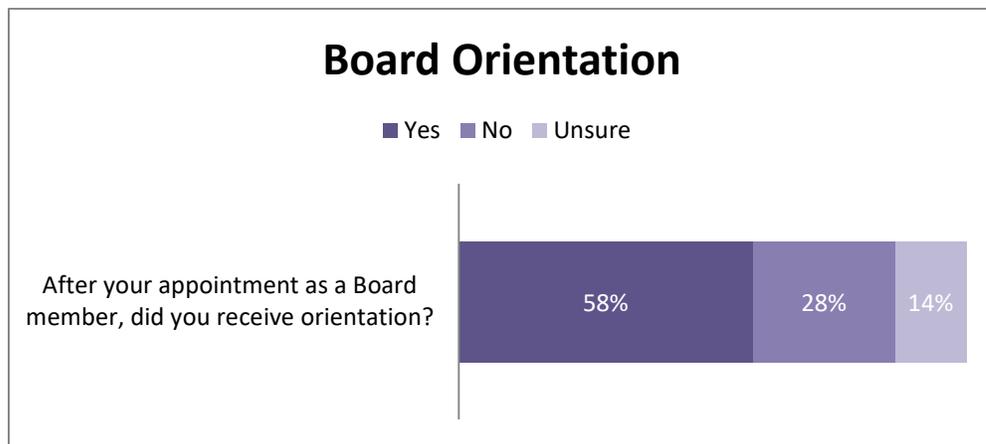
SURVEY RESULTS

BOARD ORIENTATION AND TRAINING

5.11 Board education should be ongoing, beginning with a formal orientation and including regular learning opportunities for board members. Increasing knowledge of the roles and responsibilities, as well as the environment in which the organization operates, increases the value board members add to the organization.

Board Orientation

5.12 Board orientation helps each board member understand the role of the board and its committees, as well as the expectation of individual board members. A board should always provide the guidance necessary to assist new board members in understanding the nature and operations of the organization.

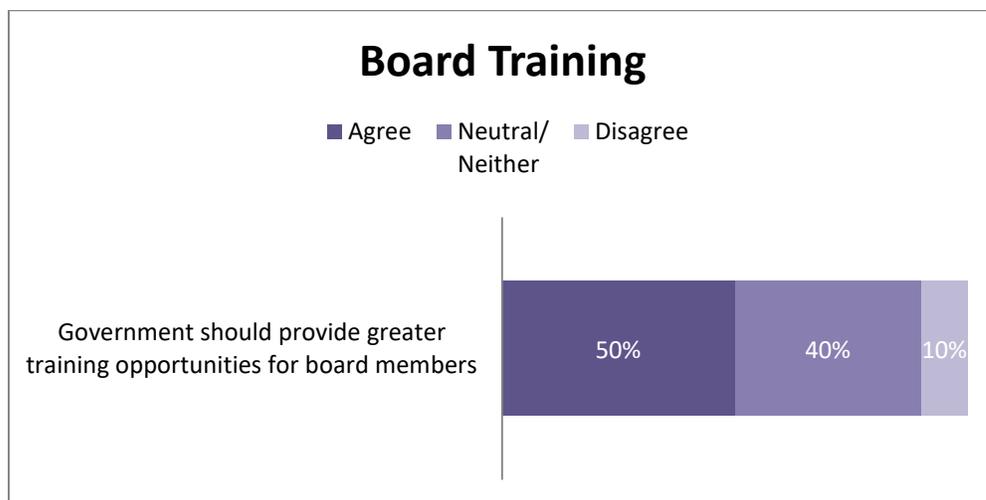


Recommendation

5.13 Treasury Board should ensure a formal board orientation program is used by all Crown corporations. It should provide a clear outline of board roles, responsibilities, and structural relationships, along with board by-laws and mandates or terms of reference.

Board Training

5.14 In addition to board orientation, regular training for board members is important to provide them with knowledge of the organization and the environment in which it operates. This training may include courses specific to governance, the industry, or business of the Crown corporation.



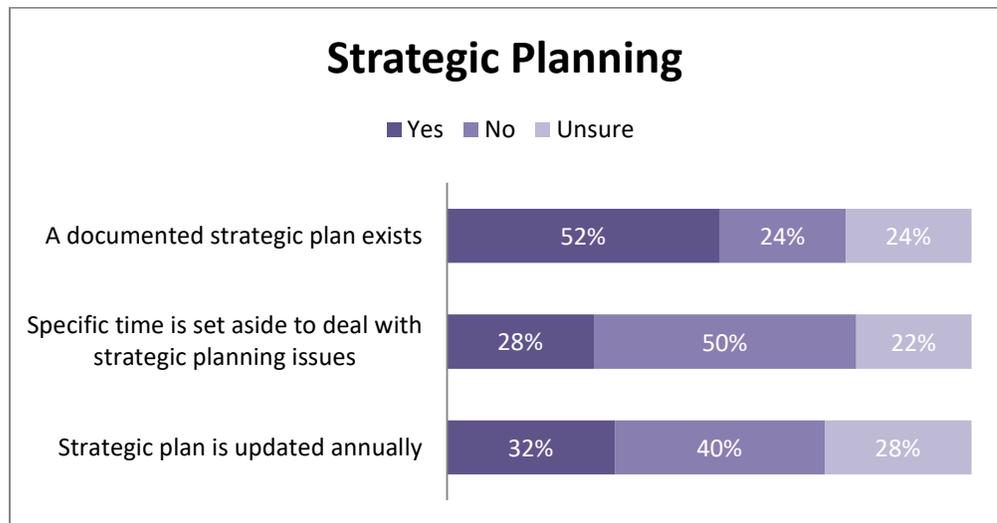
5. Crown Corporations Governance Survey

Recommendation

5.15 Treasury Board should ensure regular training opportunities for board members are provided by all Crown corporations.

STRATEGIC PLANNING

5.16 The board of directors is responsible for setting the strategic direction of an organization. It is important to have the strategic plan documented to ensure all parties, including all board members, have an understanding of the goals of the organization, and how the goals align with the organization's mandate. Once a strategic plan is completed, it should be reviewed and updated regularly.



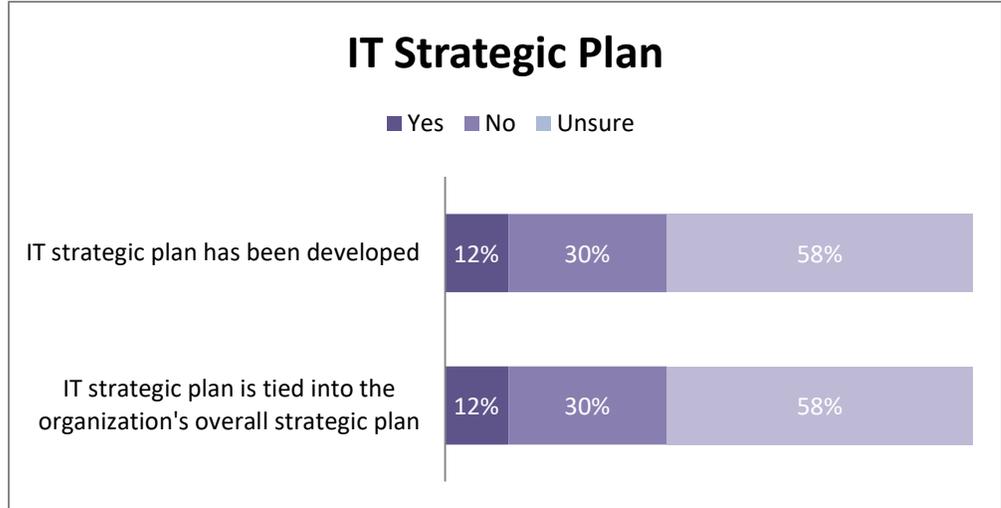
Recommendation

5.17 Treasury Board should require the board of directors of all Crown corporations to document a strategic plan and regularly update the plan as the goals and mandate of the organization change.

INFORMATION TECHNOLOGY STRATEGIC PLAN

5.18 Information technology (IT) has become an important part of every organization. Since technology often changes and is a large investment for most organizations, it is important that IT be a part of all strategic plans.

5. Crown Corporations Governance Survey

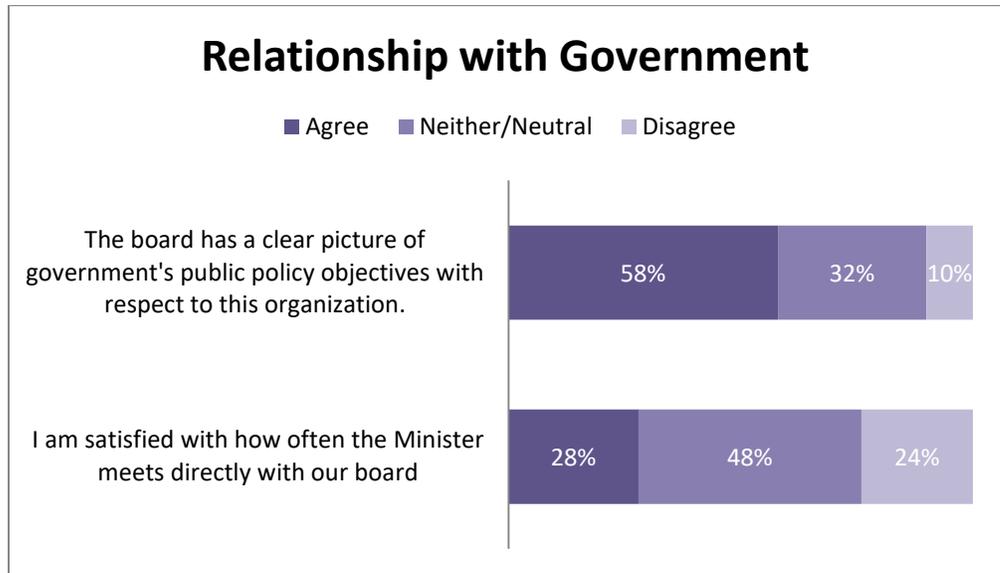


Recommendation

5.19 Treasury Board should require all Crown corporations to include information technology strategies in their strategic plan.

RELATIONSHIP WITH GOVERNMENT

5.20 Although the extent to which an organization can operate independently of government varies, government holds the ultimate responsibility for a Crown corporation. As such, it is important that the board have a clear picture of government’s public policy objectives with respect to the organization.



5. Crown Corporations Governance Survey

Recommendations

5.21 Treasury Board should ensure Government's public policy objectives are clearly communicated to all boards of directors of Crown corporations.

5.22 Treasury Board should establish a minimum number of board of directors meetings which departmental ministers, or representatives, are to attend annually for each Crown corporation.

BOARD ACCOUNTABILITY

5.23 Board accountability occurs when the board takes responsibility for the activities of the entity, and reports the results to the stakeholders of the organization. Transparency is a key value in the public sector and it is important that Crown corporations demonstrate high ethical behaviour, given that they are utilizing public monies. Transparent public reporting of such items as strategic plans, annual reports, audited financial statements, and other accountability information is important to obtaining and maintaining public trust and confidence.



Recommendation

5.24 Treasury Board should ensure all boards of directors of Crown corporations report publicly on the mandate and performance of the organization, on an annual basis.

5. Crown Corporations Governance Survey

CONFLICT OF INTEREST

5.25 Board members are obligated to act in the best interests of the organization. Individual board members have additional responsibilities beyond sitting on an organization’s board, such as jobs, relationships, or investments. These additional responsibilities could lead to either an actual or perceived conflict of interest. It is important that policies be implemented to reduce the risk of conflicts of interest arising, and that these policies be communicated to board members and to the staff of the organization.



Recommendation

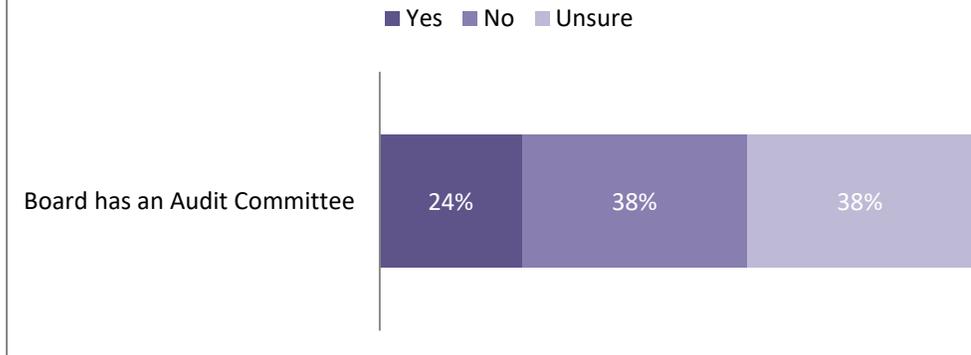
5.26 Treasury Board should require all Crown corporations to have members of its board of directors complete a conflict of interest declaration form annually.

AUDIT COMMITTEES

5.27 An audit committee is a subcommittee of the board of directors. The purpose of an audit committee is to provide oversight of the financial reporting and audit processes. Members of this committee should also be well informed of the organization’s internal controls and compliance with applicable laws and regulations. This committee should include members that are financially literate.

5. Crown Corporations Governance Survey

Audit Committees



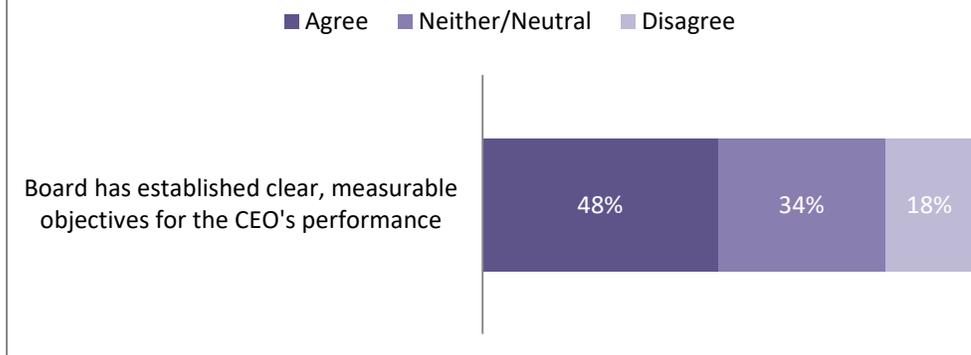
Recommendation

5.28 Treasury Board should require Crown corporations to have an audit committee.

EVALUATION OF CEO

5.29 The most senior management position of a Crown corporation (often referred to as Chief Executive Officer (CEO), which is the term we will use in this report) is responsible for the overall management of the organization and is typically hired by the board of directors. They are the main point of communication between the board of directors and the organization, and are held accountable on their performance by the board of directors.

Evaluation of CEO



5. Crown Corporations Governance Survey

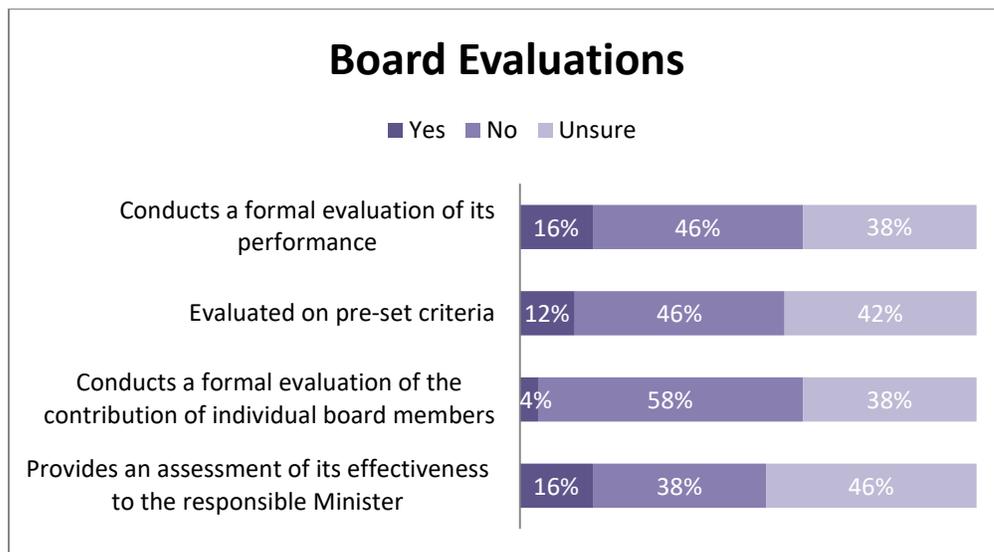
Recommendation

5.30 Treasury Board should ensure standardized performance evaluations are completed annually for Chief Executive Officers (or equivalent) of Crown corporations.

BOARD EVALUATIONS

5.31 Board effectiveness is important, and cannot be measured only by the financial success or lack thereof of an entity, but should focus on how the board is able to carry out its mandate. A standard approach to measuring effectiveness is by completing evaluations.

5.32 Evaluations are a helpful tool to aid in the performance and growth of an individual, group of people, or an organization. They offer feedback and give an opportunity for reflection and goal setting. They are most effective when they are transparent on the scope of the evaluation and are done periodically. As a result, boards who partake in regular evaluations are seen to be more successful.



Recommendation

5.33 Treasury Board should ensure evaluations on the effectiveness of boards of directors for Crown corporations are completed periodically. These evaluations should include documented performance measures which are important to each Crown corporation.

5. Crown Corporations Governance Survey

5.34 As our report includes only selected survey questions and responses, please see **Appendix D** for the complete survey and summarized responses.

RECOMMENDATIONS*	MANAGEMENT'S OVERALL RESPONSE
<p>Recommendation 5.13 Treasury Board should ensure a formal board orientation program is used by all Crown corporations. It should provide a clear outline of board roles, responsibilities, and structural relationships, along with board by-laws and mandates or terms of reference.</p>	<p>The Functions, Duties and Powers assigned to Treasury Board are outlined in the <i>Financial Administration Act</i> (FAA). Part of the duties includes setting rules and guidelines for the administration of departments and directing the coordination of administrative functions among and within department and reporting entities.</p>
<p>Recommendation 5.15 Treasury Board should ensure regular training opportunities for board members are provided by all Crown corporations.</p>	<p>Reporting entities are accountable for the administration of their financial affairs and resources to a Minister or through a Minister to the Legislative Assembly. Most, if not all, reporting entities are established through legislation and through the legislation, boards are established and their powers and duties defined.</p>
<p>Recommendation 5.17 Treasury Board should require the board of directors of all Crown corporations to document a strategic plan and regularly update the plan as the goals and mandate of the organization change.</p>	<p>To assist reporting entities in their administration, the Treasury Board Policy and Procedures Manual has been compiled to provide a current source of reference for employees of Government departments, Crown corporations and reporting entities. This Manual is intended to assist management in administration and in the decision-making process, and provide a basis for consistent application of policy and procedures throughout Government.</p>
<p>Recommendation 5.19 Treasury Board should require all Crown corporations to include information technology strategies in their strategic plan.</p>	<p>To enhance accountability and assist in stewardship, Treasury Board will develop a policy that will guide boards and their members by establishing minimum expectations for their operations, while carrying out their fiduciary function.</p>
<p>Recommendation 5.21 Treasury Board should ensure Government's public policy objectives are clearly communicated to all boards of directors of Crown corporations.</p>	<p>Timeline for completion: December 2021</p>
<p>Recommendation 5.22 Treasury Board should establish a minimum number of board of directors meetings which departmental ministers, or representatives, are to attend annually for each Crown corporation.</p>	

*Recommendation numbers refer to the paragraph numbers in this chapter.

RECOMMENDATIONS*	MANAGEMENT'S OVERALL RESPONSE
<p>Recommendation 5.24 Treasury Board should ensure all boards of directors of Crown corporations report publically on the mandate and performance of the organization, on an annual basis.</p>	<p>See management's overall response on previous page.</p>
<p>Recommendation 5.26 Treasury Board should require all Crown corporations to have members of its board of directors complete a conflict of interest declaration form annually.</p>	
<p>Recommendation 5.28 Treasury Board should require Crown corporations to have an audit committee.</p>	
<p>Recommendation 5.30 Treasury Board should ensure standardized performance evaluations are completed annually for Chief Executive Officers (or equivalent) of Crown corporations.</p>	
<p>Recommendation 5.33 Treasury Board should ensure evaluations on the effectiveness of boards of directors for Crown corporations are completed periodically. These evaluations should include documented performance measures which are important to each Crown corporation.</p>	

*Recommendation numbers refer to the paragraph numbers in this chapter.

**GOVERNANCE SURVEY
CROWN CORPORATIONS INCLUDED**

DEPARTMENT	ORGANIZATION
Agriculture and Land	PEI Agricultural Insurance Corporation PEI Grain Elevators Corporation
Economic Growth, Tourism and Culture	Finance PEI Atlantic Technology Centre Inc. 100417 PEI Inc. PEI Infrastructure Inc. Innovation PEI FTC Enterprise Ltd. Island Investment Development Inc. PEI Century 2000 Fund Slemon Park Corporation PEI Museum and Heritage Foundation Charlottetown Area Development Corporation Harbourside Management Services Inc. Summerside Regional Development Corporation Tourism PEI
Education and Lifelong Learning	PEI Student Financial Assistance Corporation
Environment, Water and Climate Change	PEI Advisory Council on the Status of Women
Finance	PEI Lotteries Commission PEI Liquor Control Commission PEI Cannabis Management Corporation PEI Self-Insurance and Risk Management Fund
Fisheries and Communities	PEI Employment Development Agency PEI Marine Science Organization
Health and Wellness	Health PEI
Justice and Public Safety	PEI Human Rights Commission
Social Development and Housing	PEI Housing Corporation
Transportation, Infrastructure and Energy	PEI Crown Building Corporation PEI Energy Corporation PEI Renewable Energy Corporation Island Waste Management Corporation Environmental Industrial Services Inc.

GOVERNANCE SURVEY METHODOLOGY AND SCOPE

We identified 32 Crown corporations to participate in the survey. We requested the listing of board members from Treasury Board which identified 117 board members, some of who sit on multiple boards. The survey took respondents approximately one hour to complete.

The questions in the survey were a combination of rating scales, order ranking and multiple choice. Where necessary, based on the question, there were areas to provide comments. The options for rating scales were as follows:

- Strongly Disagree
- Disagree
- Neutral/Neither
- Agree
- Strongly Agree

For reporting purposes, responses indicating agree and strongly agree were combined for a total percentage in agreement. Similarly, answers of disagree and strongly disagree were also combined. Respondents were directed to choose neutral/neither if that was the appropriate answer, or if they felt the question did not apply to their board.

Crown corporations included in our survey met the following criteria:

- entities included in the Public Accounts Volume I;
- Crown corporations governed by a board of directors that has policy-setting and decision-making capabilities to provide insight into their corporate organizations;
- each of the board of directors is accountable for their organization to the Legislature through a Minister;
- wholly owned or controlled by government, as defined by the Public Sector Accounting Board (PSAB); and
- government organizations (GO) and government business enterprises (GBE), as their financial performance impacts the Province's overall performance.

Crown corporations excluded from our survey met the following criteria:

- Crown corporations within the GBE not governed by a board of directors; and
- board of directors which fulfill an administrative, advisory or tribunal role.

BOARD OF DIRECTORS GOVERNANCE SURVEY 2020

The purpose of this survey is to examine public sector governance in Prince Edward Island from the perspective of current board members and senior management of Crown corporations. This survey will examine board governance practices currently being utilized in the public sector, explore aspects that serve to enhance effective governance, as well as identify common challenges for the future.

FREQUENTLY ASKED QUESTIONS

1. Is my Board being evaluated?

This survey is **NOT** an evaluation of your Board. It has been designed to obtain your opinion and views on a wide variety of governance issues related to serving on a public sector Board of Directors.

