



Annual Report to the Legislative Assembly 2026



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 **2026 Annual Report** to the Legislative Assembly.

Respectfully submitted,

Darren Noonan, CPA, CA
Auditor General

Charlottetown
Prince Edward Island
February 24, 2026

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Introduction

Report Overview

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

This 2026 Annual Report provides findings, recommendations, and information in accordance with section 16 of the *Audit Act*. It also includes information pertaining to some special examinations completed by our Office during the year.

The following is a brief overview of our 2026 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, professional affiliations, financial information and accountability reporting.

Chapter 2: Public Accounts Committee

The Public Accounts Committee (the 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 and other reports to the Legislative Assembly, and following up with Crown corporations, agencies, funds and departments on recommendations included in the reports. This chapter includes summary information on the Committee and its interactions with our Office.

Chapter 3: Report in Accordance with the Government Advertising Standards Act

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

Chapter 4: Report on Fiscal Sustainability

This chapter is related to a previous non-assurance report completed by our Office related to the Fiscal Sustainability of the Province. We will continue to monitor and report on this topic.

Chapter 5: Spotlight on Government Performance Reporting

This chapter includes observations on the timelines as well as the quality of performance information reported in the annual reports of government reporting entities and government departments.

Chapter 6: Follow-Up with Treasury Board

Every quarter, departments, Crown corporations, agencies, and funds who have been audited by our Office, are to report to Treasury Board with respect to the status of the implementation of the recommendations from our Office. This chapter reports on the review of this reporting requirement.

Chapter 7: Follow-Up on Performance Audits

This chapter includes information on the status of the implementation of recommendations for audit and other reports issued in 2021, 2022, 2023 and up to August 31, 2024.

Chapter 8: Follow-Up on COVID-19 Audit

This chapter includes information on the status of the implementation of recommendations reported in our COVID-19 Financial Programs audit (Phases I, II and III).

Chapter 9: Introduction to Financial Audits

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

Chapter 10: 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, 2025 audit.

Chapter 11: Key Findings from Other Financial Audits

This chapter provides a summary of issues communicated to management as a result of financial audits of Crown corporations, agencies, and trust funds.

Chapter 12: Appropriations and Special Warrants

This chapter provides summary information on appropriations and special warrants for the fiscal year ended March 31, 2025.

Chapter 13: Indicators of Financial Condition

In this chapter, we present information on key financial indicators for the last five fiscal years. These indicators help to assess the Province’s sustainability, flexibility, and vulnerability and can assist legislators and the public in better understanding the financial condition of the Province.

Chapter 14: PEI’s Finances from 2025 Public Accounts

In this chapter, we provide commentary on the Province’s 2025 audited consolidated financial results in comparison to budgeted amounts and the results of prior years.

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 au moins tous les ans.

Le présent rapport de 2026 fournit conclusions, recommandations et renseignements conformément à l'article 16 de l'*Audit Act*. Il inclut aussi de l'information concernant les enquêtes spéciales effectuées par notre Bureau au cours de l'année.

Voici un aperçu du contenu du rapport annuel de 2026 du Bureau :

Chapitre 1: Bureau du vérificateur général

Ce chapitre comprend des renseignements sur le mandat et les responsabilités du vérificateur général. Des renseignements sommaires sont également fournis sur les missions de certification, les normes et affiliations professionnelles, les ressources du Bureau, l'information financière et les responsabilités redditionnelles.

Chapitre 2: Comité des comptes publics

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

Chapitre 3: Rapport conformément à la Government Advertising Standards Act (loi sur les normes de publicité gouvernementale)

Le vérificateur général présente un rapport annuel à l'Assemblée législative concernant les questions que le vérificateur général considère comme appropriées relativement à ses pouvoirs et tâches selon la loi.

Chapitre 4: Rapport sur la viabilité budgétaire

Ce chapitre fait suite à un rapport antérieur sans mission d'assurance publié par notre Bureau et portant sur la viabilité budgétaire du gouvernement. Nous continuerons à suivre ce dossier et à en rendre compte.

Chapitre 5: Présentation de l'information sur le rendement gouvernemental

Ce chapitre présente des observations sur les délais et la qualité de l'information sur le rendement figurant dans les rapports annuels des entités comptables du gouvernement et des ministères.

Chapitre 6: Suivi auprès du Conseil du Trésor

Tous les trimestres, les ministères, sociétés de la Couronne et organismes vérifiés par le Bureau doivent présenter un rapport au Conseil du Trésor sur le statut de la mise en œuvre des recommandations

émises par le Bureau. Ce chapitre comprend des renseignements sur l'examen de cette exigence de rapport.

Chapitre 7: Suivi sur les vérifications de gestion

Ce chapitre fournit des renseignements sur le statut de la mise en œuvre des recommandations émises dans les rapports d'audit et d'autres rapports publiés en 2021, 2022, 2023 et jusqu'au 31 août 2024.

Chapitre 8: Suivi de l'audit sur la COVID-19

Ce chapitre fournit des renseignements sur le statut de la mise en œuvre des recommandations formulées dans nos audits sur la COVID-19 (phases I, II et III).

Chapitre 9: Introduction aux vérifications financières

Ce chapitre contient des commentaires d'introduction qui résument les normes professionnelles et les responsabilités du Bureau liées aux vérifications financières.

Chapitre 10: Vérification des états financiers consolidés

Chaque année, le Bureau vérifie les états financiers consolidés du gouvernement provincial. Ce chapitre présente les commentaires, conclusions et recommandations sommaires découlant de la vérification allant jusqu'au 31 mars 2025.

Chapitre 11: Principales constatations 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 de sociétés de la Couronne, d'organismes et de fonds de fiducie.

Chapitre 12: Compte de crédits et mandats spéciaux

Ce chapitre fournit des renseignements sommaires sur le compte de crédits et les mandats spéciaux pour l'exercice qui s'est terminé le 31 mars 2025.

Chapitre 13: Indicateurs de l'état des finances

Dans ce chapitre, nous présentons de l'information sur les principaux indicateurs financiers des cinq derniers exercices financiers. Ces indicateurs permettent d'évaluer la viabilité, la flexibilité et la vulnérabilité financières du gouvernement et aident les législateurs et le public à mieux comprendre l'état des finances.

Chapitre 14: Finances de l'Î.-P.-É. selon les comptes publics de 2025

Dans ce chapitre, nous formulons des commentaires sur les résultats financiers consolidés vérifiés du gouvernement pour 2025, en les comparant aux montants budgétés et aux résultats des années antérieures.

Office of the Auditor General



Chapter 1

1. Office of the Auditor General of Prince Edward Island

Auditor General's Message

- 1.1 The Office of the Auditor General of Prince Edward Island (the Office) has played a key role in advancing accountability and transparency within the provincial government.
- 1.2 As an independent office, we conduct audits and examinations to provide objective information, advice, and assurance to the Legislative Assembly. Each year, we complete financial audits of the Province's consolidated financial statements, along with a number of Crown corporations, agencies and trust funds. We also carry out numerous performance audits, which can identify whether there is value being received for the money spent by government.
- 1.3 Integrity is the foundation of our work, and we strive to make a positive difference for Islanders. Having access to reliable data and findings from our audit work means the Legislative Assembly can be better informed and equipped to hold government to account for the management of taxpayers' money. To share our findings, we work in close partnership with the Standing Committee on Public Accounts, made up of elected officials in charge of public sector financial oversight.
- 1.4 I would like to thank the provincial departments and government organizations for their cooperation, time, and efforts while we