2. Will the information I provide remain anonymous?

All responses will be amalgamated and reported at the aggregate level only. Neither your views nor any information about any particular Board will be disclosed.

3. What if a survey question does not apply to my Board's situation?

Not all questions may apply to your board's particular situation. Further, there are many governance challenges specific to some public sector Boards that cannot be dealt with within this survey. If desired, please do not hesitate to add commentary on such matters in the General Comments section at the end of the survey. Also, use the General Comments section if you wish to provide further explanations regarding any question, or feel there is an area that is relevant that has not been covered in our survey.

4. Can I start the survey and come back to complete it later?

Yes, it is possible to start the survey and complete it at a later time. However, you will need to complete the hold page in order to save and continue later.

5. How long will it take to complete the survey?

It is estimated that the survey will take approximately 60 minutes to complete.

6. What if I sit on more than one Board?

Each participant is only required to participate in the survey once. Therefore, if you sit on several boards, please identify which Board you choose to respond for at the beginning of the survey.

5. Crown Corporations Governance Survey

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7. What if I have further questions that are not addressed here?

If you have questions or concerns with respect to this survey at any time, please do not hesitate to contact the Office of the Auditor General.

Office of the Auditor General: Sheri Griffin (902) 368-6968

PLEASE RETURN COMPLETED QUESTIONNAIRE BY:

August 14, 2020

Please indicate which board you are completing the survey for:

5. Crown Corporations Governance Survey

APPENDIX D
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SECTION A: ABOUT PUBLIC SECTOR BOARD GOVERNANCE

The following are a series of general statements about public sector board governance. Please indicate the extent to which you agree or disagree with each statement by selecting the number that most closely reflects your opinion. If the question is not applicable, please select 'neutral/neither'.

	Strongly Disagree	Disagree	Neutral/Neither	Agree	Strongly Agree
	%				
1. Our Chairperson ensures the business of the Board is being appropriately conducted.	0	2	8	44	46
2. Our Chairperson sets a professional business and ethical tone.	0	0	6	40	54
3. In this organization, there are too many external barriers to being an effective Board.	12	52	22	10	4
4. Public pressure sometimes forces our Board to make decisions we would not otherwise make.	28	54	12	4	2
5. The public does not adequately understand the mandate of this organization and the issues it faces.	6	16	32	38	8
6. As a Board member of this organization, I feel pressure from too many groups with conflicting views.	36	46	14	2	2
7. I believe this Board is carrying out its governance responsibilities effectively.	0	6	4	50	40
8. Our Board has the authority required to govern this organization effectively.	0	6	16	54	24

9. Board members vary in terms of whose interests they feel they must represent on the Board, and in some cases, Board members are appointed to represent more than one interest. From the list below, please indicate the primary interest that you feel you represent on this Board by placing the number "1" beside the item. Then, if necessary, place a "2" and "3" beside the next two interests you feel you represent on this Board.	Primary Interest	Secondary Interest	Third Interest
	%		
A geographic region or specific community.	14	11	9
A political party and/or the Minister.	2	9	3
A particular special interest or stakeholder group.	8	9	12
The organization itself.	18	13	24
The clients/users of the organization's services.	20	22	21
The employees and staff of the organization.	2	18	12
The citizens and taxpayers of Prince Edward Island as a whole.	36	18	18
<i>Other? For confidentiality purposes, any comments provided by respondents are not disclosed in this report.</i>			

	Yes	No	N/A
	%		
10. Board members are provided with relevant Acts, regulations and by-laws.	90	6	4

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SECTION B: BOARD ROLE, FUNCTIONS & RESPONSIBILITIES

The following is a list of possible responsibilities that the Board of Directors may fulfill. On a scale of 1 to 5 in the first column, please indicate how important you feel each responsibility is for a well-performing Board of your organization. In the second column, please indicate how effective you feel your Board currently is in performing each of these responsibilities. If the question is not applicable, please select '3'.

Board Responsibilities	IMPORTANCE (1 = Completely Unimportant 5=Extremely Important)					EFFECTIVENESS (1=Completely Ineffective 5=Extremely Effective)				
	1	2	3	4	5	1	2	3	4	5
	%					%				
1. Setting the strategic direction/priorities for the organization.	0	0	10	28	62	2	4	30	38	26
2. Setting the significant policies by which the organization operates.	0	0	8	40	52	4	4	22	38	32
3. Ensuring government's policies, regulations, and/or directives are implemented.	0	4	8	42	46	0	4	20	32	44
4. Monitoring achievement of Board's strategic objectives.	0	0	6	44	50	0	12	14	38	36
5. Approving all significant business decisions for the organizations.	0	2	6	44	48	0	4	18	42	36
6. Selecting and retaining the CEO.	4	4	22	20	50	6	6	30	22	36
7. Evaluating the performance of the CEO.	4	2	14	26	54	8	12	28	20	32
8. Bringing an external perspective to the organization's attention.	0	0	8	54	38	0	6	18	44	32
9. Ensuring the financial resources of the organization are managed in a prudent manner.	0	0	4	28	68	0	0	12	48	40
10. Ensuring effective IT systems are in place.	4	14	28	30	24	4	10	46	28	12
11. Ensuring effective internal control mechanisms are in place.	0	2	2	44	52	2	6	14	42	36
12. Collaborating effectively with external stakeholders and organizations.	0	0	10	48	42	2	6	22	42	28
13. Advocating on behalf of the organization, as required.	2	0	18	44	36	2	2	32	38	26
14. Ensuring all accountability obligations are met.	0	0	2	32	66	2	2	16	30	50
15. Providing input/advice to the Minister on issues that affect the organizations.	0	4	6	44	46	8	4	12	42	34
16. Others? (Please specify): <i>For confidentiality purposes, any comments provided by respondents are not disclosed in this report.</i>										

	Yes	No	Unsure
	%		
17. This Board has a mission statement.	54	8	38

SECTION C: BOARD APPOINTMENTS

The following series of statements discusses the appointment process for public sector Boards of Directors. If the question is not applicable, please select ‘neutral/neither’.

	Strongly Disagree	Disagree	Neutral/Neither	Agree	Strongly Agree
	%				
1. The current composition of board members brings the necessary skills and experience to lead this organization effectively.	2	16	14	42	26
2. The length of a Board member’s term of service is appropriate.	2	4	16	62	16
3. New Board members are appropriately oriented to the Board when appointed.	6	14	18	40	22
4. In appointing members, the government consults with us on required qualifications and skills.	4	20	54	14	8
5. We have identified the skill sets required on this Board and when vacancies arise, we provide government a list of preferred skills in future members.	4	18	46	20	12
6. I feel I have been provided with enough training opportunities to help me do the governance job required.	2	16	26	42	14
7. I often rely on the expertise (financial, legal, industry, IT, etc.) of other board members in making my decisions.	10	16	26	38	10
8. New board members are not required to fully participate for the first year they are on the Board.	16	40	40	4	0
9. Government should provide greater governance training/capacity building opportunities for public sector board members.	0	10	40	44	6
10. We do not have the resources to provide board member training or attendance at industry-specific or governance conferences.	6	30	36	22	6
11. Most Board members would not take the time to attend industry-specific or governance training/conferences.	16	42	36	6	0
12. Some board members have been on this Board for too long.	14	56	26	4	0
13. This Board has had an excessive amount of turnover.	18	44	34	4	0
14. It takes too long to fill vacant Board positions when they arise.	10	32	36	16	6
15. There are members of this Board who are not qualified to be on the Board of this organization.	24	46	24	2	4
16. Overall, I am satisfied with the current method of appointing new members to this Board.	2	14	26	50	8
17. Any comments/suggestions with respect to the appointment process for public sector Board members? <i>For confidentiality purposes, any comments provided by respondents are not disclosed in this report.</i>					

18. The following is a list of characteristics that board members may bring to their role. On a scale from 1 to 5 please indicate how important each characteristic is to a well-performing Board for your organization. In the second column, please indicate the extent to which these characteristics are represented by the current members on this Board. If the question is not applicable, please select ‘3’.

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Board Member Characteristics	IMPORTANCE (1 = Completely Unimportant 5=Extremely Important)					EXTENT (1=Very Low Extent 5=High Extent)				
	1	2	3	4	5	1	2	3	4	5
	%					%				
a) Experience in a related industry or sector	0	6	18	32	44	2	4	28	34	32
b) Knowledge of government and public sector	2	16	12	42	28	2	2	16	50	30
c) Representative of community demographics/diversity	0	4	10	50	36	0	8	20	54	18
d) Prior Board experience	6	18	28	32	16	2	8	26	44	20
e) Representative of a special interest or stakeholder group	6	18	40	28	8	4	10	52	24	10
f) Financial expertise (CPA, etc.)	2	24	20	42	12	2	16	36	34	12
g) General business/management expertise	0	8	24	48	20	2	6	22	54	16
h) Legal expertise	4	20	30	30	16	12	22	32	26	8
i) IT expertise	16	22	46	14	2	14	26	42	14	4
j) Known political affiliation	52	20	24	2	2	32	16	44	2	6
k) Leadership skills	2	6	4	40	48	4	2	6	52	36
l) Representative of community values/ethics	0	0	18	46	36	0	4	18	50	28
m) Other? <i>For confidentiality purposes, any comments provided by respondents are not disclosed in this report.</i>										

19. In future appointments, what member skills/characteristics would best enhance your Board's functioning? (list up to 3)

For confidentiality purposes, any comments provided by respondents are not disclosed in this report.

20. How long have you been a member of this Board? # of Years: 2.9 (average)

For confidentiality purposes, any comments provided by respondents are not disclosed in this report.

	Yes	No	Unsure
	%		
21. Did you have other public sector Board experience prior to being appointed to this Board?	56	38	6
22. After your appointment as Board member, did you receive an orientation?	58	28	14

	Very Useful	Somewhat Useful	Not Useful
	%		
If YES, how useful to you was the orientation provided?	78	22	0

23. Any suggestions for improvement to the orientation process for new Board members?

For confidentiality purposes, any comments provided by respondents are not disclosed in this report.

24. What further training opportunities, if any, do you think should be provided to public sector Board members?

For confidentiality purposes, any comments provided by respondents are not disclosed in this report.

SECTION D: BOARD INFORMATION FOR DECISION-MAKING

This series of statements asks about the information your Board utilizes in decision-making. If the question is not applicable, please select ‘neutral/neither’.

	Strongly Disagree	Disagree	Neutral/Neither	Agree	Strongly Agree
	%				
1. Information currently provided to the Board:					
a. has an appropriate level of detail.	0	6	6	52	36
b. is a complete and fair representation of all facts.	0	6	6	56	32
c. is received in a timely manner for effective decision-making.	0	12	8	52	28
d. provides historical context to the issues being discussed.	0	12	14	54	20
e. gives future-oriented perspectives to the issues being discussed.	2	8	20	52	18
f. explains any significant issues, changes or problems which affect the organization.	0	6	14	58	22
g. monitors performance and progress against plan.	4	16	22	42	16
h. allows the Board to make decisions on the efficient and effective use of the organization’s resources.	0	8	8	58	26
i. is balanced, presenting both the positive and negative impact of a particular decision.	0	6	16	58	20
2. Information that I am receiving is sufficient to enable me to participate in the decision-making of the Board.	0	4	12	56	28
3. The Board assesses its information needs on a regular basis.	0	8	20	54	18
4. The amount of material that needs to be reviewed before Board meetings is sometimes overwhelming.	2	56	24	16	2
5. Information provided to this Board is understandable without being over-simplified.	0	0	16	68	16
6. In making decisions, I am provided with several alternative courses of action from which to select.	2	12	30	46	10
7. I rarely ask for information beyond that provided to the Board.	4	36	30	26	4

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	Strongly Disagree	Disagree	Neutral/ Neither	Agree	Strongly Agree
	%				
8. Our CEO does a good job of advising the Board about issues or challenges being faced by the organization.	0	4	26	40	30
9. Senior management provides most information orally at meetings.	4	22	32	30	12
10. Performance information provided to the Board by management is relevant and in a form that helps us with decision-making.	0	10	20	56	14
11. The Board often refers to the strategic plan in making its decisions.	8	14	34	32	12
12. This Board discusses the goals and mandate of this organization on a regular basis.	4	12	18	46	20
13. The Minister and/or Department provides the organization with appropriate information for this Board to do an adequate job.	0	12	36	40	12
14. Our Board receives information from the Minister/Department in a timely fashion.	0	14	46	28	12
15. I am generally satisfied with the information I receive from the Minister/Department with respect to this organization.	0	10	44	36	10
16. Decisions sometimes have to be deferred or delayed due to lack of information.	4	34	36	26	0
17. We often challenge the assumptions and rationale behind the recommendations being made by management.	2	30	44	22	2
18. We almost always agree with management's recommendations.	0	12	40	44	4
19. I sometimes feel decisions are pre-made prior to the Board meeting.	16	42	24	12	6
20. On occasion, I have felt that the Board was pressured to make a decision too quickly.	14	50	22	14	0
21. We sometimes are required to make an immediate decision on information that is received at the meeting itself.	10	40	24	26	0
22. Board is provided with sufficient financial reporting from management.	0	2	10	58	30
23. The Board receives regular reports on finances/budgets that are clear to me.	0	6	8	54	32
24. Financial information provided to the Board allows us to fairly assess organizational performance.	0	6	14	52	28
25. I sometimes feel that we do not have enough time to discuss financial/budget issues.	10	60	14	14	2
26. I am satisfied with the information the Board receives on IT-related matters.	0	10	46	36	8
27. This Board obtains external advice or professional expertise when needed.	0	4	28	58	10
28. Overall, I am satisfied with the amount of external information received by the Board.	2	4	20	60	14
29. Overall, this Board is presented with the appropriate information for decision making.	0	6	8	60	26

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30. What improvement would you like to see in pre-meeting information? (check all that apply)	There were 68 responses in total to this question
	%
Better identification of important issues	15
More data on issues	9
Better Agenda	4
More concise descriptions of issues	7
More timely delivery of materials	12
Elimination of irrelevant materials	3
No changes needed	47
Other? <i>For confidentiality purposes, any comments provided by respondents are not disclosed in this report.</i>	3

	Yes	No	Unsure
	%		
31. Does this Board use other information sources to provide information to it, independent from the reports it receives from senior management of the organization?	26	38	36
<i>If YES, please specify: For confidentiality purposes, any comments provided by respondents are not disclosed in this report.</i>			

	Yes	No	Unsure
	%		
32. Is there any information you would like to receive but are not currently receiving from senior management of the organization?	8	69	23
<i>If YES, please specify: For confidentiality purposes, any comments provided by respondents are not disclosed in this report.</i>			

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SECTION E: AUDIT COMMITTEES

	Yes	No	Unsure
	%		
1. Does your Board have an audit committee:	24	38	38
Complete the rest of this section ONLY if an Audit Committee exists.			
The following questions were answered by the respondents who indicated that their Board has an audit committee.			
2. How many members on your Audit Committee (including Committee Chair)?	# Members: <i>For confidentiality purposes, any comments provided by respondents are not disclosed in this report.</i>		
3. How many members of your Audit Committee have financial expertise (CPA, etc.)?	# Financial: <i>For confidentiality purposes, any comments provided by respondents are not disclosed in this report.</i>		
	Annually	Twice Per Year	Quarterly
	Other		
	%		
4. How many times per year does your Audit Committee meet?	0	33	67
	0	33	67
	Yes	No	Unsure
	%		
5. Audit Committee meetings are sufficient in length to adequately fulfill its responsibilities.	75	17	8
6. The Audit Committee reports regularly to the Board.	92	8	0
7. An orientation and training is provided to Audit Committee members.	50	33	17
8. The Audit Committee approves and monitors policies for financial reporting.	50	33	17
9. The Audit Committee reviews management's framework for internal control.	58	25	17
10. The Audit Committee has established a process to receive and investigate complaints.	25	33	42
11. The Audit Committee meets with the external auditor without management present.	50	25	25
12. Audit Committee holds management accountable to act on the recommendations of the audit reports (both external and internal).	83	0	17
13. The Audit Committee conducts a formal evaluation of its performance in fulfilling its mandate.	8	50	42
14. Time required to fulfill Audit Committee functions is excessive.	0	75	25
15. Any comments/suggestions with respect to your Board's Audit Committee? <i>For confidentiality purposes, any comments provided by respondents are not disclosed in this report.</i>			

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SECTION F: BOARD ORGANIZATION & MEETINGS

This series of statements asks about the organization and operations of your Board. If the question is not applicable, please select 'neutral/neither'.

	Strongly Disagree	Disagree	Neutral/Neither	Agree	Strongly Agree
	%				
1. Our Board by-laws are appropriate and are reviewed periodically.	2	6	44	36	12
2. There have been instances where the Board by-laws have not been followed.	6	44	42	6	2
3. I am satisfied with the governance model, approach, or style that this Board has adopted.	2	4	20	56	18
4. Our Board regularly reviews and updates its governance policies/manual.	4	14	46	28	8
5. Our Board develops an annual work plan to ensure all governance activities are fulfilled.	6	12	46	28	8
6. Our Chairperson does a good job of facilitating the Board meetings.	0	4	16	52	28
7. Our Chairperson is a strong leader, but not overly powerful or intrusive.	0	6	16	46	32
8. The number of Board meetings held per year is sufficient for this Board to be effective.	2	8	12	56	22
9. Our meetings are short, efficient and usually end on time.	0	16	18	46	20
10. Ample time is devoted to discussion and consensus building at meetings.	0	6	10	62	22
11. There are members on this Board who spend less time than is required to do an adequate job.	4	62	24	10	0
12. The decisions of the Board are excessively influenced by the CEO.	10	52	24	10	4
13. I am satisfied with the amount of time spent discussing issues/asking questions, rather than listening to presentations.	0	8	6	72	14
14. Some members of the Board are overly focused on operational issues rather than strategic ones.	8	56	22	12	2
15. Attaining quorum is sometimes an issue for this Board.	22	54	14	6	4
16. All Board members have the opportunity to express their views at Board meetings.	0	0	4	54	42
17. I am generally satisfied with the advice and recommendations received from senior management of the organization.	0	6	12	58	24
18. I am confident that management openly shares negative or difficult information with the Board.	0	6	16	54	24
19. The Board has a process for handling urgent matters between meetings.	2	6	18	52	22
20. The volume of our agendas forces us to move through items overly quickly.	4	68	12	12	4

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	Strongly Disagree	Disagree	Neutral/ Neither	Agree	Strongly Agree
	%				
21. We convene special meetings so that the Board is actively involved in resolving critical issues facing the organization.	0	6	36	48	10
22. Our Board almost never meets without management present.	0	4	24	56	16
23. In-camera sessions are a standard agenda item and occur at almost all meetings, even if only briefly.	4	24	16	48	8
24. Our Chairperson probes silent members for their opinions on key issues.	2	18	36	34	10
25. Our Chairperson often asks for clarification of positions in order to ensure understanding.	0	14	12	56	18
26. This Board is often simply ratifying decisions already made by the CEO and senior management.	8	44	22	20	6
27. I sometimes feel that the Board can't reverse decisions that were pre-made by management prior to the Board meeting.	12	62	16	6	4
28. Our Chairperson does a good job of resolving conflict and achieving consensus on the Board.	0	0	24	54	22
29. In my opinion, the current Board is providing less effective governance than I would like.	16	54	16	12	2
30. Any comments/suggestions with respect to your Board's organization/meetings? <i>For confidentiality purposes, any comments provided by respondents are not disclosed in this report.</i>					

SECTION G: BOARD PRACTICES

This section discusses various Board practices that your Board may or may not utilize in fulfilling your governance role. This includes strategic planning, risk management, financial management practices, handling conflicts of interest and conducting Board evaluations. If the question is not applicable, please select 'neutral/neither'.

	Strongly Disagree	Disagree	Neutral/ Neither	Agree	Strongly Agree
	%				
1. The Board is actively involved in setting strategic direction and priorities for this organization.	2	14	24	48	12
2. I am satisfied with the strategic planning process utilized by this Board.	2	10	28	52	8
3. This Board does a good job of viewing issues strategically.	2	4	18	60	16
4. Our strategic plan and priorities are revisited throughout the year, as necessary.	2	10	36	38	14
5. We often debate and deliberate over the organization's priorities.	2	20	34	38	6

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	Strongly Disagree	Disagree	Neutral/Neither	Agree	Strongly Agree
	%				
6. This Board does a good job of identifying and assessing the risks facing the organization.	2	4	16	64	14
7. This Board and management share a common view of the organization's priorities.	0	6	14	66	14
8. Given that Board members are not technical/industry experts, it is difficult for the Board to have substantive input into the strategic/business plan.	8	54	26	10	2
9. The Board generally approves the strategic plan without many changes to management's proposal.	0	24	54	22	0
10. Annually the Board identifies specific performance objectives that it expects the organization to achieve.	4	18	38	30	10
11. Management does a good job of measuring organizational performance on a variety of indicators.	2	10	24	50	14
12. I am satisfied with the performance of the organization in achieving the goals established by this Board.	2	6	32	50	10
13. When budgeting, this Board allocates resources based on organizational performance.	0	12	52	32	4
14. The budgets and financial statements are clear and appropriately explained to Board members.	0	0	18	58	24
15. There are some Board members who do not have the financial competency to adequately review budgets and financial statements.	6	40	38	16	0
16. Given that overall public policy and funding are set by government, there is very little impact that the Board can have on the strategic plan.	2	48	30	20	0
17. Overall, I am satisfied with the financial planning process.	0	6	18	62	14
18. Our Board is actively involved in the risk management process.	0	6	32	54	8
19. Risk management policies have been documented and approved by the Board.	2	12	44	32	10
20. Our Board often asks risk-oriented, "what if" questions.	2	8	32	50	8
21. In my opinion, appropriate actions are taken to mitigate identified risks.	0	6	20	66	8
22. Overall, I feel the Board is doing an adequate job of monitoring organizational risks (both internal and external).	0	8	14	70	8
23. I am satisfied that all conflicts of interest, as well as related party transactions, are disclosed to the Board in a timely manner.	0	8	22	58	12
24. I have on occasion felt uncomfortable with how a conflict of interest was handled on this Board.	22	44	26	6	2
25. I feel comfortable in my understanding of the IT-related issues this organization faces.	2	10	44	40	4
26. IT plays an important and critical role in achieving our organization's mandate.	2	8	58	26	6

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	Strongly Disagree	Disagree	Neutral/ Neither	Agree	Strongly Agree
	%				
27. I am confident that this Board is providing effective oversight and monitoring of the organization.	4	6	14	62	14
28. I am satisfied with what has been accomplished since I've been on this Board.	2	10	14	52	22
29. This Board has established measures that evaluate the effectiveness of the Board as a whole.	6	24	30	32	8
30. I believe positive improvements to Board performance would result from conducting Board evaluations.	4	8	46	36	6
31. Our Board governance practices have been improving and I believe will continue to do so.	0	8	38	50	4
32. An annual report is prepared by the organization.	0	0	22	56	22
33. Overall, this Board provides sound governance and financial oversight.	2	4	10	64	20

Board Practices: Strategic Planning	Yes	No	Unsure
	%		
1. A documented strategic plan exists.	52	24	24
2. The strategic plan is updated annually.	32	40	28
3. We hold an annual Board retreat to discuss strategic issues.	20	58	22
4. Specific time is set aside at Board meetings to deal with strategic planning issues.	28	50	22
5. Our strategic plan is publicly available on our website.	20	32	48
6. The Minister and/or Department is provided a copy of our strategic plan.	34	26	40
7. We get feedback from the Minister/Department on a timely basis regarding our strategic plan.	20	32	48
8. The Minister endorses our strategic plan.	22	26	52
9. Our strategic plan is reviewed and approved by Treasury Board and/or Executive Council.	24	24	52
10. Our strategic plan is provided to the Legislative Assembly as part of the budget approval process.	22	24	54

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Board Practices: Risk Management	Yes		No		Unsure	
	%					
1. A documented risk management process exists.	32		22		46	
2. We review risk management issues as part of our strategic planning process.	38		28		34	
3. Risk management issues are regularly included on our Board agenda.	38		38		24	
4. Our Board has specified the scope and frequency of the risk reports we receive from management throughout the year.	26		48		26	
5. Internal control policies have been documented and approved by the Board.	48		22		30	
6. IT risks have been identified and assessed.	30		30		40	
	Monthly	Quarterly	Annually	Only as Needed	Never	Other
7. How often are risk management reports received from management.	8	10	4	36	24	18
8. How often are IT matters included on the Board's Agenda?	2	0	0	72	16	10

Board Practices: Financial Management	Yes		No		Unsure	
	%					
1. The Board approves the annual budget.	88		4		8	
2. Allocation of resources are linked to the organization's strategic plan.	56		18		26	
3. Financial statements are approved by the Board.	94		2		4	
4. The Board is provided with formal explanations from management to account for significant variances between budget and actual.	84		0		16	
5. Our annual report and financial statements are publicly available on our website.	58		10		32	
6. Our annual report provides both financial and non-financial performance information.	80		4		16	
7. An IT strategic plan has been developed.	12		30		58	
8. The IT strategic plan has been tied into the organization's overall strategic planning document.	12		30		58	

Board Practices: Conflicts of Interest	Yes		No		Unsure	
	%					
1. A conflict of interest policy exists for the organization and has been clearly communicated to all staff.	58		16		26	
2. A conflict of interest policy exists for the Board of Directors.	64		6		30	
3. I signed a conflict of interest declaration form when I joined this Board.	44		30		26	
4. We are required to update and sign the conflict of interest form annually.	20		44		36	

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Board Practices: Evaluations	Yes	No	Unsure
	%		
1. The Board conducts a formal evaluation of its performance.	16	46	38
2. The Board is evaluated on pre-set criteria.	12	46	42
3. Board evaluations have resulted in changes being made to Board practices.	10	46	44
4. The Board conducts a formal evaluation of the performance of each of its Committees.	6	50	44
5. The Board conducts a formal evaluation of the contribution of individual Board members.	4	58	38
6. The Board provides an assessment of its effectiveness to the Minister.	16	38	46
	Annually		Other
	%		
7. How frequently are Board evaluations conducted:	12	88	

1. Any comments/suggestions with respect to any of your board's practices?

For confidentiality purposes, any comments provided by respondents are not disclosed in this report.

2. What Board practice and/or activity do you see as the main challenge going forward for your Board?

For confidentiality purposes, any comments provided by respondents are not disclosed in this report.

SECTION H: BOARD RELATIONSHIP WITH ORGANIZATION

This series of statements discusses various aspects of the Board's relationship with the organization and its senior management. If the question is not applicable, please select 'neutral/neither'.

	Strongly Disagree	Disagree	Neutral/Neither	Agree	Strongly Agree
	%				
1. We have been provided a tour of the organization and met key staff members.	4	16	20	38	22
2. The Board has an appropriate level of involvement with the organization and its staff.	0	6	32	52	10
3. The Board has established clear, measurable objectives for the CEO's performance.	4	14	34	36	12
4. The accountability relationship of the CEO to the Board is difficult as the CEO is appointed directly by government.	6	32	44	12	6
5. The Board has the authority to hire and/or fire the CEO.	8	18	58	12	4
6. The Board has a specific process and criteria for recruiting and appointing a CEO.	10	12	64	14	0

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	Strongly Disagree	Disagree	Neutral/Neither	Agree	Strongly Agree
	%				
7. Board does a good job of holding management accountable for the overall performance of the organization.	2	8	36	48	6
8. Our CEO does a good job of implementing the Board's decisions.	0	2	26	54	18
9. The Board annually conducts performance evaluations of the CEO, based on pre-set criteria.	8	12	52	20	8
10. All Board members are involved in the CEO's performance evaluation.	10	18	48	16	8
11. I sometimes feel that the Chairperson is overly influenced by management.	16	54	22	4	4
12. This Board becomes too involved in day-to-day management decisions.	16	64	20	0	0
13. Management is receptive to constructive feedback provided by the Board.	0	2	24	64	10
14. All Board members are appropriately independent of senior management.	4	8	24	52	12
15. CEO expenses are reviewed and approved by the Chair (or delegated to a Committee/Board member).	4	2	58	30	6
16. We have sufficient flexibility to compensate our CEO appropriately.	8	10	58	20	4
17. The Board reviews and approves all bonus or supplementary payments made to the CEO.	6	8	64	20	2
18. We often get presentations from senior managers, other than the CEO and CFO.	0	26	36	30	8
19. I don't feel it is right for me to second guess the decisions made by senior management of the organization, who are experienced professionals.	20	36	34	8	2
20. I can think of an instance where the CEO has not acted in accordance with a decision of the Board.	24	46	30	0	0
21. I feel most accountable to the employees of this organization for the impact of my decisions.	4	24	56	14	2
22. The Board has a productive relationship with senior management.	0	4	20	62	14
23. Overall, I am satisfied with the Board's current relationship with its CEO.	2	2	24	48	24
	Yes		No		Unsure
	%				
24. CEO is a member of the Board, with full voting privileges.	16		66		18
	Too Much		About Right		Too Little
	%				
25. In my opinion, the authority this Board has allowed the CEO is:	8		92		0

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SECTION I: BOARD ACCOUNTABILITY

This series of statements asks about your Board's various accountability relationships, including government and the public. If the question is not applicable, please select 'neutral/neither'.

	Strongly Disagree	Disagree	Neutral/ Neither	Agree	Strongly Agree
	%				
1. The Board has a clear understanding of its legislative mandate.	0	4	16	64	16
2. The accountability requirements of this Board are clearly understood by all Board members.	0	8	18	60	14
3. The Board has a clear picture of government's public policy objectives with respect to this organization.	0	10	32	48	10
4. The shared authorities between our Board and government lead to ambiguities in our role.	0	24	54	18	4
5. The vision and strategic direction of this organization are aligned with those of government.	0	10	44	40	6
6. The Minister and/or Department provides this Board with a consistent message about government expectations.	2	14	50	34	0
7. Sometimes, the public policy initiatives that the government expects the Board to undertake are not compatible with our operational performance objectives.	2	18	64	16	0
8. The Minister/Department often make decisions without adequately understanding the impact on our organization.	4	28	48	16	4
9. I feel our Board is overly constrained by government legislation and/or regulations.	8	46	42	4	0
10. This Board is not independent enough of government to make effective decisions.	12	40	34	14	0
11. This organization has sufficient influence over provincial policy decisions that affect us.	2	34	36	28	0
12. I am satisfied with how often the Minister meets directly with our Board.	10	14	48	24	4
13. We have been proactive in trying to assist the Minister/Department in understanding our issues and funding needs.	0	4	34	48	14
14. Overall, I feel this Board has a very effective relationship with the Minister/Department.	2	8	30	50	10
15. I feel most accountable to government for the impact of my decisions.	4	28	30	34	4
16. At the end of the day, government is most responsible and accountable for this organization to the citizens of PEI.	0	10	34	46	10
17. I believe that government will take action if the Board acts in a manner that is inconsistent with its mandate.	0	10	24	60	6
18. This Board is accountable for all actions of the organization.	0	6	22	64	8

5. Crown Corporations Governance Survey

APPENDIX D
Page 19 of 19

	Strongly Disagree	Disagree	Neutral/ Neither	Agree	Strongly Agree
	%				
19. I feel most accountable to the community for the impact of my decisions.	0	6	34	36	24
20. I feel that this Board does a good job of reporting organizational performance publicly.	2	14	28	48	8
21. The accountability requirements and reporting obligations to the Minister and/or Department are clear.	0	2	26	68	4
22. I believe our Board adequately considers the interests of key stakeholders in making its decisions.	0	4	12	68	16
23. The Board ensures appropriate and understandable accountability information is provided to all stakeholders, including the public.	2	6	30	54	8
24. Our annual report expressly indicates our goals and reports our achievements against those goals.	2	8	34	50	6
25. Government does not overly interfere in the affairs of this board and organization.	2	4	30	58	6
26. Annual reports of our organization receive adequate scrutiny by the Legislative Assembly or its committees.	0	10	60	24	6
27. I would say the relationship between government and this Board/organization is improving.	0	0	54	42	4
28. Overall, I feel that this Board adequately fulfills its accountability to the Minister.	0	2	8	72	18
29. What do you see as the key challenges for this board in dealing with the Department and/or Minister? <i>For confidentiality purposes, any comments provided by respondents are not disclosed in this report.</i>					
30. What changes, if any, would you recommend to improve the relationship between your Board and government? <i>For confidentiality purposes, any comments provided by respondents are not disclosed in this report.</i>					

GENERAL COMMENTS

While this survey has covered a wide-range of issues that influence the governance of public sector Boards, there may be areas we may have missed that you consider important. Any further comments or specific issues you would like to share with us or bring to our attention would be most appreciated.

For confidentiality purposes, any comments provided by respondents are not disclosed in this report.

6. REPORT IN ACCORDANCE WITH CLIMATE LEADERSHIP ACT

6.1 The *Climate Leadership Act* (the Act) became official on April 1, 2019. The purpose of the Act is to charge a levy on carbon for purchasers and consumers of fuel, in an effort to reduce greenhouse gas emissions. In return, the Province has committed to return incremental revenue from the carbon levy back to Islanders in the form of rebates, credits, rate reductions or fee reductions. The Minister of Finance is responsible for the administration of this Act.

6.2 The Act stipulates that there will be a levy on fuel at rates as listed in the Act. The levy will generally be collected by registered agents and remitted to the Government on a regular basis. There are special rules around items such as mixtures and blends of fuels and rebranded fuel. The Act does provide certain exemptions and provides details on offences and penalties that may be issued.

6.3 In accordance with Section 2(3) of the Act, the Auditor General is responsible for reporting annually to the Legislative Assembly on the amount of the levy collected under the Act, and the amounts returned to consumers, businesses and municipalities. This is the first year of reporting under the Act and it covers the period of April 1, 2019 to March 31, 2020.

6.4 For the period of April 1, 2019 to March 31, 2020, a total of \$13,081,837 was collected by the Province as carbon levy revenue under the Act. This balance was returned to Islanders through the following initiatives: reduction in gasoline tax rates, free drivers' licenses, reductions in motor vehicle registration costs and a reduction in transit fees. These initiatives totaled \$18,018,442 over this period, broken down as follows:

Reduction in gasoline tax	\$10,992,245
Driver's license and voluntary ID fees (100% subsidy)	4,573,486
Registration of motor vehicles (various subsidies)*	2,362,327
Transit fees (10% subsidy)	<u>90,384</u>
	<u>\$18,018,442</u>

** Majority of subsidies provided relate to fossil fuel powered vehicles at 20% of motor vehicle registration fees. Other subsidies were provided at 50% of registration fees for non-plug-in hybrid vehicles and 100% of registration fees for electric or plug-in hybrid electric vehicles.*

6. Report in Accordance with Climate Leadership Act

6.5 The total returned to Islanders during the period of April 1, 2019 to March 31, 2020 was \$4,936,605 higher than the carbon levy collected. The excess spending constitutes a net loss for the Province.

6.6 It should be noted that additional initiative spending, not included above, took place prior to the Act coming into effect. In anticipation of the carbon levy being implemented on April 1, 2019, Government introduced several initiatives with an earlier effective date. The most significant initiatives were gasoline tax rate reductions, free drivers' licenses and motor vehicle registration subsidies. The early implementation of these initiatives commenced on December 29, 2018, and resulted in the reduction in revenues to the Province totalling approximately \$4 million up to March 31, 2019. The breakdown of foregone revenues due to the early implementation of initiatives is as follows:

- Gasoline tax revenues \$2.1 Million
- Driver's license fees \$1.3 Million
- Motor vehicle registration fees \$0.6 Million

6.7 Various initiatives including free drivers' licenses and registration fee reductions for fossil fuel-powered motor vehicles, are no longer in place effective January 1, 2020. A new five year Prince Edward Island Active Transportation Fund replaced these initiatives. Projects under this fund will begin in the 2021 fiscal year, and will help build new walking and bike paths, install paved shoulders, and better connect existing walking and cycling trails, to grow PEI's active transportation network.

7. REPORT IN ACCORDANCE WITH GOVERNMENT ADVERTISING STANDARDS ACT

7.1 The *Government Advertising Standards Act* (the Act) sets out standards that all government advertising must meet. When requested under the Act, the Auditor General is responsible for examining certain government advertisements, to determine whether the legislated standards have been met, and that advertisements are not partisan in nature.

7.2 Under Section 5(1), a head of a government office may request the Auditor General to examine a specific advertising item not yet made public, to determine whether the item will meet the standards set out in the Act.

7.3 A Member of the Legislative Assembly may also make a written complaint to the Auditor General under Section 6(1), that the specified advertisement identified in the complaint does not meet the standards set out in the Act.

7.4 In accordance with Section 9(1) of the Act, the Auditor General is required to report annually to the Speaker of the Legislative Assembly about any matter that is considered appropriate to report under this Act.

7.5 One request was received during the year, dated September 24, 2020, under Section 5(1) of the Act. The proposed advertising item was determined to meet the advertising standards established in the *Government Advertising Standards Act*.

8. UPDATE ON COVID-19 SPECIAL EXAMINATION

CHAPTER SUMMARY

8.1 On April 10, 2020, the Honorable Dennis King requested the Auditor General, under Section 14(d) of the *Audit Act*, to undertake a special assignment to examine Government's COVID-19 pandemic response. In particular, the Auditor General was requested to complete a financial examination of the Provincial Government's COVID-19 programming and supports, and the special warrants associated with COVID-19 for the period commencing March 13, 2020.

8.2 In the request from Executive Council, we were asked to report back by August 1, 2021. As we obtained a better understanding of the various funding periods of the COVID-19 programs, we presented a 3-phased approach to reporting to Executive Council. The phases consist of the following:

- **Phase 1:** Includes programs paid using the Emergency Contingency Fund with application deadlines up to and including August 31, 2020. We plan to report on Phase 1 in June 2021. We will complete follow-up on this Phase approximately one year after reporting, rather than our typical 3 year cycle.
- **Phase 2:** Includes loan programs, as well as the remaining programs from the Emergency Contingency Fund, with application deadlines after August 31, 2020; and
- **Phase 3:** Programs established using the COVID-19 Response and Recovery Contingency fund of \$65 million.

Phase 2 and Phase 3 both include ongoing programs and programs not yet established. Expected reporting timelines for Phase 2 and Phase 3 have not yet been established.

8.3 The objective of Phase 1 of our audit is to determine whether the Province of PEI:

- obtained appropriate authorizations for financial support programs initiated in response to COVID-19; and
- maintained appropriate oversight and controls over disbursements made under these programs.

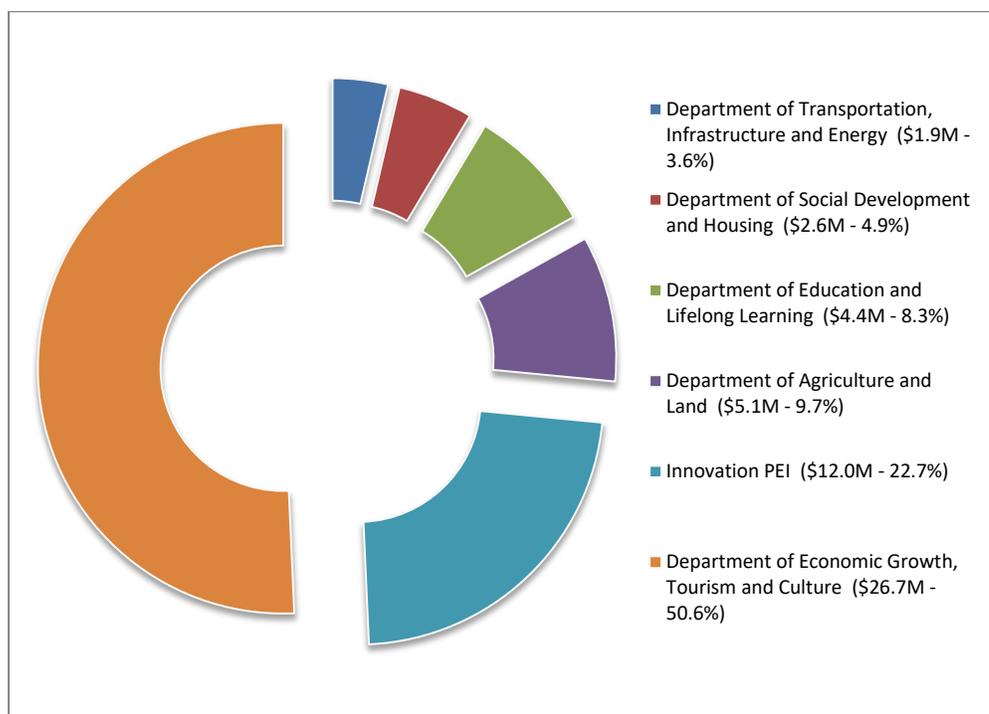
8. Update on COVID-19 Special Examination

8.4 Our Office is currently in the examination phase of Phase 1. The programs within this phase are funded from the COVID-19 Emergency Contingency Fund, which was authorized by Treasury Board on March 16, 2020. Extensions to the fund were authorized on April 8, 2020 and April 22, 2020.

8.5 Exclusions from the scope of our audit include deferral programs, programs paid through existing departmental budgets, rather than through the COVID-19 Emergency Contingency Fund, and extensions of existing programs, such as employment programs.

8.6 Testing of Phase 1 includes samples from 21 programs with total budgets amounting to \$52.8 million. **Exhibit 8.1** outlines the budgeted expenditures broken down by the appropriate Department or Crown corporation.

EXHIBIT 8.1
BUDGETED EXPENDITURES BY DEPARTMENT OR CROWN
PHASE 1



* Included in our Phase I work, but not included in the above chart, due to the limited dollar amount, is \$100,000 in expenditures for the Department of Finance

PREVIOUS RECOMMENDATIONS

9. FOLLOW-UP ON PERFORMANCE AUDITS 2017 AND 2018

CHAPTER SUMMARY

Why it's important

Our performance audits and examinations include recommendations to improve the management of Government programs and protect the interests of taxpayers. It is important that MLAs and Islanders receive a regular update on the progress Government is making in implementing our recommendations.

What we found

The 2017 and 2018 annual reports of the Auditor General included 60 recommendations from 6 performance audits and examinations.

At October 31, 2020:

- 77 percent of 2017 recommendations were implemented; and
- 50 percent of 2018 recommendations were implemented.

Management of the audited department, Crown corporation or agency has had a number of years to implement these recommendations. Action has been taken on some of the outstanding recommendations, but they are not fully implemented. Management have advised that some of the delays are due to staff shortages, the implementation of IT systems and COVID-19 restrictions affecting departments' functions.

BACKGROUND

9.1 Every year, we make recommendations specific to each of the performance audits and examinations conducted by our Office. The recommendations made in each audit report are intended to address the findings and issues identified. We do not infringe on management's right to select the best course of action to deal with the issues identified. However, we expect action to be taken to address the issues.

9. Follow-up on Performance Audits 2017 and 2018

9.2 We report on the implementation of recommendations three years after the audit was initially reported. We follow up again on any outstanding recommendations for one additional year.

9.3 This year, we are providing information on the status of implementation of recommendations made in our 2017 and 2018 annual reports. We requested management to indicate whether the recommendations were complete, or not complete, as of October 31, 2020. For each recommendation that management reported as complete, we requested details on the action taken, and we conducted follow-up work to determine if the recommendation was implemented. We did not do any follow-up work on any recommendations reported by management as not complete.

9.4 The objective of our follow-up work was to provide limited assurance on the implementation of the recommendations. We did not conduct a follow-up audit, but we conducted sufficient procedures to obtain limited assurance to support our conclusion.

9.5 The following section provides information on the results of our work. **Appendix A** and **Appendix B** list all recommendations from performance audits and examinations included in our 2017 and 2018 annual reports, and the status of implementation as of October 31, 2020. Further details on our objective, scope, and conclusion are included in **Appendix C** of this chapter.

9.6 **Appendix D** lists all recommendations reported by management as not complete. We have not conducted any work and provide no assurance on these management responses. We encourage readers of this report to refer to **Appendix D**, because management has provided a detailed update on the status of implementation of outstanding recommendations. In many cases, management has indicated that significant work has been undertaken, and the outstanding recommendation(s) are close to being implemented.

OBSERVATIONS

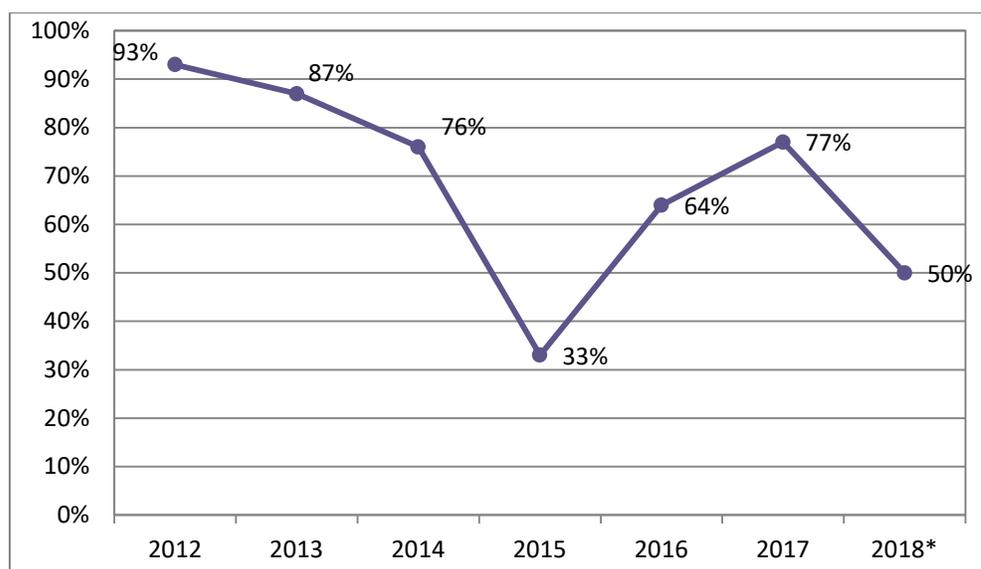
IMPLEMENTATION RATES

9.7 For several years we have been reporting, based on limited assurance, the status of implementation of recommendations included in previous annual reports. **Exhibit 9.1** shows the implementation rates of

9. Follow-up on Performance Audits 2017 and 2018

our 2012 to 2018 recommendations. These rates are based on the information in our annual report at the time our follow-up work was completed. We will follow up on outstanding 2018 recommendations again next year.

EXHIBIT 9.1 PERFORMANCE AUDITS AND EXAMINATIONS IMPLEMENTATION OF RECOMMENDATIONS ANNUAL REPORT YEARS



*2018 to be updated in 2022

2017 ANNUAL REPORT

9.8 Exhibit 9.2 shows the overall rate of implementation of recommendations for each audit included in our 2017 Annual Report.

EXHIBIT 9.2 STATUS OF IMPLEMENTATION OF RECOMMENDATIONS* BASED ON LIMITED ASSURANCE 2017 ANNUAL REPORT

Audit	Total	Outstanding	Implemented	
			#	Percent
Climate Change	8	1	7	88%
Office of the Public Trustee	12	3	9	75%
Seniors Housing Program	10	3	7	70%
Total*	30	7	23	77%

*As of October 31, 2020

9. Follow-up on Performance Audits 2017 and 2018

9.9 This is the second year that we have followed up on the recommendations reported in our 2017 Annual Report. Overall, we concluded that 77 percent of these recommendations were implemented, in comparison to only 43 percent from last year. The paragraphs that follow provide additional information on the outstanding recommendations.

Climate Change

What our original audit examined

9.10 The Department of Communities, Land and Environment (now the Department of Environment, Energy, and Climate Action) is responsible for administering the *Environmental Protection Act*. The purpose of the *Environmental Protection Act* is to manage, protect, and enhance the environment.

9.11 In 2015, the Office of the Auditor General of Canada, and all provincial legislative offices, agreed to work together on a collaborative audit initiative regarding climate change. In the spring of 2016, all partners agreed to work together to determine the extent to which federal, provincial, and territorial governments in Canada are meeting their commitments to reduce greenhouse gas emissions, and to adapt to climate change risks. Each participating office issued a separate report based on the work conducted within their respective jurisdiction. A collaborative audit report was issued as well, which incorporated the issues identified by all participating offices.

9.12 The objectives of our audit were to determine whether the Government of Prince Edward Island:

- had made progress towards commitments to reduce greenhouse gas emissions; and
- had taken action to adapt to climate change risks.

Status of recommendations

9.13 As a result of our audit, we made eight recommendations. Management indicated that seven recommendations were complete. Based on our work, we agreed that seven recommendations were complete as of October 31, 2020.

9. Follow-up on Performance Audits 2017 and 2018

Status Date	Implemented	Outstanding	Total
October 31, 2020	7	1	8

9.14 The outstanding recommendation relates to the preparation of a province-wide risk assessment for adaptation to climate change that identifies, analyzes and prioritizes the key risks.

9.15 Because this recommendation is still outstanding, there is a risk that resources for adaptation may not be directed to the most significant climate change risks. This could leave Islanders potentially vulnerable and subject to higher financial costs to address the negative effects of climate change. Management has provided a detailed update on the status of the implementation of the province wide risk assessment in **Appendix D**.

Office of the Public Trustee

What our original audit examined

9.16 The Public Trustee is responsible to protect the financial interests of some of Prince Edward Island's most vulnerable residents. The Office of the Public Trustee responds to the needs of those who are deemed medically incapable of making their own financial decisions, or where required by order of the court. At the time of our audit, the Public Trustee was responsible for approximately 300 clients.

9.17 The objectives of our audit were to determine whether the Public Trustee Office:

- had adequate processes to safeguard and administer client assets held in trust; and
- publicly reported on its performance.

Status of recommendations

9.18 Our original audit included 12 recommendations. Management indicated that all 12 recommendations were complete. Based on our work, we concluded 9 recommendations were implemented.

9. Follow-up on Performance Audits 2017 and 2018

Status Date	Implemented	Outstanding	Total
October 31, 2020	9	3	12

9.19 The outstanding recommendations relate to:

- the lack of documentation of key summary information for each client;
- accounting system not fully implemented to facilitate accurate reporting; and
- the lack of performance reporting.

9.20 Based on the work we conducted, we noted the Public Trustee Office has made progress towards implementing these outstanding recommendations. The Public Trustee Office is currently in the process of implementing a system to aid in compiling key summary information for each client and to facilitate accurate reporting. All new clients since August 10, 2020 are processed in the new system. Ongoing data entry continues for existing Public Trustee clients. The Public Trustee has also drafted an annual report, and indicated that they intend to publish this report annually.

9.21 Until these recommendations are fully implemented, the risks they were intended to address remain:

- inability to generate accurate, timely reports of client assets and liabilities; and
- lack of transparency and accountability in public reporting.

Seniors Housing Program

What our original audit examined

9.22 The Seniors Housing Program was established to provide quality housing to low income seniors who are unable to maintain their existing homes, and are unable to obtain suitable housing through their own resources. At the time of our audit, the province owned 1,117 seniors housing units located in 32 communities across the province.

9. Follow-up on Performance Audits 2017 and 2018

9.23 The objectives of our audit were to determine whether the Housing Services Division:

- developed a long-term plan for seniors housing to address the housing needs of Island seniors;
- performed assessments on applicants and selected new tenants in compliance with policy; and
- maintained an accurate, up-to-date listing of applicants waiting for placement.

Status of recommendations

9.24 Our original audit included 10 recommendations. Management indicated that all ten recommendations were complete. Based on our work, we have determined that seven recommendations were complete.

Status Date	Implemented	Outstanding	Total
October 31, 2020	7	3	10

9.25 The outstanding recommendations relate to:

- ensuring housing officers comply with policy in assessing applicants;
- implementing a quality control review process for assessments; and
- reporting publicly on the performance of its low income Seniors Housing Program.

9.26 Because these recommendations have not been implemented, the following risks remain:

- assessments used to place applicants for housing may have inaccurate and incomplete information, which could impact housing placement decisions; and
- lack of performance measurement and accountability.

9. Follow-up on Performance Audits 2017 and 2018

2018 ANNUAL REPORT

9.27 This is the first year we have assessed the implementation of our 2018 recommendations. Overall, we concluded that 50 percent of these recommendations were implemented. **Exhibit 9.3** provides a breakdown of the results.

EXHIBIT 9.3 STATUS OF IMPLEMENTATION OF RECOMMENDATIONS* BASED ON LIMITED ASSURANCE 2018 ANNUAL REPORT

Audit	Total	Outstanding	Implemented	
			#	Percent
Social Assistance Program	11	6	5	45%
Medication Controls: Institutional Pharmacy Program	15	9	6	40%
Office of the Public Guardian	4	0	4	100%
Total*	30	15	15	50%

*As of October 31, 2020

Social Assistance Program

What our original audit examined

9.28 Social Assistance, as defined by the *Social Assistance Act*, includes both financial assistance and social services. The Social Assistance Program provides financial support for basic necessities like food, shelter, clothing, household, and personal requirements for an individual, or family in need. The amount of financial support depends on factors such as income, family size, ages of family members and whether the home is rented or owned.

9.29 The objectives of our audit were to determine whether:

- the Department assessed, authorized, and provided benefits in accordance with regulations and policy;
- case plans were completed and updated for social assistance recipients in accordance with policy; and
- social assistance rates and financial resource exemptions were submitted annually to Executive Council for review and approval.

9. Follow-up on Performance Audits 2017 and 2018

In addition, we examined the Department's processes for measuring and reporting on the achievement of program objectives.

Status of recommendations

9.30 Our original audit included 11 recommendations. Management indicated that eight recommendations were complete. Based on our work, we have determined that five recommendations were complete.

Status Date	Implemented	Outstanding	Total
October 31, 2020	5	6	11

9.31 The outstanding recommendations relate to:

- reporting on the administration of the Social Assistance Program to the Legislative Assembly, including program goals and results achieved;
- providing information annually to Executive Council to support the review of social assistance rates and exemptions;
- completing annual reviews of recipients eligibility and needs in accordance with *Social Assistance Act Regulations*;
- conducting and documenting home visits in accordance with program policy;
- advising all applicants in writing of the decision regarding social assistance, amounts approved and the right to appeal; and
- updating case plans for recipients of social assistance in accordance with policy.

9.32 Management of the Social Assistance Program indicated that they implemented a new Home Visit Policy effective November 3, 2020. At the same time, a new policy was implemented requiring staff to advise all applicants in writing regarding:

- assistance decisions;
- amounts approved; and
- right to appeal.

We will examine the implementation of these policies in our next round of follow-up work.

9. Follow-up on Performance Audits 2017 and 2018

9.33 Because these recommendations have not been implemented, the following risks remain:

- limited assessment and accountability, on whether the Program is meeting its objectives and assisting those in need;
- changing needs may not be identified and benefits may be provided to ineligible recipients;
- inadequate information may be provided to applicants on decisions, and applicants may not have sufficient information to exercise their right to appeal; and
- recipient needs may not be met and required services may not be provided.

Medication Controls: Institutional Pharmacy Program

What our original audit examined

9.34 The Institutional Pharmacy Program provides pharmacy services to provincially-owned long-term care facilities. All residents in government operated long-term care homes are automatically eligible under the program, and receive full coverage for any medications approved on the *PEI Pharmacare Formulary*. At the time of our audit, this was 1 of 13 subsidized pharmacare programs administered by the Provincial Pharmacy.

9.35 The objective of our audit was to determine whether medication for residents of provincially-owned long-term care facilities was adequately controlled.

9.36 Subsequent to our original audit, Health PEI has been developing a planned, phased in approach, transitioning the service delivery model of medications for long-term care residents from the Provincial Pharmacy to a unit dose packager at the Queen Elizabeth Hospital (QEH). All long-term care facilities, with the exception of Sherwood Home, now receive specific medication strips packaged by an automated unit dose packager at the QEH.

9.37 Per management, aside from the specific medication strips which facilitate tracing, there is a limited quantity of non-patient specific controlled substances on site at long-term care facilities. Management

9. Follow-up on Performance Audits 2017 and 2018

also advised that access to all narcotic and controlled substances at these facilities is limited to those with keys.

9.38 The transition to the service delivery model described above, results in most narcotics and controlled substances being stocked and dispensed from the QEH pharmacy. We did not audit or evaluate the operations of the QEH pharmacy.

9.39 Although inventory held at the Provincial Pharmacy has been greatly reduced, the recommendations are still relevant to the inventory for the operations that remain. Management advised that all narcotics held at the Provincial Pharmacy are locked in a vault and will no longer be held in inventory as of March 2021.

Status of recommendations

9.40 Our original audit included 15 recommendations. Management indicated that 10 recommendations were complete. Based on our work, we have determined that six recommendations were complete.

Status Date	Implemented	Outstanding	Total
October 31, 2020	6	9	15

9.41 The outstanding recommendations relate to:

- developing policies and procedures to strengthen medication controls, and improve coordination of the Institutional Pharmacy Program;
- conducting monthly inventory counts of narcotics and controlled drugs at the Provincial Pharmacy;
- improving controls over dispensing and oversight of ward stock narcotics;
- documenting a policy on the transportation of medications from the Provincial Pharmacy;
- establishing a policy on conducting comprehensive medication reviews for residents of provincially-owned long-term care facilities;
- counting controlled drugs at long-term care facilities;
- implementing policies and procedures to maintain a clear trail of accountability for all narcotics and controlled drugs;

9. Follow-up on Performance Audits 2017 and 2018

- ensuring all unused, discontinued, and expired narcotics and controlled drugs are returned to the Provincial Pharmacy; and
- documenting procedures for disposal of medications consistent with federal regulatory requirements.

9.42 Because these recommendations have not been implemented, the following risks remain:

- expectations regarding the control of medications and the coordination of the program may not be clearly communicated to staff;
- potential for the diversion of controlled drugs, other than narcotics, going unidentified at long-term care facilities; and
- potential for delays in the identification of diverted narcotics and controlled drugs kept at the Provincial Pharmacy.

Office of the Public Guardian

What our original audit examined

9.43 The Office of the Public Guardian responds to the needs of those deemed medically incapable of making their own personal care decisions when there are no trusted family or friends available or willing to assume responsibility. The Public Guardian is responsible to act in the best interests of guardian clients, and represents some of Prince Edward Island's most vulnerable residents.

9.44 The objective of our audit was to determine whether the Office of the Public Guardian had a well-defined process to support the rationale, documentation, and approval of care decisions, where a care decision was defined as a significant health care decision, or a change in a client's residence and/or care provider.

Status of recommendations

9.45 Our original audit included 4 recommendations. Management indicated that all 4 recommendations were completed. Based on our work, we concluded that all 4 recommendations were implemented.

9.46 We would like to thank the Office of the Public Guardian for implementing 100% of our recommendations.

**2017 ANNUAL REPORT
PERFORMANCE AUDITS AND EXAMINATIONS
RECOMMENDATIONS**

Audit	Para.	Recommendation	Status of Implementation as at Oct 31, 2020
Climate Change			
Department of Environment, Energy and Climate Action (formerly Communities, Land, and Environment)	2.43	The Department of Communities, Land and Environment should coordinate provincial strategy development and implementation related to climate change.	Complete
	2.44	The Department of Communities, Land and Environment should develop a climate change strategy including both mitigation and adaptation which focuses on the key risks and vulnerabilities of the province. The strategy should include at a minimum <ul style="list-style-type: none"> • objectives; • planned actions; • timeframe; • roles and responsibilities; and • public reporting requirements. 	Complete
	2.45	Executive Council should approve provincial climate change strategies.	Complete
	2.46	The Department of Communities, Land and Environment should provide annual public reports on progress made to mitigate and adapt to climate change.	Complete
	2.66	Executive Council should establish clearly defined provincial targets for the reduction of greenhouse gas emissions. These targets should be publicly communicated.	Complete
	2.67	The Department of Communities, Land and Environment should ensure documented implementation plans are completed for all key mitigation actions. This would include at a minimum: <ul style="list-style-type: none"> • assignment of responsibility; • timelines for each action; • financial and other resources required; and • performance measures. 	Complete
	2.76	The Department of Communities, Land and Environment should prepare a province-wide risk assessment for adaptation to climate change. This assessment should identify, analyze and prioritize key risks.	Not Complete
	2.77	The Department of Communities, Land and Environment should ensure documented implementation plans are completed for all key adaptation actions. This would include at a minimum: <ul style="list-style-type: none"> • assignment of responsibility; • timelines for each action; • financial and other resources required; and • performance measures. 	Complete

**2017 ANNUAL REPORT
PERFORMANCE AUDITS AND EXAMINATIONS
RECOMMENDATIONS**

Audit	Para.	Recommendation	Status of Implementation as at Oct 31, 2020
Office of the Public Trustee			
Department of Justice and Public Safety	3.25	The Public Trustee Office should document and regularly update key summary information on each client.	Complete
	3.26	The Public Trustee Office should record the revenues and expenses for each client.	Complete
	3.27	The Public Trustee Office should provide adequate oversight for all clients.	Complete
	3.32	The Public Trustee Office should act in a timely manner to establish a complete listing and take control of assets and liabilities for each client.	Not Complete
	3.33	The Public Trustee Office should reconcile auction proceeds to the inventory of significant assets and maintain appropriate documentation.	Complete
	3.40	The Public Trustee Office should develop and implement adequate internal controls to safeguard and maintain client's financial assets. This, at a minimum, should include <ul style="list-style-type: none"> • appropriate segregation of duties; • review and approval of documentation to support disbursements; and • timely preparation and review of monthly bank reconciliations. 	Complete
	3.43	The Public Trustee should obtain regular summary reports to facilitate oversight of client accounts.	Complete
	3.47	The Public Trustee Office should maintain organized client files containing all relevant documentation to support transactions.	Complete
	3.57	The Public Trustee Office should take action to implement an accounting system that facilitates timely, accurate information for management decision making and reporting.	Not Complete
	3.67	The Public Trustee Office should establish documented policies and procedures to guide staff in conducting the work of the Office. At a minimum, these should include <ul style="list-style-type: none"> • administration of client files; • financial controls; • managing client investments; and • contacting known heirs. 	Complete
3.71	The Office of the Public Trustee should establish documented performance measures.	Complete	

**2017 ANNUAL REPORT
PERFORMANCE AUDITS AND EXAMINATIONS
RECOMMENDATIONS**

Audit	Para.	Recommendation	Status of Implementation as at Oct 31, 2020
Office of the Public Trustee (cont'd)			
Department of Justice and Public Safety	3.72	The Public Trustee Office should annually report to the public on its performance.	Not Complete
Seniors Housing Program			
Department of Social Development and Housing (formerly Family and Human Services)	4.28	The Housing Services Division should prepare a long-term plan to address the current and expected future demand for low income seniors housing.	Complete
	4.40	The Housing Services Division should establish a process for housing officers to verify income, assets, and housing costs at the time of application.	Complete
	4.41	The Housing Services Division should ensure that housing officers comply with policy in assessing applicants.	Not Complete
	4.42	The Housing Services Division should implement a quality control review process for assessments.	Not Complete
	4.52	The Housing Services Division should develop a process to ensure accurate, relevant wait list information is available for the Seniors Housing Program on a timely basis.	Complete
	4.70	The Housing Services Division should ensure placements are made based on program policy. Exceptions to policy should be documented and authorized by senior management.	Complete
	4.71	The Housing Services Division should ensure sufficient documentation is maintained to support placement decisions.	Complete
	4.72	The Housing Services Division should provide guidance to housing officers regarding challenging applicants.	Complete
	4.75	The Housing Services Division should establish performance indicators as a basis to measure and report on program performance.	Complete
	4.76	The Housing Services Division should report publicly on the performance of its low income Seniors Housing Program.	Not Complete

**2018 ANNUAL REPORT
PERFORMANCE AUDITS AND EXAMINATIONS
RECOMMENDATIONS**

Audit	Para.	Recommendation	Status of Implementation as at Oct 31, 2020
Social Assistance Program			
Department of Social Development and Housing (formerly Family and Human Services)	2.22	The Department of Family and Human Services should establish performance indicators and targets to measure and monitor its progress in achieving the objectives of the Social Assistance Program.	Complete
	2.23	The Department of Family and Human Services should annually report to the Legislative Assembly on the administration of the Social Assistance Program including program goals and results.	Not Complete
	2.37	The Department of Family and Human Services should annually provide information to Executive Council to support its review of social assistance rates and exemptions from financial resources.	Not Complete
	2.38	The Department of Family and Human Services should ensure that changes in social assistance rates are approved by Executive Council prior to implementation.	Complete
	2.45	The Department of Family and Human Services should complete annual reviews in accordance with the Social Assistance Act Regulations.	Not Complete
	2.48	The Department of Family and Human Services should conduct and document home visits in accordance with Program policy.	Not Complete
	2.54	The Department of Family and Human Services should record all applications in the case management system.	Complete
	2.55	The Department of Family and Human Services should inform all applicants in writing its decision regarding social assistance, the reason(s) for the decision, any amounts approved, and the right to appeal.	Not Complete
	2.62	The Department of Family and Human Services should maintain the internal review function of its Audit Services Section.	Complete
	2.65	Management of the Social Programs Division should ensure social assistance payments are authorized in accordance with Treasury Board Policy.	Complete
2.75	The Department of Family and Human Services should complete and update case plans for recipients of social assistance in accordance with policy.	Not Complete	

**2018 ANNUAL REPORT
PERFORMANCE AUDITS AND EXAMINATIONS
RECOMMENDATIONS**

Audit	Para.	Recommendation	Status of Implementation as at Oct 31, 2020
Medication Controls: Institutional Pharmacy Program			
Health PEI	3.20	Health PEI should develop policies and procedures to strengthen medication controls and improve coordination for management and delivery of the Institution Pharmacy Program.	Not Complete
	3.32	The Provincial Pharmacy should conduct and adequately document monthly inventory counts of narcotics and controlled drugs.	Not Complete
	3.33	The Provincial Pharmacy should investigate all inventory discrepancies of narcotics and controlled drugs. All discrepancies should be supported with documentation, reviewed, and signed off by management. Any unexplained variances should be reported.	Complete
	3.34	The Provincial Pharmacy should enforce individual electronic login protocols.	Complete
	3.49	Health PEI should improve controls over dispensing and oversight of ward stock narcotics for provincially-owned long-term care facilities.	Not Complete
	3.50	Provincial Pharmacy staff should have access to essential information to evaluate the appropriateness of initial prescriptions and refill requests prior to dispensing medication.	Complete
	3.55	Health PEI should document a policy on the transportation of medications from the Provincial Pharmacy to the provincially-owned long-term care facilities.	Not Complete
	3.60	Health PEI should establish a policy on conducting comprehensive medication reviews for residents of provincially-owned long-term care facilities.	Not Complete
	3.73	Provincially-owned long-term care facilities should ensure that inventory records for narcotics include the actual amount of each drug counted in addition to verification that the count was completed.	Complete
	3.74	Provincially-owned long-term care facilities should ensure controlled drugs are recorded and regularly counted. Discrepancies should be investigated and unexplained shortages should be reported.	Not Complete
3.83	Health PEI should implement policies and procedures to require the Provincial Pharmacy and the long-term care facilities to maintain a clear trail of accountability for all narcotics and controlled drugs.	Not Complete	

**2018 ANNUAL REPORT
PERFORMANCE AUDITS AND EXAMINATIONS
RECOMMENDATIONS**

Audit	Para.	Recommendation	Status of Implementation as at Oct 31, 2020
Medication Controls: Institutional Pharmacy Program (cont'd)			
	3.84	Provincially-owned long-term care facilities should return all unused, discontinued, and expired narcotics and controlled drugs to the Provincial Pharmacy.	Not Complete
	3.90	Health PEI should develop documented procedures for the disposal of medications consistent with federal regulatory requirements.	Not Complete
	3.91	Documentation supporting the disposal of narcotics and controlled drugs should be maintained by the Provincial Pharmacy in accordance with federal regulatory requirements.	Complete
	3.92	Unserviceable narcotics and controlled drugs should either be de-natured and disposed of by the Provincial Pharmacy or destroyed by a licensed third party in accordance with Health Canada requirements.	Complete
Office of the Public Guardian			
Department of Justice and Public Safety	4.17	The Office of the Public Guardian should clearly and consistently communicate its roles and responsibilities to care providers.	Complete
	4.18	The Office of the Public Guardian should define the types of significant care decisions that must be approved by the Public Guardian and formally communicate this information to care providers.	Complete
	4.22	The Office of the Public Guardian should document and implement policies to guide staff in managing key risks and responsibilities.	Complete
	4.33	The Office of the Public Guardian should document the authorization and rationale for significant care decisions.	Complete

OBJECTIVE, SCOPE AND CONCLUSION

STANDARDS

This independent limited assurance attestation engagement report was prepared by the Office of the Auditor General of Prince Edward Island on the status of the implementation of recommendations made in our 2017 and 2018 Annual Reports. Work conducted for this review was performed to a limited level of assurance in accordance with the Canadian Standards on Assurance Engagements (CSAE) 3000 - Attestation Engagements Other Than Audits or Reviews of Historical Financial Information, set out by the Chartered Professional Accountants of Canada (CPA Canada).

The Office of the Auditor General of Prince Edward Island applies Canadian Standard on Quality Control 1, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

In conducting this assurance work, we have complied with independence and other ethical requirements of the Rules of Professional Conduct of the Chartered Professional Accountants of Prince Edward Island, and the Code of Conduct of the Office of the Auditor General of Prince Edward Island. Both the Rules of Professional Conduct and the Code of Conduct are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

OBJECTIVE

Our objective was to provide limited assurance on those recommendations assessed as completed, do not intend to complete, or action no longer required, to determine if government's assessment was free from material misstatement. We did not perform any procedures, and provide no assurance on recommendations reported by management as not complete.

SCOPE AND APPROACH

The scope of our work included only recommendations from performance audits and examinations included in the 2017 and 2018 annual reports. We provide limited assurance on those recommendations assessed by management as complete as at October 31, 2020.

Recommendations made to departments, Crown corporations, and agencies pursuant to our financial audit work are followed up annually as part of our financial audit process and are not discussed in this chapter.

Our approach included:

- obtaining assertions from management on the status of implementation of each recommendation;
- interviewing management and staff;
- examining documents; and
- reviewing specific controls and processes.

The procedures performed in a limited assurance engagement vary in nature and timing, and are less extensive than a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained, had a reasonable assurance engagement been performed.

CONCLUSION

We concluded that as at October 31, 2020:

- 77 percent of 2017 recommendations were implemented; and
- 50 percent of 2018 recommendations were implemented.

Based on the limited assurance procedures performed and evidence obtained on completed recommendations, no matters have come to our attention that cause us to believe that the status of the recommendations reported as implemented has been materially misstated. Additional information provided in this report is not intended to take away from our overall conclusion.

DATE OF REPORT

We obtained sufficient evidence on which to base our limited assurance conclusion on February 22, 2021, in Charlottetown, Prince Edward Island.

**RECOMMENDATIONS REPORTED BY MANAGEMENT
AS NOT COMPLETE AT OCTOBER 31, 2020
2017 AND 2018 AUDITS**

We requested a written assessment from management on whether recommendations from our 2017 and 2018 performance audits and examinations were complete or not complete as at October 31, 2020. This appendix lists all recommendations reported by management as not complete. We have not conducted any work and provide no assurance on these management responses. They are presented for information purposes only.

Rec. #	Recommendation	Management Response
Climate Change		
2.76	The Department of Communities, Land and Environment should prepare a province-wide risk assessment for adaptation to climate change. This assessment should identify, analyze and prioritize key risks.	<p>As part of the Climate Change Action Plan 2018-2023, the Province committed to “assess future climate impacts upon sectors and stakeholders to help prioritize efforts to adapt to climate change”.</p> <p>In 2019, the Department successfully secured funding support from Natural Resources Canada for a province-wide risk assessment. Later in the year, the Department issued a request for proposals to complete the risk assessment. The work was awarded in March 2020. The province-wide risk assessment will identify, analyze, and prioritize key risks. A risk assessment framework has been drafted and consultations with stakeholders were conducted. Plans for consultation were modified from in-person sessions to virtual, due to COVID-19. Indigenous communities have also been engaged in information sharing. Efforts to estimate risk of identified climate hazards is currently underway.</p> <p>Risk estimation for all climate hazards will be completed over the next few months, along with the compilation of the risk library, expert interviews, and additional rounds of stakeholder engagement and generation of the final deliverables. The risk assessment is expected to be completed by June 2021.</p>

**RECOMMENDATIONS REPORTED BY MANAGEMENT
AS NOT COMPLETE AT OCTOBER 31, 2020
2017 AND 2018 AUDITS**

We provide no assurance on management responses (for information only)

Rec. #	Recommendation	Management Response
Social Assistance Program		
2.37	The Department of Family and Human Services should annually provide information to Executive Council to support its review of social assistance rates and exemptions from financial resources.	SDH is developing a formal process and summary document to facilitate an annual review of all social assistance rates and exemptions and this will be brought forward to Executive Council by December 2020. In subsequent years, the annual rate review will be brought to executive council in September of each year.
2.45	The Department of Family and Human Services should complete annual reviews in accordance with the Social Assistance Act Regulations.	Data on the completion of annual reviews is monitored monthly by managers and supervisors and corrective actions are identified and implemented to ensure compliance. A new worker caseload management report on Business Objects was designed to facilitate annual review monitoring and compliance. A process to complete annual reviews by mailing out forms for clients in community care and trustees was designed and implemented. Ongoing monitoring and follow ups are being done to ensure compliance.
2.75	The Department of Family and Human Services should complete and update case plans for recipients of social assistance in accordance with policy.	Social Programs has developed a collaborative case management certificate program with UPEI to equip Social Supports Coordinators with case planning skills to improve case plans for Social Assistance recipients. Social Supports Coordinators have undergone or are currently undergoing training. Social Supports Coordinators have also been trained on Motivational Interviewing skills which facilitate their ongoing clients' case management. Case plans compliance is monitored monthly by managers and supervisors. Supervisors support Social Support Coordinators in embedding the skills acquired in the Case Management Training and in improving the quality of the case plan content.

**RECOMMENDATIONS REPORTED BY MANAGEMENT
AS NOT COMPLETE AT OCTOBER 31, 2020
2017 AND 2018 AUDITS**

We provide no assurance on management responses (for information only)

Rec. #	Recommendation	Management Response
Medication Controls: Institutional Pharmacy Program		
3.20	Health PEI should develop policies and procedures to strengthen medication controls and improve coordination for management and delivery of the Institutional Pharmacy Program.	HPEI has been developing a planned, phased in approach, transitioning the service delivery model of medications for LTC residents from Provincial Pharmacy (PP) - (Sullivan Bldg) to a unit dose packager from the Queen Elizabeth Hospital. All LTC Homes, with the exception of Sherwood Home, now receive patient specific medication strips packaged by an automated unit dose packager (PEH, BGH, SSM and WWM were the last to transition in Oct/Nov 2019 and Feb/Mar 2020). This dispensing process has improved coordination and control of medications. Sherwood Home resident “beds” are not yet built in the Cerner System. This is required for medication to be packaged by the unit dose packager. An additional Automated Unit Dose Packager has been purchased and there are now 2 packagers at the QEH. Provincial Pharmacy staff were scheduled to relocate from the Sullivan Building, but the pandemic has delayed this move.
3.49	Health PEI should improve controls over dispensing and oversight of ward stock narcotics for provincially-owned long-term care facilities.	New pharmacy management team is in the process of collaborating with LTC nursing leadership to review current processes and develop written policies/procedures. Education and training will be a priority for both pharmacy and nursing teams.
3.55	Health PEI should document a policy on the transportation of medications from the Provincial Pharmacy to the provincially-owned long-term care facilities.	A policy has yet to be drafted. As an interim step a triplicate form has been implemented. Drugs are double-checked and signed off prior to being sent to LTC Homes in secured totes. At LTC Homes, the form is signed confirming receipt of listed contents. Medications are currently transported by the courier contracted for government mail and lab specimen deliveries.

**RECOMMENDATIONS REPORTED BY MANAGEMENT
AS NOT COMPLETE AT OCTOBER 31, 2020
2017 AND 2018 AUDITS**

We provide no assurance on management responses (for information only)

Rec. #	Recommendation	Management Response
Medication Controls: Institutional Pharmacy Program (cont'd)		
3.60	Health PEI should establish a policy on conducting comprehensive medication reviews for residents of provincially-owned long-term care facilities.	Medication reviews are conducted annually, at minimum. Currently this is a collaborative process involving physicians, nurse practitioners, registered nurses and pharmacists. Staffing is an issue for both nursing and pharmacy. The management plan will include a request for additional resources to support this recommendation. In 2019, Health PEI entered into a partnership with the Canadian Foundation for Healthcare Improvement to promote appropriate utilization of anti-psychotic medications (AUA). A key component of this initiative was regular and enhanced medication reviews inclusive of key care team stakeholders, including the resident, family, pharmacist, nurse and prescriber. While the minimum standard is being met, additional resources will allow for enhancements to the medication review process.
3.83	Health PEI should implement policies and procedures to require the Provincial Pharmacy and the long-term care facilities to maintain a clear trail of accountability for all narcotics and controlled drugs.	The following procedures are in place to ensure accountability: receipt of narcotics is double checked and the recording of new inventory is witnessed at the LTC Home, triplicate forms from pharmacy detail the delivery of narcotic and controlled substances and a follow up action is prompted if confirmation of receipt is not received in pharmacy. All doses of narcotics and controlled drugs administered to LTC residents are charted. All unused/expired medications are to be returned to Pharmacy. Additional work to be done on accountability and security.

10. FOLLOW-UP WITH TREASURY BOARD

CHAPTER SUMMARY

10.1 Every year, our Office makes recommendations specific to each of the performance audits and examinations conducted, which are intended to address the findings and issues identified. We report on the implementation of recommendations three years after the audit was initially reported, and follow-up again on any outstanding recommendations for one additional year.

10.2 It was noted by Treasury Board, in Treasury Board Minute #665/18 dated March 6, 2019, that while some recommendations had been implemented, there were a significant number remaining to be addressed. As a result, Treasury Board directed departments and reporting entities to provide a quarterly update to Treasury Board on the status of implementation of recommendations of the Auditor General, commencing June 30, 2019.

10.3 On October 13, 2020, we requested copies of all quarterly updates provided to Treasury Board by departments and reporting entities, to determine if these reports were being submitted in accordance with the direction from Treasury Board.

10.4 **Exhibit 10.1** outlines the departments and reporting entities responsible for performance audits included in our 2017 and 2018 annual reports, and whether or not they provided quarterly updates to Treasury Board, as requested. Although Treasury Board has obtained reporting on the status of implementation of recommendations included in our annual reports from 2013 to 2020, we have only included those from our 2017 and 2018 annual reports which are part of our current year follow-up report (see Chapter 9). We have not examined the quarterly updates provided to Treasury Board, and provide no assurance on these responses.

10. Follow-up with Treasury Board

EXHIBIT 10.1 QUARTERLY UPDATES BY DEPARTMENTS AND REPORTING ENTITIES AS AT SEPTEMBER 30, 2020

Entity*	Year	June 30, 2019	Sept 30, 2019	Dec 31, 2019	Mar 31, 2020	June 30, 2020	Sept 30, 2020
Department of Environment, Energy and Climate Action							
Climate Change	2017	No	Yes	No	No	No	Yes
Department of Justice and Public Safety							
Office of the Public Trustee	2017	Yes	Yes	No	No	No	Yes
Office of the Public Guardian	2018	No	No	No	No	No	Yes
Department of Social Development and Housing							
Seniors Housing Program	2017	No	Yes	No	No	No	Yes
Social Assistance Program	2018	No	Yes	No	No	No	Yes
Health PEI							
Medication Controls: Institutional Pharmacy Program	2018	No	No	No	No	No	No

*Reflects current entity responsible

10.5 Our Office met with the Secretary to Treasury Board in September 2020, in regard to the lack of quarterly updates provided. We were informed that processes have been established to ensure reporting, on a go forward basis, will be provided to Treasury Board quarterly.

FINANCIAL AUDITS

11. INTRODUCTION TO FINANCIAL AUDITS

11.1 Government is responsible for the management and control of public resources. Financial statements provide information to describe changes in a government's financial position and its revenues and expenses for a fiscal period. Information contained in the annual financial statements is used by Members of the Legislative Assembly and the public to hold government accountable for its use and control of public resources.

11.2 Management is responsible for the preparation and fair presentation of financial statements with oversight from those charged with governance. Management is also responsible to establish internal controls necessary to enable the preparation and fair presentation of financial statements. Users of financial statements need to know that the information in the financial statements is reliable, in order to make economic decisions based on what is prepared and presented by management.

11.3 The work of an independent auditor provides assurance that the financial statements are fairly presented. Using Canadian Auditing Standards, the auditor:

- identifies and assesses the risks of material misstatement;
- obtains an understanding of internal controls;
- examines evidence supporting the amounts and disclosures in the financial statements;
- objectively assesses the accounting principles used, the estimates made, and other management assertions reflected in the financial statements; and
- evaluates the overall presentation, structure and content of the financial statements.

11.4 Canadian Auditing Standards require the auditor to obtain a high level of assurance to determine whether the financial information is free from material misstatement. The auditor obtains sufficient appropriate audit evidence to express an opinion in an independent auditor's report.

11. Introduction to Financial Audits

11.5 The *Audit Act* requires the Auditor General to perform financial audits of the Province's consolidated financial statements. We also perform the annual financial statement audit for the following entities:

- Health PEI
- PEI Advisory Council on the Status of Women
- PEI Agricultural Insurance Corporation
- PEI Public Sector Pension Plan
- PEI Crown Building Corporation
- PEI Grain Elevators Corporation
- PEI Lotteries Commission
- PEI Self-Insurance and Risk Management Fund
- PEI Teachers' Pension Plan
- Pension Plan for Members of the Legislative Assembly
- Public Trustee
- Supreme Court of PEI Trust Accounts

11.6 The *Audit Act* requires the Auditor General to bring to the attention of the Legislative Assembly any matter identified during an audit which in his/her opinion should be brought to its attention.

11.7 The Office has reporting responsibilities under the *Climate Leadership Act* and the *Government Advertising Standards Act*. These responsibilities are reported in Chapters 6 and 7.

11.8 The COVID-19 pandemic affected the operations of our Office as well as the provincial organizations we audit. On March 16, 2020, the Province declared a state of public health emergency with government operations moving to essential services only. As most staff were required to work from home, challenges were encountered in the audit process, for example, in communicating with organizations and obtaining documents for audit. Additional audit procedures were also required to assess the impact of the pandemic on the financial statements of these organizations.

11.9 An amendment was made to the *Financial Administration Act* to allow a one-time extension for tabling of the Province's 2019-20 consolidated financial statements, from October 31, 2020 to January 31, 2021.

11. Introduction to Financial Audits

11.10 In the chapters that follow, we provide summary financial highlights and comments on indicators of financial condition for the Province. We also report on observations and recommendations resulting from our audits of:

- the Province's consolidated financial statements;
- the financial statements of government organizations, government business enterprises and trust funds; and
- the processing and recording of appropriations and special warrants.

12. INDICATORS OF FINANCIAL CONDITION

CHAPTER SUMMARY

Why it's important

The condition of the Province's finances is important. It affects all residents of the Province through the levels of taxation, government spending, services provided, and the provincial economy. This chapter presents information to assist legislators, the public, and other users to better understand the financial condition of the Province.

What we found

- The Province reported a surplus of \$22 million in 2019-20. This was a significant difference from the originally budgeted surplus of \$1.8 million, and subsequently projected deficit of \$3.7 million.
- As at March 31, 2020, the net debt of the Province totalled \$2.2 billion. This represents an increase of \$81.5 million during the year.
- Net debt to gross domestic product declined in 2020, and has continued to decline over the last 5 years.
- Net debt per capita increased for the first time in a number of years and was \$13,814 per person, as at March 31, 2020.

12. Indicators of Financial Condition

BACKGROUND

12.1 Several resources are used in assessing the financial condition of a province. The Public Sector Accounting Board's Statement of Recommended Practice suggests a number of indicators to assist in assessing a government's financial condition. These indicators help provide insight into a government's ability to maintain its programs and services, the flexibility it has to respond to economic changes, and its vulnerability to external sources of funding. We discuss a number of these indicators in this chapter.

12.2 Consolidated financial statements are helpful to provide an overview of the financial condition of a province at its year-end, compared to the budget and prior period. However, financial statements do not provide a complete perspective on how a province is performing in relation to the overall economic and fiscal environments. To assist users in understanding the financial condition of the Province, we provide information on a number of indicators of financial condition.

12.3 This current update provides financial information and indicators for the last five fiscal periods. The most recent estimates of nominal gross domestic product (GDP) and population were used in the determination of various indicators. Consistent with other jurisdictions, nominal GDP is presented on a calendar year basis.

12. Indicators of Financial Condition

SUMMARY FINANCIAL INFORMATION

FINANCIAL HIGHLIGHTS

12.4 Exhibit 12.1 summarizes the Province's financial position and operating results for the last five years.

EXHIBIT 12.1 SUMMARY FINANCIAL INFORMATION YEAR ENDED MARCH 31 (\$ Millions)

	2016	2017	2018	2019	2020
Financial Assets	\$1,068.8	\$1,096.2	\$1,114.6	\$1,119.1	\$1,365.1
Liabilities	<u>3,251.2</u>	<u>3,271.2</u>	<u>3,243.5</u>	<u>3,242.6</u>	<u>3,570.1</u>
Net Debt	(2,182.4)	(2,175.0)	(2,128.9)	(2,123.5)	(2,205.0)
Non-Financial Assets	<u>1,028.2</u>	<u>1,029.2</u>	<u>1,067.1</u>	<u>1,111.5</u>	<u>1,197.5</u>
Accumulated Deficit	<u>(\$1,154.2)</u>	<u>(\$1,145.8)</u>	<u>(\$1,061.8)</u>	<u>(\$1,012.0)</u>	<u>(\$1,007.5)</u>
Revenues	\$1,758.7	\$1,837.4	\$1,987.1	\$2,078.7	\$2,187.6
Expenses	<u>1,771.8</u>	<u>1,838.7</u>	<u>1,912.5</u>	<u>2,021.7</u>	<u>2,165.6</u>
Annual Surplus (Deficit)	\$ (13.1)	\$ (1.3)	\$ 74.6	\$ 57.0	\$ 22.0
Nominal Gross Domestic Product*	\$ 6,088	\$ 6,376	\$ 6,790	\$ 7,033	\$ 7,523

Source: Derived from the Province's 2019-20 Public Accounts Volume I with restatements as identified in Public Accounts

*Statistics Canada, published November 9, 2020

Net Debt

12.5 An important and widely accepted measure of the financial condition of government is net debt. Net debt is the difference between liabilities and financial assets. It provides a measure of the amount of future revenue that will be required to pay for past operations.

12.6 Net debt increased during the year by \$81.5 million and was \$2.2 billion as at March 31, 2020. The reason for the increase in the net debt was mainly due to an increase in investment in tangible capital assets of \$80.7 million.

12.7 Net debt sits at its highest level following consistent reductions from fiscal years 2016 to 2019.

12. Indicators of Financial Condition

Financial Assets and Liabilities

12.8 Financial assets increased by \$246 million since March 31, 2019. The main reason for this increase was due to a \$170 million cash reserve that was established in March 2020 to prepare for the impact of additional spending due to the COVID-19 pandemic.

12.9 **Exhibit 12.1** also shows that total liabilities have increased by approximately \$327.5 million since March 31, 2019. The main reason for the increase was the result of an increase in short-term loans payable of \$309.4 million, as the Province secured additional funding in anticipation of additional spending related to the pandemic.

12.10 As at March 31, 2020, the Province had outstanding short-term loans, loans payable, and debentures totalling approximately \$3.1 billion. These borrowings are partially offset by sinking fund assets of \$292.7 million.

Annual Surplus / Deficit

12.11 The annual surplus/deficit indicates the extent to which a government spends more or less than what is generated in revenue in a particular year. It indicates whether a government is living within its means.

12.12 For the year ended March 31, 2020, the Province had a surplus of \$22 million, the third consecutive surplus. This surplus was significantly greater than the original budgeted surplus of \$1.8 million, and the subsequently forecasted deficit of \$3.7 million, based on preliminary results in the spring of 2020.

12.13 The COVID-19 pandemic had a limited impact on the financial results for the 2019-20 fiscal period. The majority of the financial impact related to the pandemic will be reflected in the 2020-21 fiscal year. The Province is estimating a deficit of \$172.7 million for 2020-21.

12.14 Revenues increased by \$108.9 million from prior period. The increase was mainly due to additional federal revenues of \$73.9 million and higher tax revenues of \$25.3 million.

12. Indicators of Financial Condition

12.15 The increase in federal revenues was due largely to increases in: Canada Health Transfers, infrastructure program funding and crop insurance payouts. The increase in tax revenues was created from a growing economy, resulting in higher personal income and sales tax revenues, as well as a new revenue stream from a carbon levy implemented on April 1, 2019. These increases were partially offset by a decrease in corporate income tax which resulted from significant loss carrybacks applied to previous years. These loss carrybacks were driven by new tax incentives available to certain business sectors.

12.16 Expenses increased by \$143.9 million from prior year. The increase resulted mostly from additional expenses in the Ministry of Health and Wellness of \$37.4 million, the Department of Transportation, Infrastructure and Energy of \$33.0 million and the Ministry of Social Development and Housing of \$26.3 million.

12.17 The increase in expenses for the Ministry of Health and Wellness were largely due to compensation costs, which increased by nearly 5% at Health PEI. The increase in expenses for the Department of Transportation, Infrastructure and Energy was related to additional infrastructure program grants received from the Government of Canada, resulting in an increase in work associated with infrastructure projects. The increase in expenses for the Ministry of Social Development and Housing resulted from additional housing program grants and rent supplement expenses, plus additional grants issued related to the AccessAbility Supports Program.

Budget to Actual

12.18 Exhibit 12.2 provides a summary breakdown of the change in the Province's annual surplus from the amount originally budgeted to the actual surplus realized.

12. Indicators of Financial Condition

EXHIBIT 12.2 CHANGE IN ANNUAL SURPLUS BUDGET TO ACTUAL YEAR ENDED MARCH 31, 2020 (\$ Millions)

	Revenues	Expenses	Surplus
2019-20 Budget	<u>\$2,221.4</u>	<u>\$2,219.6</u>	<u>\$1.8</u>
Increase (decrease) in:			
<i>Revenues</i>			
Tax revenue	(14.2)	-	(14.2)
Government of Canada transfers	(31.0)	-	(31.0)
Other income	10.3	-	10.3
Other provincial revenue	1.1	-	1.1
<i>Expenses</i>			
Finance	-	(15.8)	15.8
Social Development and Housing	-	19.9	(19.9)
Transportation, Infrastructure & Energy	-	(51.9)	51.9
Other program expenses	-	(0.9)	0.9
Interest and Amortization	-	(5.3)	5.3
Total Change	<u>(33.8)</u>	<u>(54.0)</u>	<u>20.2</u>
2019-20 Actual	<u>\$2,187.6</u>	<u>\$2,165.6</u>	<u>\$22.0</u>

Source: Derived from the Province's consolidated financial statements 2019-20

Revenues

12.19 Overall, revenues were \$33.8 million lower than the amount originally budgeted. Lower tax revenues and Government of Canada transfers were the main reasons why the actual revenues did not meet the budgeted expectations for the year ended March 31, 2020.

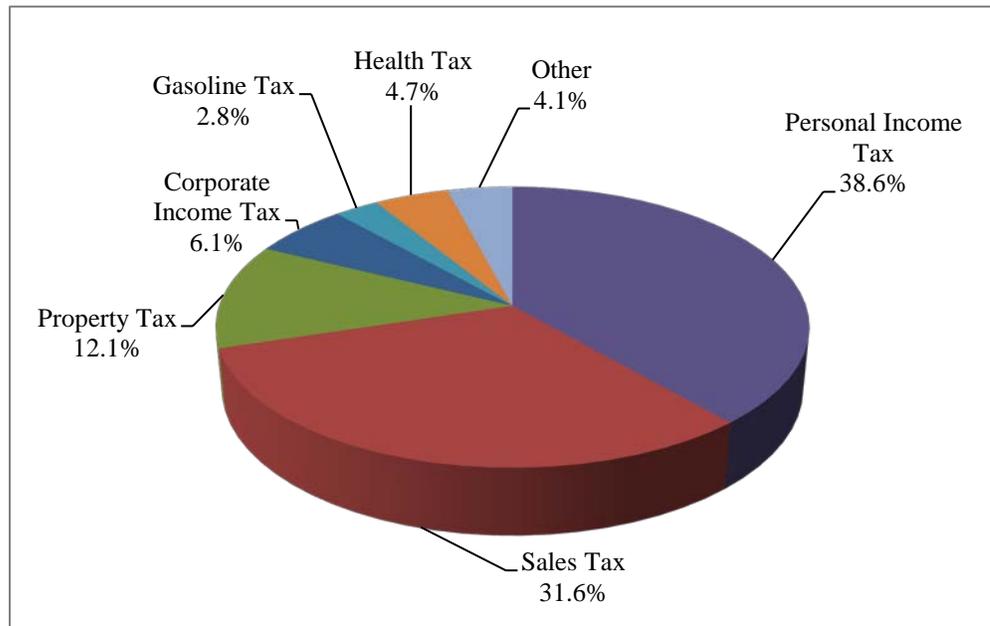
12.20 Tax revenues were \$14.2 million lower than the amount originally budgeted. The majority of the reduction was attributable to lower than expected corporate and personal tax revenues that were partially offset by higher than expected sales tax revenues.

12. Indicators of Financial Condition

12.21 Corporate tax revenues were \$20.5 million lower than budgeted mainly due to income tax loss carrybacks that had not been anticipated. We were advised that a significant portion of the loss carrybacks were the result of a new accelerated investment incentive that allowed companies in certain sectors to write-off capital assets faster for tax purposes. Personal tax revenues were \$9.8 million lower than budgeted; however, they did increase by \$21.8 million from prior year. Sales taxes were \$18.4 million higher than budgeted. The rise in sales tax can be attributed to stronger economic conditions than originally projected.

12.22 Provincial tax revenues totalled \$1.1 billion for the year ended March 31, 2020. **Exhibit 12.3** shows the source of provincial tax revenues for the year.

EXHIBIT 12.3
PROVINCIAL TAX REVENUES BY SOURCE
YEAR ENDED MARCH 31, 2020

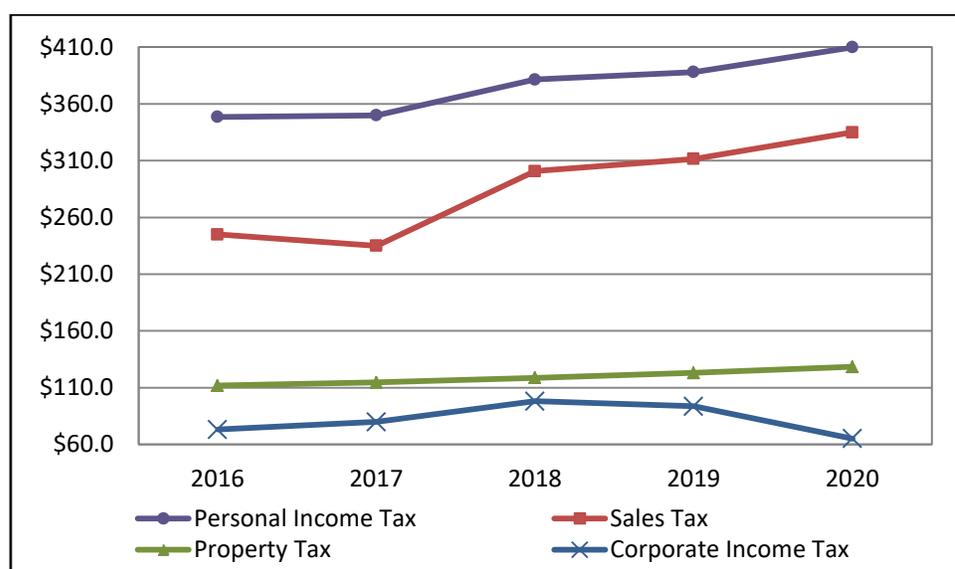


Source: Derived from the Province's consolidated financial statements 2019-20

12. Indicators of Financial Condition

12.23 Exhibit 12.4 shows the total for the four largest sources of provincial tax revenues from 2016 to 2020. Personal, sales, and property tax revenues have continued their upward trend, while corporate income tax revenue had a sharp decline, due to the significant loss carrybacks filed during the period.

EXHIBIT 12.4
TOTAL TAX REVENUES
YEAR ENDED MARCH 31
(\$ Millions)



	2016	2017	2018	2019	2020
Personal Income Tax	\$348.5	\$349.9	\$381.4	\$388.1	\$409.9
Sales Tax	\$244.9	\$235.0	\$300.8	\$311.6	\$334.9
Property Tax	\$111.8	\$114.6	\$118.7	\$123.1	\$128.4
Corporate Income Tax	\$73.2	\$79.9	\$98.1	\$93.6	\$65.1

Source: Derived from the Province's consolidated financial statements

12.24 Revenue from the Government of Canada totaled \$847.2 million for the year ended March 31, 2020. This represents a decrease of \$31.0 million from the amount budgeted. The main reason for the overall decrease from budget is due to the Investing in Canada Plan program. The funding for this program was down \$53.7 million from the amount originally budgeted, due mainly to various delays in the progress of

12. Indicators of Financial Condition

infrastructure projects, which had a direct impact on the amount of federal funding received.

12.25 Other income was \$10.3 million higher than budgeted. The main reasons were: Workers Compensation Board of Prince Edward Island provided Health PEI with an unbudgeted surplus distribution of \$4.2 million, and an additional \$3.1 million was received by Health PEI from hospital foundations for capital purchases, in excess of amounts originally budgeted.

Expenses

12.26 Expenses were \$54.0 million lower than budgeted in 2019-20. The following are the areas where significant variances from budget were identified:

- Expenses were \$15.8 million lower than budgeted for the Department of Finance. This was due mainly to \$6.0 million in salary accruals budgeted in 19-20, however incurred in the previous fiscal period, and an AgriRecovery initiative payment of \$6.1 million that was reflected in the expenses of the Department of Agriculture and Land, but budgeted by the Department of Finance;
- Expenses were \$19.9 million greater than budgeted in the Department of Social Development and Housing. \$8.6 million was related to a higher than expected program uptake and increased costs per case related to the disability support program known as AccessAbility Supports, and additional PEI Housing Corporation program costs of \$5.1 million over budget; and
- Expenses were \$51.9 million lower than budgeted for the Department of Transportation, Infrastructure and Energy, due to various delays in the progress of infrastructure projects.

FINANCIAL INDICATORS

12.27 Consistent with prior years, we continue to provide information on a number of selected indicators of financial condition. We provide indicators that help assess the Province's sustainability, flexibility, and vulnerability.

SUSTAINABILITY

12.28 Sustainability is an important indicator to include in an assessment of financial condition because it shows the extent to which programs and services can be maintained, and existing creditor, employee, and other

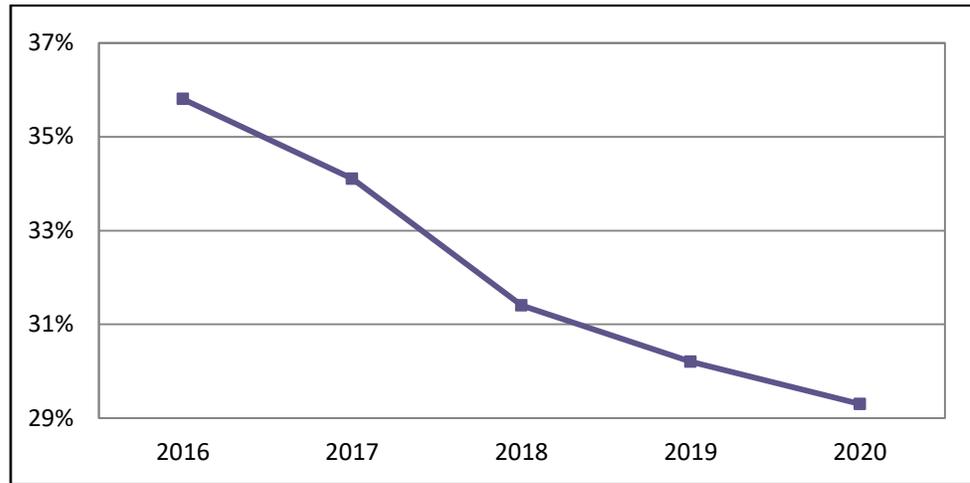
12. Indicators of Financial Condition

obligations can be met, without increasing the debt or tax burden. Sustainability is a significant consideration because of its potential impact on current and future generations.

Net Debt to GDP

12.29 Net debt to GDP provides a measure of the financial demands placed on the economy by the Province’s spending and taxation policies. A decreasing ratio indicates net debt is growing at a rate slower than the growth in the economy. The Province’s net debt to GDP ratio has declined since 2016 as shown in **Exhibit 12.5**.

**EXHIBIT 12.5
NET DEBT TO GDP
YEAR ENDED MARCH 31**



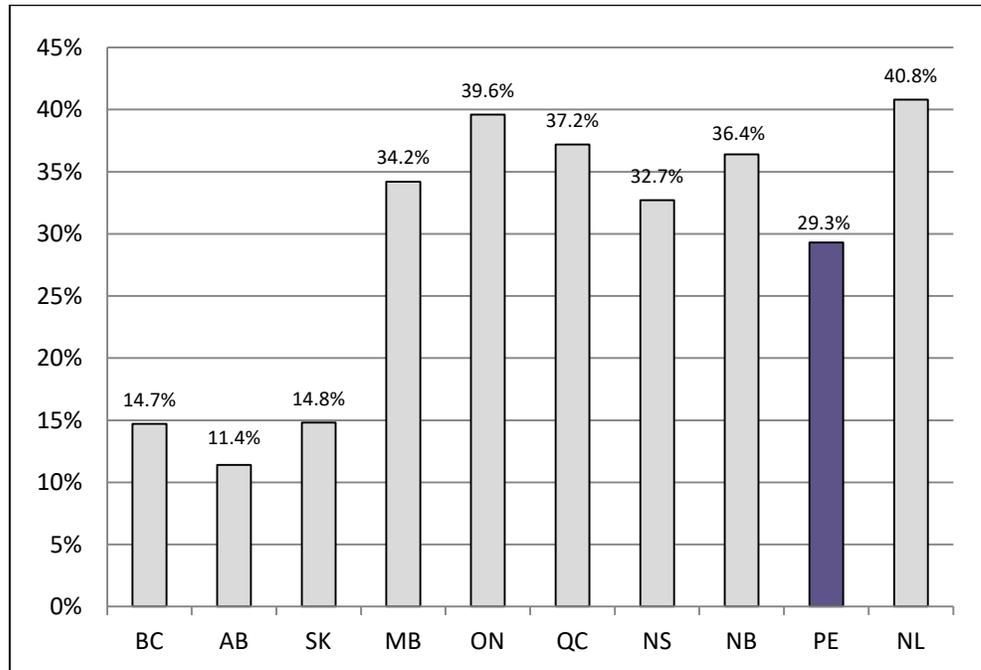
	2016	2017	2018	2019	2020
Net Debt to GDP	35.8%	34.1%	31.4%	30.2%	29.3%

Source: Derived from the Province’s consolidated financial statements and GDP data from Statistics Canada, published November 9, 2020

12. Indicators of Financial Condition

12.30 Exhibit 12.6 compares the Province's net debt to GDP with the other Canadian provinces. As at March 31, 2020, PEI's net debt to GDP ratio was lower than six other provinces, and higher than British Columbia, Alberta, and Saskatchewan.

EXHIBIT 12.6
NET DEBT TO GDP CANADIAN PROVINCES
MARCH 31, 2020



Source: Net debt derived from each province's consolidated financial statements as at March 31, 2020 and GDP data from Statistics Canada, published November 9, 2020

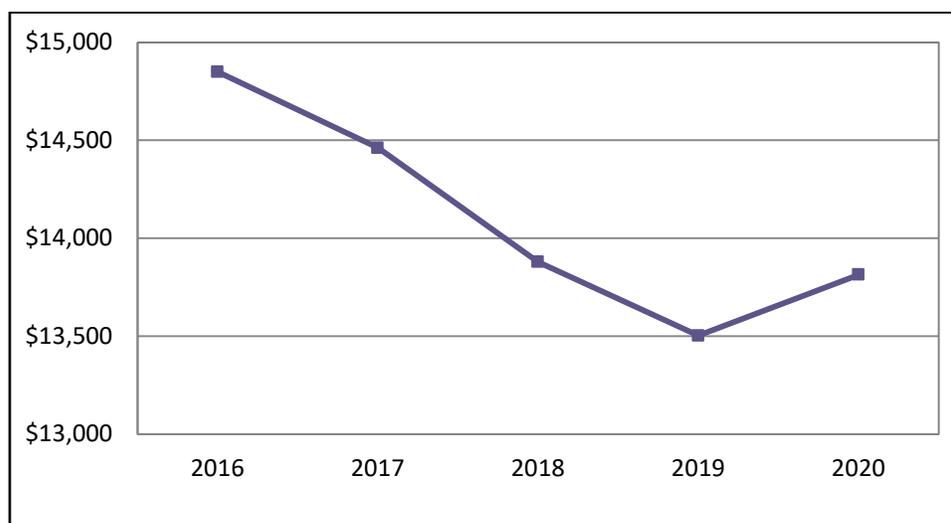
12. Indicators of Financial Condition

Net Debt per Capita

12.31 Net debt per capita is the amount of net debt attributable to each resident of the Province. The Province's net debt per capita increased by \$311 from the previous year. This indicates that net debt is growing at a rate faster than the growth in population.

12.32 Exhibit 12.7 shows that the Province's net debt per capita had been decreasing steadily from 2016 until 2019, however, it had a slight increase in 2020.

EXHIBIT 12.7
NET DEBT PER CAPITA
YEAR ENDED MARCH 31



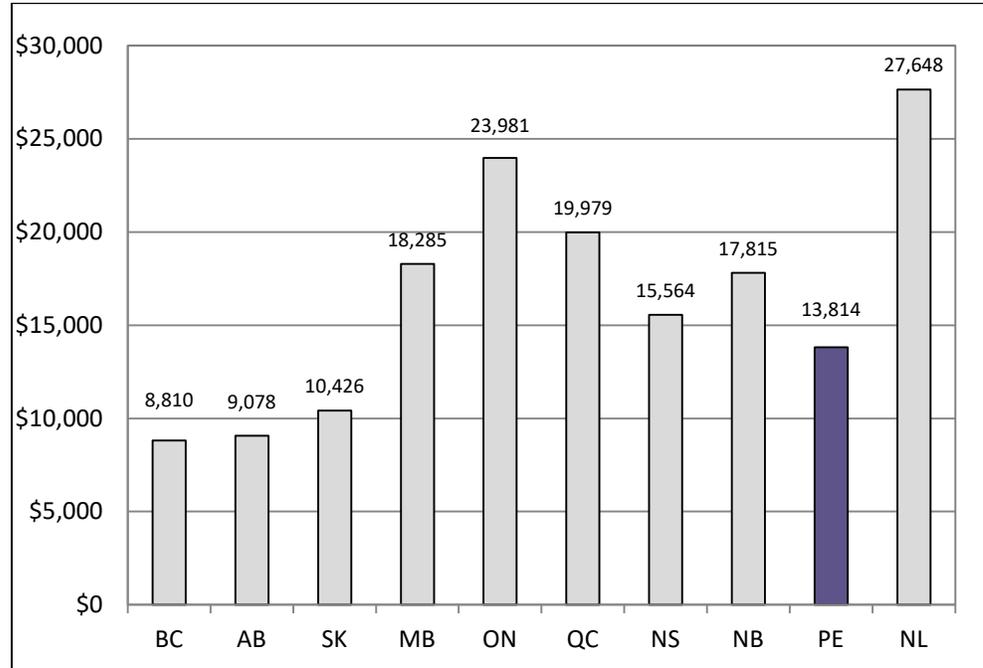
	2016	2017	2018	2019	2020
Net Debt per Capita	\$14,850	\$14,461	\$13,879	\$13,503	\$13,814

Source: Derived from the Province's consolidated financial statements and population data from Statistics Canada, published September 29, 2020

12. Indicators of Financial Condition

12.33 A comparison of PEI's net debt per capita to the other Canadian provinces is provided in **Exhibit 12.8**. PEI's net debt per capita ratio is more favorable than most provinces, other than British Columbia, Alberta, and Saskatchewan.

EXHIBIT 12.8
NET DEBT PER CAPITA CANADIAN PROVINCES
MARCH 31, 2020



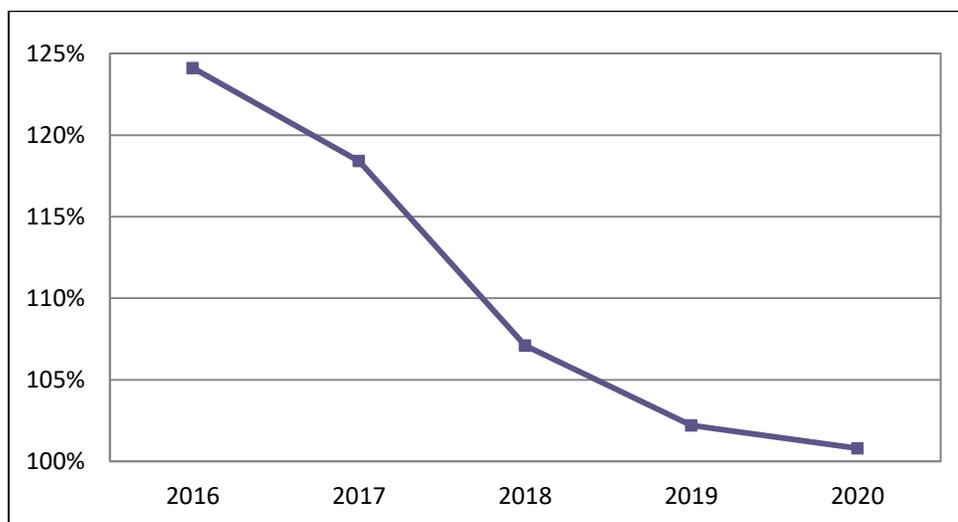
Source: Net debt derived from each province's consolidated financial statements at March 31, 2020 and population data from Statistics Canada, published September 29, 2020

12. Indicators of Financial Condition

Net Debt to Total Revenues

12.34 Exhibit 12.9 depicts the ratio of net debt to total revenues. This ratio is a measure of the future revenue that will be required to pay for past transactions. The Province's ratio has decreased significantly from 2016 to 2020, which is a positive trend.

EXHIBIT 12.9
NET DEBT TO TOTAL REVENUES
YEAR ENDED MARCH 31



	2016	2017	2018	2019	2020
Net Debt to Total Revenues	124.1%	118.4%	107.1%	102.2%	100.8%

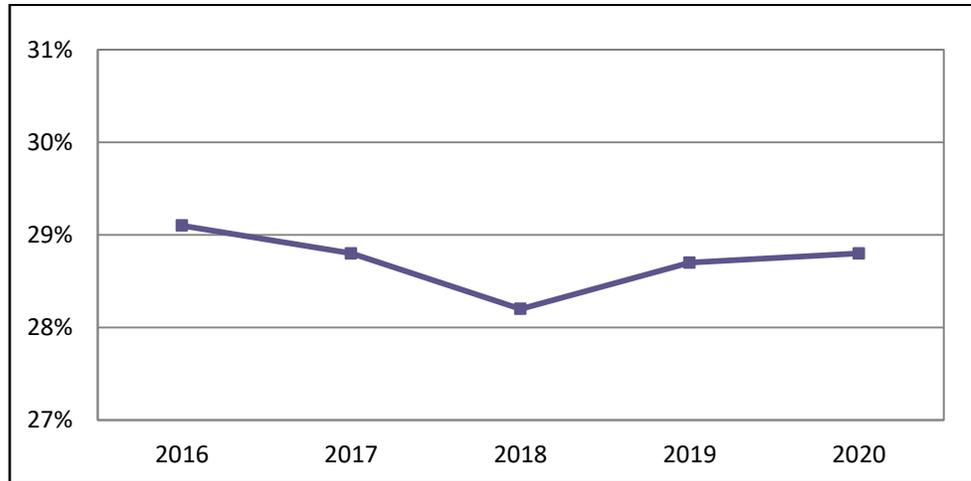
Source: Derived from the Province's consolidated financial statements

12. Indicators of Financial Condition

Expenses to GDP

12.35 During 2019-20, government expenses increased by \$143.9 million from the prior period. Comparing expenses to GDP provides the trend of government spending over time, in relation to the growth in the economy. An increasing ratio indicates government spending is growing at a rate faster than the growth in the economy. Expenses as a percentage of GDP have remained relatively consistent since 2016. **Exhibit 12.10** shows Government expenses to GDP on a comparative basis.

**EXHIBIT 12.10
EXPENSES TO GDP
YEAR ENDED MARCH 31**



	2016	2017	2018	2019	2020
Expenses to GDP	29.1%	28.8%	28.2%	28.7%	28.8%

Source: Derived from the Province’s consolidated financial statements and GDP data from Statistics Canada, published November 9, 2020

FLEXIBILITY

12.36 Flexibility is the degree to which a government can increase its financial resources to respond to rising commitments, by either incurring debt or raising additional revenue. A government meets the test of flexibility when it can respond to changing economic conditions, such as a recession or higher interest rates, without making substantial changes to the way it operates.

12.37 Flexibility provides insight into the management of financial resources. A government that increases its current borrowings reduces its future flexibility to respond to adverse economic circumstances. Similarly, increasing taxation or fees reduces a government’s ability to do

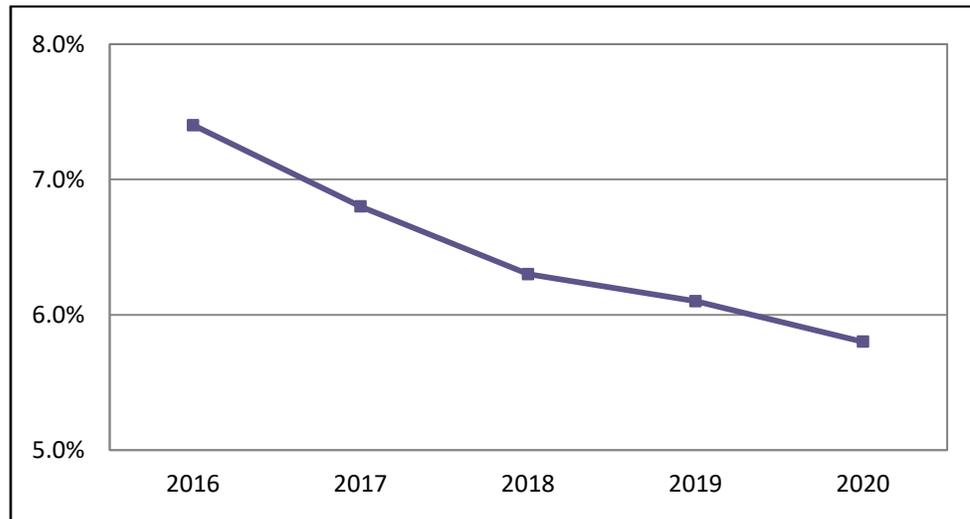
12. Indicators of Financial Condition

so in the future, as citizens and businesses approach a limit to the amount that they can, or are willing, to bear.

Interest Bite and Interest Charges

12.38 One measure of a government’s flexibility is the interest bite. This is the amount of annual interest charge as a percentage of total revenues and is shown in **Exhibit 12.11**. This indicator illustrates the extent to which past borrowing decisions constrain a government’s ability to provide programs and services in the future. The interest charges to total revenues ratio has continued to decline.

**EXHIBIT 12.11
INTEREST CHARGES TO TOTAL REVENUES
YEAR ENDED MARCH 31**



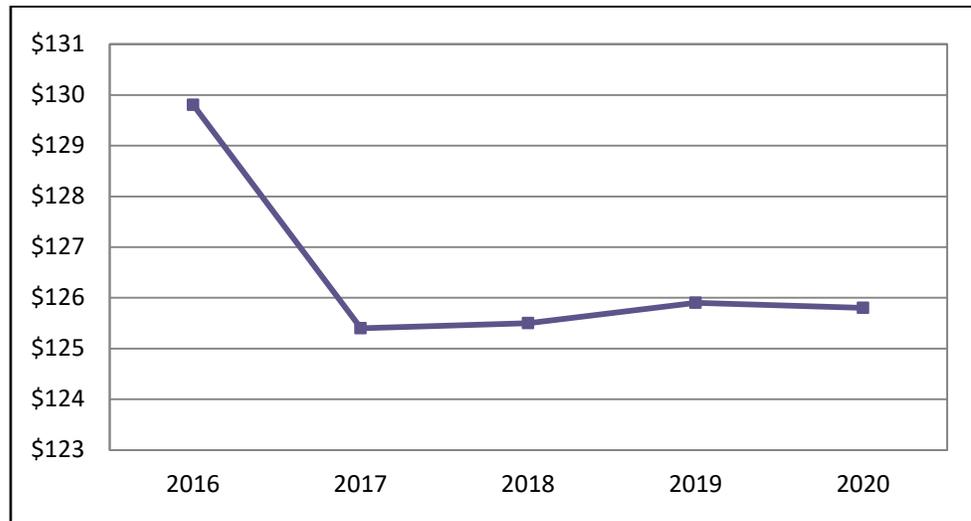
	2016	2017	2018	2019	2020
Interest Charges to Total Revenues	7.4%	6.8%	6.3%	6.1%	5.8%

Source: Derived from the Province’s consolidated financial statements

12. Indicators of Financial Condition

12.39 Exhibit 12.12 displays total interest charges of the Province over the past five years. Interest charges totalled \$125.8 million during 2019-20. This means the first \$125.8 million of revenue must be used to pay interest charges, and is not available for government programs and services. Interest charges have remained relatively flat for the past few years, in an environment where interest rates are now at extremely low levels.

EXHIBIT 12.12
INTEREST CHARGES
YEAR ENDED MARCH 31
(\$ Millions)



	2016	2017	2018	2019	2020
Interest Charges	\$129.8	\$125.4	\$125.5	\$125.9	\$125.8

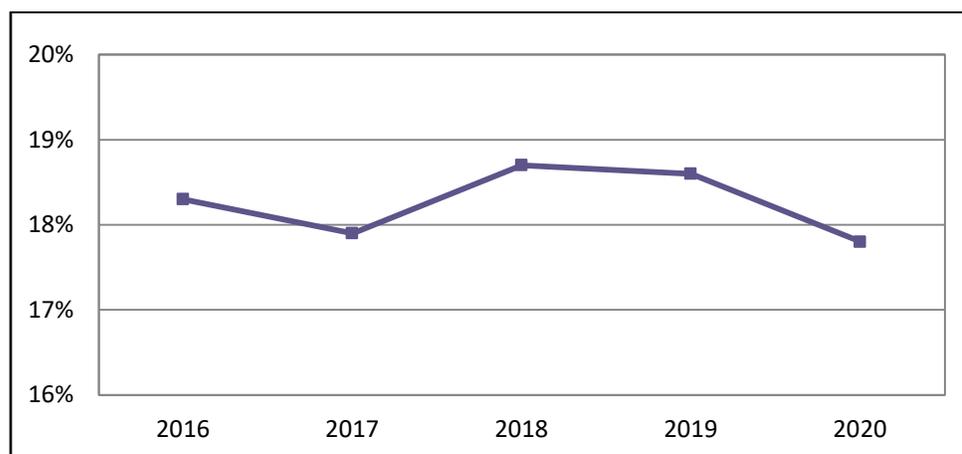
Source: Derived from the Province's consolidated financial statements

12. Indicators of Financial Condition

Own Source Revenues to GDP

12.40 Own source revenues, as a percentage of GDP, indicates the extent to which a government is taking money out of the local economy through taxation, fees, and/or other charges. **Exhibit 12.13** indicates the percentage has declined compared to prior year and is lower than it was in 2016.

EXHIBIT 12.13
OWN SOURCE REVENUES TO GDP
YEAR ENDED MARCH 31



	2016	2017	2018	2019	2020
Own Source Revenues to GDP	18.3%	17.9%	18.7%	18.6%	17.8%

Source: Derived from the Province's consolidated financial statements and GDP data from Statistics Canada, published November 9, 2020

VULNERABILITY

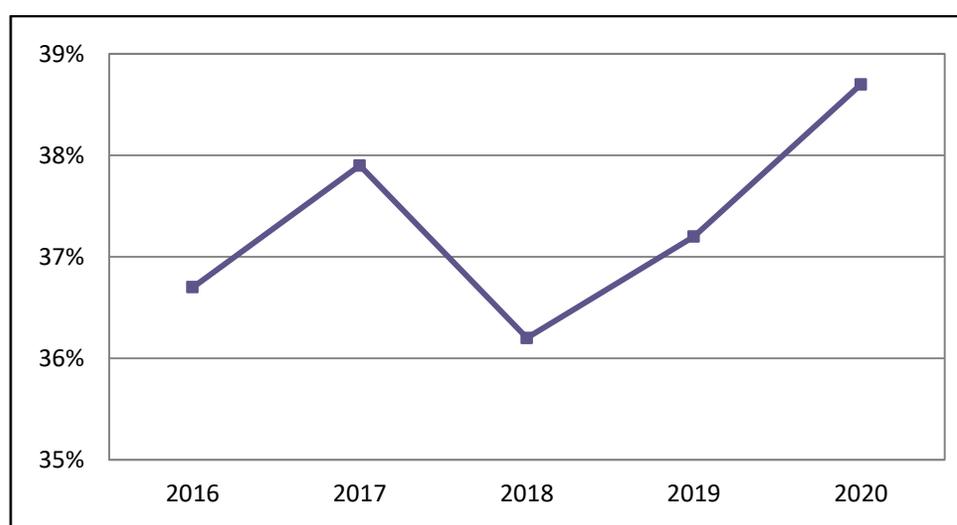
12.41 Vulnerability is the degree to which a government depends on sources of funding outside its control or influence. It provides insight into the risks to the province that could affect its ability to meet existing service commitments to the public, and financial commitments to creditors, employees, and others.

12. Indicators of Financial Condition

Federal Revenues to Total Revenues

12.42 As indicated in **Exhibit 12.14**, federal revenues as a percentage of total revenues have increased over the past couple of years. An increasing ratio indicates more vulnerability. In 2019-20, the Federal Government provided 38.7 percent of the Province's total revenues, an increase from 37.2 percent in the prior year and 36.7 percent in 2016.

EXHIBIT 12.14
FEDERAL REVENUES TO TOTAL REVENUES
YEAR ENDED MARCH 31
(\$ Millions)



	2016	2017	2018	2019	2020
Provincial Revenues	\$1,113.8	\$1,141.5	\$1,268.5	\$1,305.4	\$1,340.4
Federal Revenues	<u>644.9</u>	<u>695.9</u>	<u>718.6</u>	<u>773.3</u>	<u>847.2</u>
Total Revenues	<u>\$1,758.7</u>	<u>\$1,837.4</u>	<u>\$1,987.1</u>	<u>\$2,078.7</u>	<u>\$2,187.6</u>
Federal Revenues as Percent of Total	36.7%	37.9%	36.2%	37.2%	38.7%

Source: Derived from the Province's consolidated financial statements

12. Indicators of Financial Condition

GLOSSARY

Annual surplus or deficit is the difference between a government's revenues and expenses. This measure shows the extent to which revenues raised in the year were sufficient to cover expenses in that year.

Total liabilities is the amount owed by government. Government's liabilities include outstanding debentures and other amounts payable.

Financial assets are cash and other assets which could provide resources to pay liabilities or finance future operations.

Net debt is the difference between the government's total liabilities and its financial assets.

Government borrowings is the total amount of short-term loans, long-term loans payable, and debentures.

Non-financial assets are tangible capital assets such as buildings, roads, and equipment, as well as prepaid expenses and inventories. The book value of tangible capital assets increases as they are acquired, and is reduced over a period of time through amortization. These assets do not normally provide resources to discharge liabilities.

Accumulated deficit is the sum of all surpluses, deficits, and other comprehensive gains (losses) incurred over the years.

Other comprehensive gain (loss) includes revenue, expenses, gains, and losses that have yet to be realized and are recognized in accumulated deficit, but excluded from annual surplus or deficit.

Interest charged on borrowings is the amount required to service the debt, and must be taken from revenues before any expenditure can be made on government programs and services.

Gross domestic product (GDP) is a measure of the value of all goods and services produced in a jurisdiction in a given period. The province's GDP is measured and reported by Statistics Canada.

Nominal gross domestic product is gross domestic product that has not been adjusted for inflation.

13. AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

CHAPTER SUMMARY

Why it's important

The consolidated financial statements consolidate the accounts of the Operating Fund with those of the agencies, boards, and Crown corporations owned or controlled by Government. These consolidated financial statements provide the most complete information about the financial position and operating results of the Province.

What we found

- The 2019-20 consolidated financial statements fairly present the Province's financial results. An unqualified audit opinion was issued on January 8, 2021.
- The 2019-20 consolidated financial statements were issued approximately two and half months later than in recent years, due mainly to the Province's response to the COVID-19 pandemic.
- Some transactions were not recorded in accordance with Canadian Public Sector Accounting Standards.
- Additional improvements to the presentation of the consolidated financial statements including budgets, note disclosures and schedules are recommended.
- Signed agreement was not in place for a significant funding arrangement.

BACKGROUND

13.1 The *Financial Administration Act* requires the Comptroller to annually prepare the Province's Public Accounts. Volume I of the Public

13. Audit of the Consolidated Financial Statements

Accounts contains the Province's audited consolidated financial statements. All information and decisions related to these statements are the responsibility of Government. The Public Accounts also include Volume II, which contains the unaudited Operating Fund financial statements and details of revenues and expenses of the Operating Fund, and Volume III, which includes the audited financial statements of agencies, boards, Crown corporations, and funds.

13.2 The *Financial Administration Act* requires the Minister of Finance to annually table the Public Accounts in the Legislative Assembly. Volume I of the Public Accounts for the year ended March 31, 2020, was tabled on January 15, 2021. Volumes II and III were tabled on January 26, 2021 and January 29, 2021 respectively.

OBJECTIVES AND SCOPE

13.3 The *Audit Act* requires the Auditor General to annually audit the Province's consolidated financial statements and provide an independent auditor's report stating whether the statements are fairly presented.

13.4 Under Section 17 of the Act, the Auditor General is not required to audit or report on the accounts of any agency of Government where another auditor has been designated to audit its accounts. As part of the audit of the consolidated financial statements, the Auditor General reviews, as necessary, audit work performed by the external auditors of those government entities.

13.5 In the following sections, we provide information on our independent audit opinion on the Province's consolidated financial statements for the fiscal year ended March 31, 2020. We also include observations and recommendations arising from our work, and provide information to address other reporting requirements under the *Audit Act*.

AUDIT OPINION

13.6 Our audit was conducted in accordance with Canadian Auditing Standards. On January 8, 2021, the Auditor General issued an unqualified audit opinion on the Province's consolidated financial statements. The independent audit opinion stated the Province's consolidated financial

13. Audit of the Consolidated Financial Statements

statements for the year ended March 31, 2020, were fairly presented in accordance with Canadian Public Sector Accounting Standards.

OBSERVATIONS AND RECOMMENDATIONS

13.7 The consolidated financial statements are the responsibility of Government and are prepared by the Comptroller. Our audit involves performing procedures to obtain sufficient and appropriate audit evidence to provide a basis for the audit opinion.

13.8 As part of the audit process, we evaluate the financial statements and the information supporting the amounts and note disclosures. We identify any audit adjustments required and provide those adjustments to management. We request that all adjustments be posted to the financial statements. We also identify issues requiring improvements in the areas of internal controls and financial reporting. The following paragraphs provide details on some of the more significant recommendations resulting from our audit.

TIMELY REPORTING

13.9 For financial statements to be useful to readers they must be relevant. One of the elements of relevancy is the timeliness of reporting. As a result of COVID-19, the Government of Prince Edward Island moved to an essential services model during a time when year-end preparations would typically have been underway for the consolidated financial statements. This situation had a significant impact on the Province's ability to meet annual audit readiness requirements.

13.10 The draft consolidated financial statements, and most working papers, were provided for audit approximately three months later than normal, compared to previous years. A number of significant government organizations, that are a part of the provincial reporting entity, were also considerably late in providing accurate financial statements to the Comptroller. These organizations included: PEI Liquor Control Commission, PEI Cannabis Management Corporation, Innovation PEI, PEI Housing Corporation and PEI Agricultural Insurance Corporation.

13.11 Due to COVID-19, the annual statutory deadline for the completion of the consolidated financial statements was moved from October 31, 2020 to January 31, 2021. The consolidated financial statements were issued on January 15, 2021. While the later statutory

13. Audit of the Consolidated Financial Statements

deadline was met, Prince Edward Island was one of only a few provinces that required an extension to the deadline. We encourage Government to practice emergency preparedness in order to limit operational and reporting delays that result from events such as COVID-19.

Recommendation

13.12 The Province needs to limit delays related to timely reporting of the consolidated financial statements when dealing with unforeseen events, such as a pandemic.

PUBLIC SECTOR ACCOUNTING STANDARDS

13.13 During our audit of the consolidated financial statements for the year ended March 31, 2020, we noted that some financial statement transactions were not recorded in accordance with Canadian Public Sector Accounting Standards (PSAS). These transactions were discussed with staff of the Comptroller's Office and recommendations for correction were provided to the Comptroller. In some cases, corrections were made. The uncorrected transactions did not affect our audit opinion on the consolidated financial statements, as the cumulative effect was not considered material.

Accrual Basis of Accounting

13.14 PSAS requires that items recognized in government financial statements be accounted for in accordance with the accrual basis of accounting. The accrual basis of accounting recognizes the effects of transactions in the period in which they occur, regardless of whether there has been a receipt or payment of cash.

13.15 We recommended audit adjustments to increase expenses and liabilities at year-end for two grant programs which were recorded on the cash basis, rather than the accrual basis. Additional expenses for these programs should have been reflected in the 2020 fiscal year, as related grants were authorized and all eligibility criteria met. An adjustment of \$4.1 million was recommended to record amounts owing related to the Municipal Capital Expenditures Grant Program. This adjustment was recorded in the consolidated financial statements. Another adjustment of \$1.7 million was recommended to record a liability for a COVID-19 relief program related to emergency income relief for self-employed individuals; however, the Comptroller's Office did not record this adjustment.

13. Audit of the Consolidated Financial Statements

Future Changes to Accounting Standards

13.16 The Canadian Public Sector Accounting Board issued new or amended standards for the public sector that become effective April 1, 2022. These standards relate to financial statement presentation, foreign currency translation, portfolio investments, asset retirement obligations and financial instruments. The new standard related to asset retirement obligations has the potential to significantly impact the future financial results of the Province. We encourage the Comptroller's Office to be proactive in preparing for these changes.

Recommendations

13.17 The Comptroller's Office should ensure transactions are recorded in accordance with Public Sector Accounting Standards in the preparation of the consolidated financial statements.

13.18 The Comptroller's Office should be proactive in preparing for the upcoming changes to accounting standards, with an effective date of April 1, 2022.

FINANCIAL STATEMENT NOTES AND SCHEDULES

13.19 The consolidated financial statements contain a number of note disclosures and schedules which are an integral part of the consolidated financial statements. These notes and schedules provide information to clarify and explain items in the consolidated financial statements. For this information to be useful it must be complete, accurate, clear, and understandable for users.

Prior Year Recommendations

13.20 There were issues raised in the prior year that were not addressed, including:

- A schedule of contractual obligations provided for audit was incomplete and contained errors. We identified and recommended changes of approximately \$41 million to the schedule.
- There are a number of required disclosures not included in the presentation of supplementary financial information for government business enterprises.
- The cost of roads and bridges in the tangible capital assets schedule includes significant assets totaling \$626.6 million which are fully amortized. These assets should be reviewed to determine if they require removal from the tangible capital asset schedule.

13. Audit of the Consolidated Financial Statements

These issues were brought to the attention of the Comptroller's Office. Recommended changes were made to the contractual obligations schedule. No changes were made for the other issues identified. Improvements are recommended, and repetitive issues should be addressed.

Recommendation

13.21 The Comptroller's Office should review the note disclosures and schedules in the consolidated financial statements to ensure the information included is complete, accurate and clearly presented.

ABSENCE OF SIGNED FUNDING AGREEMENT

13.22 The Government of Province Edward Island has been providing an annual, non-repayable debt service grant, to the University of Prince Edward Island to finance construction costs associated with the Sustainable Design Engineering Program. This funding arrangement began in 2016-17, and will be in place for a 20 year term. The maximum total funding over the term is approximately \$20 million. During our audit, we noted that a signed agreement is not in place for this funding arrangement.

13.23 A signed funding agreement is important, as it outlines the agreed upon terms for both parties, and can also offer protection in the event that either party fails to meet the terms of the agreement. A signed funding agreement also provides proof that the arrangement has been properly authorized.

Recommendation

13.24 Signed agreements should be in place for all funding arrangements.

BUDGET PRESENTATION

13.25 Canadian Public Sector Accounting Standards require original budget information to be presented in the Province's consolidated financial statements. The standards also require that budgeted information be presented on the same basis that actual results are presented. This provides more accountability by Government, as it allows users to compare the actual results to the planned results for the fiscal year. Information on detailed budgets of government business enterprises also helps to hold Government accountable for their planned spending.

13. Audit of the Consolidated Financial Statements

General Government Budget

13.26 During our audit, we identified amounts that were included in the budget of General Government, under the Department of Finance, but the actual results were not reflected as expenses of General Government. This contributed to the General Government and Department of Finance being significantly under budget in the 2020 fiscal year.

13.27 The General Government budget for the 2020 fiscal year included approximately \$6 million for salary negotiation expenditures that had been accrued and recorded in the 2019 fiscal period. The budget for salary negotiations was not prepared on the same basis of accounting as the actual expenditures.

13.28 There was a payment of \$6.1 million to cover the costs of the AgriRecovery initiative on behalf of Prince Edward Island Agricultural Insurance Corporation (AIC). The costs for this initiative were appropriately recorded as part of AIC expenditures, however, the budgeted amount was reflected in General Government. We recommended a budget reclassification to the Comptroller's Office, but the reclassification was not made.

Prior Year Recommendations

13.29 For several years, we noted the Province's budget document, the Estimates of Revenue and Expenditures, is not presented on the same basis as its consolidated financial statements. A separate reconciliation was necessary in the schedules to the consolidated financial statements. The original budgeted revenues and expenses were increased by \$20.4 million to present them on a comparative basis with the actual financial results.

13.30 The Province's original budget document does not present the budgeted revenues and expenses of some consolidated entities on a line by line basis. To provide the comparison of budget to actual in the consolidated financial statements, the original budget was reallocated.

Recommendation

13.31 Budgeted amounts should be presented on the same basis as the actual results in the consolidated financial statements.

13. Audit of the Consolidated Financial Statements

13.32 The operating budgets for government business enterprises are presented on a net basis in the Estimates of Revenue and Expenditures, and the details of each entity's revenues and expenses are not disclosed to the Legislature nor are they publicly available. This is significant because government business enterprises generated revenues of \$216.0 million and incurred expenses of \$144.5 million for the year ended March 31, 2020. Government business enterprises also controlled \$726.6 million in total assets at year end.

13.33 For several years, we have recommended that more information on the operating budgets of government business enterprises be provided to Members of the Legislative Assembly. We were advised that Government is considering this recommendation.

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

OTHER REPORTING REQUIREMENTS

DEBTS CANCELLED, DISCHARGED, WRITTEN OFF

13.35 Section 16 of the *Audit Act* requires the Auditor General to report the total amount of any claims, obligations, debts, or monies due to the Province that have been discharged, cancelled, and/or released under Section 26 of the *Financial Administration Act*. For the year ended March 31, 2020, the amounts cancelled or discharged under Section 26 (1) are detailed in **Exhibit 13.1**. Also included are amounts written off under Section 26.1(1).

13. Audit of the Consolidated Financial Statements

EXHIBIT 13.1 AMOUNTS CANCELLED, DISCHARGED OR WRITTEN OFF YEAR ENDED MARCH 31, 2020

	Cancellations Section 26(1)	Write-offs Section 26.1(1)
PEI Agricultural Insurance Corporation	\$ 28,450	\$ -
PEI Grain Elevators Corporation	7,545	16,749
<i>Real Property Tax Act</i>	1,406,550	-
Student Financial Assistance Corporation	1,500,664	-
Total	\$2,943,209	\$16,749

Source: Orders-in-Council April 1, 2019 - March 31, 2020.

SURPLUS (DEFICIT) AGENCIES, BOARDS, AND CROWN CORPORATIONS

13.36 Section 16 of the *Audit Act* also requires the Auditor General to include information in the Annual Report on surpluses/deficits of agencies, boards, and Crown corporations. **Exhibit 13.2** includes the surplus or deficit of each entity for the year ended March 31, 2020.

13. Audit of the Consolidated Financial Statements

EXHIBIT 13.2 SURPLUS (DEFICIT) AGENCIES, BOARDS, AND CROWN CORPORATIONS YEAR ENDED MARCH 31, 2020

	Annual Surplus (Deficit) \$
Charlottetown Area Development Corporation*	861,224
Finance PEI	210,076
French Language School Board	17,844
Health PEI	(31,009)
Innovation PEI	303,942
Island Investment Development Inc.	24,139,827
Island Waste Management Corporation	(269,579)
PEI Advisory Council on the Status of Women	(1,082)
PEI Agricultural Insurance Corporation***	11,696,978
PEI Cannabis Management Corporation**	653,401
PEI Crown Building Corporation	-
PEI Energy Corporation	8,700,554
PEI Grain Elevators Corporation (July 31, 2019)	(177,281)
PEI Housing Corporation ***	(175,600)
PEI Human Rights Commission	38,452
PEI Liquor Control Commission**	22,468,919
PEI Lotteries Commission**	14,757,337
PEI Marine Science Organization	48,026
PEI Museum and Heritage Foundation	15,194
PEI Regulatory and Appeals Commission	7,047
PEI Self-Insurance and Risk Management Fund	2,137,294
PEI Student Financial Assistance Corporation	307,726
PEI 2014 Inc.	(5,684)
Public Schools Branch	1,091
Summerside Regional Development Corporation	(54,123)
Tourism PEI	-

Source: The Province's Volume III Public Accounts March 31, 2020

*Includes the provincial portion only

**Surplus distributed to operating fund

***Based on draft financial statements

14. ISSUES NOTED IN OTHER FINANCIAL AUDITS

CHAPTER SUMMARY

Why it's important

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

What we found

We issued management letters for the majority of financial statement audits that we conducted. Issues identified during our audits and reported to management can be summarized into three main areas: accounting concerns, compliance issues, and internal control weaknesses.

The majority of issues identified are recurring issues that have been raised in previous management letters.

BACKGROUND

14.1 Our Office conducts independent audits and examinations that provide objective information, advice, and assurance to the Legislative Assembly. A significant portion of our work relates to financial audits.

14.2 It is important to note that an audit is not designed to express an opinion on the adequacy or effectiveness of the system of internal controls established by management. It cannot be relied upon to detect all internal control weaknesses, defalcations, irregularities, and/or other areas which may be of interest to management.

14. Issues Noted in Other Financial Audits

14.3 Our financial audits are conducted in accordance with Canadian Auditing Standards and include such tests and other procedures we consider necessary in the circumstances. These standards require the auditor to communicate to management, and those charged with governance, any significant issues or matters identified during an audit.

14.4 At the completion of an audit, any issues identified as significant are communicated through a management letter. This management letter provides recommendations for improvements in various areas, such as the entity's system of internal controls, proper accounting for transactions, adequate disclosures, compliance with policies and agreements, or any other matter the auditor concludes should be brought to the attention of management and those charged with governance. Our audits may also identify matters of a less significant nature, which are verbally communicated to management.

14.5 Prior to finalizing a management letter, we discuss each finding and recommendation with management. We also request a written response to our management letters. A copy of each management letter is provided to the Secretary to Treasury Board and to the Office of the Comptroller.

SCOPE

14.6 In this chapter, we provide summary comments on significant issues noted in the management letters arising from the financial statement audits conducted by our Office. This does not include findings and recommendations related to our audit of the Province's consolidated financial statements, which are discussed in a separate chapter. This chapter also excludes the management letters, if any, related to the financial statement audits of entities included in the Province's consolidated financial statements that are audited by external auditors. It also excludes management letter issues noted from the audit of the Public Trustee, as they are covered in Chapter 9.

14. Issues Noted in Other Financial Audits

SUMMARY OBSERVATIONS

14.7 For the majority of the financial statement audits conducted, we issued management letters. The main issues identified and detailed in our management letters can be categorized into accounting concerns, compliance issues, and internal control weaknesses. Following is a description of each category of issues identified in the financial statement audits. In some cases, the issues have been noted for a number of years in our management letters.

Accounting Concerns

14.8 Financial statements are prepared in accordance with accounting standards. An objective of these standards is to enable users of the financial statements to understand the information and for the information to be fairly presented. The majority of accounting concerns identified related to how certain transactions were recorded, the adequacy of supporting documentation, and the accuracy of information provided for audit.

14.9 Consistent with prior years, some Health PEI physician contracts have not been updated and signed. The Prince Edward Island Housing Corporation did not maintain adequate documentation in a number of tenant files. The Prince Edward Island Grain Elevators Corporation did not document all decisions made at meetings of its board of directors.

Compliance Issues

14.10 Governments have objectives and establish regulations, policies, and procedures to clearly communicate expectations. We noted a number of compliance issues during our financial statement audits. These issues related to compliance with legislation, Treasury Board policies, agreements, and specific entity policies.

14.11 Similar to prior years, there is non-compliance with certain policies and legislation. Health PEI did not comply with Treasury Board policies for appropriation transfers or signing authorities. The Prince Edward Island Grain Elevators Corporation did not follow Treasury Board policies for capital projects management. The Prince Edward Island Lotteries Commission did not comply with its bylaws regarding the management of surplus funds.

14. Issues Noted in Other Financial Audits

Internal Controls

14.12 Internal controls help to ensure transactions are appropriately recorded and authorized. They also help to ensure business processes are operating as intended. Weaknesses in internal controls can expose an entity to business and financial risks. Internal control issues identified included non-existent or ineffective internal review processes, unauthorized transactions, timeliness of reporting, limited tracking of inventory and asset disposals, and the need to update existing policies and procedures.

14.13 An internal control issue that continues for the three significant pension funds administered by Government, is the absence of a formal policy and procedure manual. These funds include the Prince Edward Island Public Sector Pension Plan (formerly the Prince Edward Island Civil Service Superannuation Fund), the Prince Edward Island Teachers' Pension Plan (formerly the Prince Edward Island Teachers' Superannuation Fund), and the Pension Plan for Members of the Legislative Assembly.

14.14 Internal control issues were also identified relating to the timeliness of reporting. The Prince Edward Island Housing Corporation is required to submit audited financial reports to the Canada Mortgage and Housing Corporation (CMHC) in order to receive funding in a timely manner. The Corporation is behind on the submission of these reports resulting in significant funding being withheld by CMHC. Also, the Prince Edward Island Teachers' Pension Plan was over five years behind in releasing its annual reports. Subsequent to the issuance of our management letter, annual reports up to the 2017-2018 fiscal year are now available on the plan's website.

Follow-up

14.15 We acknowledge that, in some instances, management is working to address the noted issues and some progress is being made. However, sufficient work had not been completed at the time of our audits to warrant removal of the issues from our management letters.

14.16 In each subsequent financial audit, we follow up on the implementation of the recommendations included in our management letters. We encourage the auditees to implement these recommendations.

15. APPROPRIATIONS AND SPECIAL WARRANTS

CHAPTER SUMMARY

Why it's important

Government's annual spending authority is approved by Members of the Legislative Assembly through an appropriation act. Our work provides assurance that special warrants, transfers, and sequestrations comply with applicable legislation and Treasury Board Policy.

What we found

- Special warrants provided an additional \$28.6 million in authorized spending for current expenditures and an additional \$28.5 million for capital expenditures. A capital special warrant of \$10.2 million was offset by a \$10.2 million sequestration from capital expenditures.
- An additional capital special warrant of approximately \$6.8 million is required and in the process of being authorized.
- Consistent with prior years, expenditures were incurred for the year ended March 31, 2020 without special warrants being authorized, as required by the *Financial Administration Act*.

BACKGROUND

15.1 The *Appropriation Act (Current Expenditures) 2019* authorized \$2.067 billion in current expenditures for the fiscal year ended March 31, 2020. The *Appropriation Act (Capital Expenditures) 2019* authorized capital spending of \$156.6 million for the fiscal year ended March 31, 2020.

15.2 Authorization for a department/entity to exceed the initial amount set by an appropriation requires the issuance of a special warrant or transferring a previously appropriated amount.

15. Appropriations and Special Warrants

15.3 Special warrants are used when the Legislative Assembly is not in session and funds are needed for operations in addition to amounts that were included in the *Appropriation Act*. Unlike appropriation acts, which require the approval of the Legislative Assembly, special warrants must be approved by the Lieutenant Governor in Council through an Order-in-Council.

15.4 We examined the processes for recording current and capital appropriations for the fiscal year ended March 31, 2020. We also examined the approvals, processing, and recording of special warrants, appropriation transfers, and sequestrations made during the fiscal year. This chapter provides comments and recommendations resulting from our audit work. In addition to the information provided in this chapter, readers should also consider the Province's consolidated financial statements and our independent auditor's report on those consolidated financial statements.

OBSERVATIONS AND RECOMMENDATION

SPECIAL WARRANTS

15.5 **Appendix A** of this chapter provides a comparison of current and capital appropriations to actual expenditures.

15.6 For the year ended March 31, 2020, special warrants in the amount of \$28.6 million were issued for current expenditures, and special warrants in the amount of \$28.5 million were issued for capital expenditures.

Exhibit 15.1 provides a summary of these special warrants. The *Audit Act* requires the Auditor General to list in detail, appropriations made by special warrant, and the purpose of such appropriations. This information is included in **Appendix B** of this chapter.

15. Appropriations and Special Warrants

EXHIBIT 15.1 SUMMARY OF SPECIAL WARRANTS MARCH 31, 2020

Department/Entity	Special Warrant
Current:	
Education and Lifelong Learning	\$ 1,530,000
Environment, Water and Climate Change	4,312,000
General Government	54,000
Justice and Public Safety	2,562,000
Social Development and Housing	19,251,800
Tourism PEI	872,700
Total Current	28,582,500
Capital:	
Environment, Water and Climate Change	114,300
Health and Wellness	10,244,600
Tourism PEI	152,000
Transportation, Infrastructure and Energy	18,038,000
Total Capital	28,548,900
Total Special Warrants	\$57,131,400

Source: Orders-in-Council

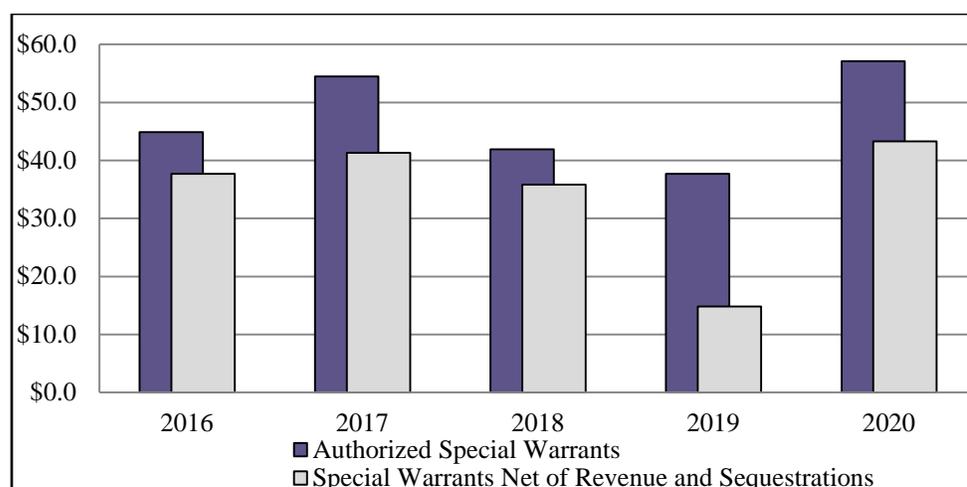
15.7 Special warrants were partially offset by \$3.6 million in additional revenue and a \$10.2 million sequestration. The sequestration was required to transfer Health PEI's capital appropriation for the construction of mental health facilities to the Department of Health and Wellness, including the transfer of responsibility for the project.

15.8 There is a need for an additional capital special warrant in the amount of approximately \$6.8 million to cover a capital lease expenditure incurred by the Department of Transportation, Infrastructure and Energy. This capital special warrant is outstanding and is expected to receive authorization subsequent to the tabling of our annual report.

15. Appropriations and Special Warrants

15.9 The total authorized special warrants, and special warrants net of revenue and sequestrations, for each of the last five years are presented in **Exhibit 15.2**.

EXHIBIT 15.2
SPECIAL WARRANTS
YEAR ENDED MARCH 31
(\$ Millions)



	2016	2017	2018	2019	2020
Authorized Special Warrants	\$44.9	\$54.5	\$41.9	\$37.7	\$57.1
Revenue and Sequestrations	<u>(7.2)</u>	<u>(13.2)</u>	<u>(6.1)</u>	<u>(22.9)</u>	<u>(13.8)</u>
Special Warrants Net of Revenue and Sequestrations	<u>\$37.7</u>	<u>\$41.3</u>	<u>\$35.8</u>	<u>\$14.8</u>	<u>\$43.3</u>

Source: Orders-in-Council

Delay in Issuing Special Warrants

15.10 The *Financial Administration Act* prohibits expenditures from being incurred unless provided for by an appropriation. When it is expected that an appropriation will be exceeded, a special warrant should be obtained prior to the expenditure being incurred.

15. Appropriations and Special Warrants

15.11 Consistent with prior years, our audit identified instances where special warrants were not authorized prior to the expenditure being incurred. There were seven late special warrants required to cover overspending for the March 31, 2020 fiscal year. Six of the late special warrants totalled \$8.7 million, and were authorized by Executive Council on February 9, 2021, over ten months after year-end. The other late special warrant of approximately \$6.8 million, for the Department of Transportation, Infrastructure and Energy, is expected to be authorized in March of 2021, nearly twelve months after the 2020 fiscal year.

Recommendation

15.12 In accordance with the *Financial Administration Act*, special warrants should be obtained prior to expenditures being incurred.

15.13 We have discussed our findings and recommendation with the Treasury Board Secretariat.

15. Appropriations and Special Warrants

APPENDIX A / PAGE 1 OF 2

CURRENT APPROPRIATIONS

	APPROPRIATION ACT 2019	SPECIAL WARRANTS	TRANSFERS	SEQUESTRATIONS	GOVERNMENT REORGANIZATION	TOTAL APPROPRIATIONS	EXPENDITURES 2020	UNDER/ (OVER) EXPENDITURES 2020
CURRENT								
AGRICULTURE AND LAND	\$ 36,977,100	\$ -	\$ 505,700	\$ -	\$ -	\$ 37,482,800	\$ 33,685,800	\$ 3,797,000
AUDITOR GENERAL	2,264,400	-	68,400	-	-	2,332,800	2,082,082	250,718
ECONOMIC GROWTH, TOURISM AND CULTURE	8,418,700	-	119,600	-	-	8,538,300	6,925,652	1,612,648
EDUCATION AND LIFELONG LEARNING	418,826,600	1,530,000	-	-	-	420,356,600	420,356,383	217
EMPLOYEE BENEFITS	60,081,800	-	-	-	-	60,081,800	59,826,610	255,190
EMPLOYMENT DEVELOPMENT AGENCY	5,643,500	-	10,000	-	-	5,653,500	5,314,259	339,241
ENVIRONMENT, WATER AND CLIMATE CHANGE	33,884,600	4,312,000	183,000	-	-	38,379,600	37,169,875	1,209,725
EXECUTIVE COUNCIL	9,409,000	-	214,600	-	-	9,623,600	8,511,086	1,112,514
FINANCE	54,829,500	-	917,300	-	-	55,746,800	51,778,094	3,968,706
FISHERIES AND COMMUNITIES	39,243,600	-	183,100	-	-	39,426,700	38,870,750	555,950
GENERAL GOVERNMENT	21,881,700	54,000	(5,638,000)	-	-	16,297,700	16,297,104	596
HEALTH AND WELLNESS	35,491,100	-	175,300	-	-	35,666,400	34,646,459	1,019,941
HEALTH PEI	714,693,000	-	-	-	-	714,693,000	711,370,219	3,322,781
INNOVATION PEI	43,739,400	-	102,100	-	-	43,841,500	43,268,725	572,775
INTERMINISTERIAL WOMEN'S SECRETARIAT	661,200	-	4,700	-	-	665,900	664,388	1,512
ISLAND REGULATORY AND APPEALS COMMISSION	1,400,300	-	-	-	-	1,400,300	1,400,300	-
JUSTICE AND PUBLIC SAFETY	59,842,000	2,562,000	710,000	-	-	63,114,000	63,113,332	668
LEGISLATIVE ASSEMBLY	8,629,200	-	26,000	-	-	8,655,200	7,618,511	1,036,689
PEI PUBLIC SERVICE COMMISSION	7,942,500	-	176,600	-	-	8,119,100	7,967,217	151,883
SOCIAL DEVELOPMENT AND HOUSING	133,327,400	19,251,800	727,300	-	-	153,306,500	153,306,424	76
TOURISM PEI	21,203,500	872,700	184,200	-	-	22,260,400	22,253,345	7,055
TRANSPORTATION, INFRASTRUCTURE AND ENERGY	220,736,700	-	1,330,100	-	-	222,066,800	169,033,198	53,033,602
INTEREST CHARGES ON DEBT	<u>128,018,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>128,018,200</u>	<u>124,587,043</u>	<u>3,431,157</u>
TOTAL CURRENT	<u>\$2,067,145,000</u>	<u>\$28,582,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,095,727,500</u>	<u>\$2,020,046,856</u>	<u>\$75,680,644</u>

Expenditures are presented in accordance with the classifications in the Appropriation Acts 2019 and approved special warrants for the 2019-20 fiscal year. This format differs from the Province's Operating Fund financial statements.

15. Appropriations and Special Warrants

APPENDIX A / PAGE 2 OF 2

CAPITAL APPROPRIATIONS

	APPROPRIATION ACT 2019	SPECIAL WARRANTS	TRANSFERS	SEQUESTRATIONS	GOVERNMENT REORGANIZATION	TOTAL APPROPRIATIONS	EXPENDITURES 2020	UNDER/ (OVER) EXPENDITURES 2020
<u>CAPITAL</u>								
AGRICULTURE AND FISHERIES	\$ 50,000	\$ -	\$ -	\$ -	\$ (50,000)	\$ -	\$ -	\$ -
AGRICULTURE AND LAND	-	-	-	-	30,000	30,000	26,913	3,087
COMMUNITIES, LAND AND ENVIRONMENT	623,000	-	-	-	(623,000)	-	-	-
ECONOMIC GROWTH, TOURISM AND CULTURE	-	-	-	-	150,000	150,000	137,009	12,991
EDUCATION AND LIFELONG LEARNING	-	-	-	-	25,012,000	25,012,000	18,491,856	6,520,144
EDUCATION, EARLY LEARNING AND CULTURE	25,162,000	-	-	-	(25,162,000)	-	-	-
ENVIRONMENT, WATER AND CLIMATE CHANGE	-	114,300	-	-	623,000	737,300	691,844	45,456
FAMILY AND HUMAN SERVICES	12,502,800	-	-	-	(12,502,800)	-	-	-
FINANCE	12,434,400	-	-	-	-	12,434,400	10,871,891	1,562,509
FISHERIES AND COMMUNITIES	-	-	-	-	20,000	20,000	19,528	472
HEALTH PEI	30,915,300	-	-	(10,244,600)	-	20,670,700	19,311,920	1,358,780
HEALTH AND WELLNESS	-	10,244,600	-	-	-	10,244,600	3,306,652	6,937,948
JUSTICE AND PUBLIC SAFETY	1,880,000	-	-	-	-	1,880,000	1,148,554	731,446
SOCIAL DEVELOPMENT AND HOUSING	-	-	-	-	12,502,800	12,502,800	8,716,370	3,786,430
TOURISM PEI	750,000	152,000	-	-	-	902,000	855,051	46,949
TRANSPORTATION, INFRASTRUCTURE AND ENERGY	<u>72,250,000</u>	<u>18,038,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,288,000</u>	<u>97,044,280</u>	<u>(6,756,280)</u>
TOTAL CAPITAL	<u>\$ 156,567,500</u>	<u>\$28,548,900</u>	<u>\$ -</u>	<u>\$(10,244,600)</u>	<u>\$ -</u>	<u>\$ 174,871,800</u>	<u>\$ 160,621,868</u>	<u>\$14,249,932</u>
GRAND TOTAL	<u>\$2,223,712,500</u>	<u>\$57,131,400</u>	<u>\$ -</u>	<u>\$(10,244,600)</u>	<u>\$ -</u>	<u>\$2,270,599,300</u>	<u>\$2,180,668,724</u>	<u>\$89,930,576</u>

Expenditures are presented in accordance with the classifications in the Appropriation Acts 2019 and approved special warrants for the 2019-20 fiscal year. This format differs from the Province's Operating Fund financial statements.

15. Appropriations and Special Warrants

APPENDIX B

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ORDER-IN-
COUNCIL

SPECIAL WARRANTS FOR CURRENT EXPENDITURES 2020 FISCAL YEAR

EDUCATION AND LIFELONG LEARNING

EC2021-88 POST SECONDARY AND CONTINUING EDUCATION

Grants	\$ 1,480,000
Professional Services	<u>50,000</u>
Total Department of Education and Lifelong Learning	<u>\$ 1,530,000</u>

To provide annual funding to support the construction of the UPEI student residence on campus and the development of a Shared Apprenticeship Management System.

ENVIRONMENT, WATER AND CLIMATE CHANGE

EC2020-186 CLIMATE CHANGE SECRETARIAT

Grants	\$ 500,000
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ENVIRONMENT

Equipment	100,000
Grants - Alternative Land Use Services	30,600
Grants - Carbon Pricing Rebates	2,722,400
Grants - Water and Air Monitoring	20,000

FORESTS, FISH AND WILDLIFE

Grants - Fish and Wildlife	689,000
Grants - Watershed Grants	<u>250,000</u>

Total Department of Environment, Water and Climate Change	<u>\$ 4,312,000</u>
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To fund increased costs associated with carbon relief subsidies and new or expanded program initiatives, partially offset by federal revenue of \$667,300.

15. Appropriations and Special Warrants

APPENDIX B

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**ORDER-IN-
COUNCIL**

SPECIAL WARRANTS FOR CURRENT EXPENDITURES 2020 FISCAL YEAR

GENERAL GOVERNMENT

EC2021-89 CONTINGENCY FUND AND SALARY NEGOTIATIONS

Grants and Salaries		\$ <u>54,000</u>
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To fund support for COVID-19 Program spending that was required prior to year-end.

JUSTICE AND PUBLIC SAFETY

EC2021-90 PUBLIC SAFETY AND POLICING

Grants - Disaster Assistance Claims		\$ <u>2,562,000</u>
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To fund the Provincial Disaster Financial Assistance Program, fully offset by federal revenue.

SOCIAL DEVELOPMENT AND HOUSING

EC2020-156 CHILD AND FAMILY SERVICES

Grants - Supports for Children	\$ 221,600	
Salaries	396,400	
Travel and Training	37,500	

HOUSING SERVICES

Grants	2,033,800	
Professional Services	68,100	

SOCIAL PROGRAMS

Grants - AccessAbility Supports	8,579,200	
Grants - Child Care Subsidy	2,143,200	
Grants - School Age Autism	65,000	
Grants - Social Assistance Benefits	1,376,000	
Materials, Supplies and Services	122,400	
Professional Services	71,400	
Travel and Training	<u>50,200</u>	<u>\$15,164,800</u>

To fund additional program expenditures under Housing Grants, Child Care Subsidy, AccessAbility Support Program and Social Assistance Program.

15. Appropriations and Special Warrants

APPENDIX B

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ORDER-IN-
COUNCIL

SPECIAL WARRANTS FOR CURRENT EXPENDITURES 2020 FISCAL YEAR

EC2021-91 HOUSING SERVICES

Grants 3,848,900

SOCIAL PROGRAMS

Grants - AccessAbility Supports 238,100 4,087,000

To fund additional program expenditures, including the Affordable Housing Development Program, mobile rental vouchers, Community Needs Assessment and Home Renovations Program.

Total Department of Social Development and Housing \$19,251,800

TOURISM PEI

EC2020-187 STRATEGIC INITIATIVES

Grants \$ 650,000

Professional Services 157,700

TOURISM MARKETING COMMUNICATIONS

Materials, Supplies and Services 65,000

Total Tourism PEI \$ 872,700

To fund enhanced marketing and product development for the Province, partially offset by revenue of \$267,700 from the Mark Arendz Provincial Ski Park and the Atlantic Canada Opportunities Agency.

TOTAL SPECIAL WARRANTS FOR CURRENT EXPENDITURES \$28,582,500

15. Appropriations and Special Warrants

APPENDIX B
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ORDER-IN-
COUNCIL

SPECIAL WARRANTS FOR CAPITAL EXPENDITURES 2020 FISCAL YEAR

ENVIRONMENT, WATER AND CLIMATE CHANGE

EC2020-4 CAPITAL PURCHASES

Forest Fire Vehicles	\$ 20,000
Laboratory Equipment	57,300
Vehicle Purchases - Light Fleet	<u>37,000</u>

Total Department of Environment, Water and Climate Change \$ 114,300

To fund the purchase of equipment and vehicles.

HEALTH AND WELLNESS

EC2020-151 CAPITAL IMPROVEMENTS

Mental Health Facilities	<u>\$10,244,600</u>
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To fund construction for the mental health and addictions facilities, fully offset by funds sequestered from Health PEI.

TOURISM PEI

EC2020-188 CAPITAL IMPROVEMENTS

Confederation Trail	\$ 85,000
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To fund further development of the Confederation Trail, fully offset by revenue of \$85,000 received from Trans Canada Trail.

EC2021-92 CAPITAL IMPROVEMENTS

Golf Courses	<u>67,000</u>
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To fund the purchase of golf carts, fully offset by revenue.

Total Tourism PEI \$ 152,000

15. Appropriations and Special Warrants

APPENDIX B
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ORDER-IN-
COUNCIL

SPECIAL WARRANTS FOR CAPITAL EXPENDITURES 2020 FISCAL YEAR

TRANSPORTATION, INFRASTRUCTURE AND ENERGY

EC2019-711 CAPITAL IMPROVEMENTS - HIGHWAYS

Bridges	\$ 450,000	
National and Collector Highways	15,690,000	
Provincial Paving	<u>1,500,000</u>	<u>\$17,640,000</u>

To fund additional costs for highway construction and bridges.

EC2021-93 CAPITAL IMPROVEMENTS

Buildings		<u>398,000</u>
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To fund year-end holdback adjustments relating to the Queens County Highway Maintenance Depot.

Total Department of Transportation, Infrastructure and Energy		<u>\$18,038,000</u>
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TOTAL SPECIAL WARRANTS FOR CAPITAL EXPENDITURES	<u>\$28,548,900</u>
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TOTAL SPECIAL WARRANTS ISSUED FOR THE 2020 FISCAL YEAR	<u>\$57,131,400</u>
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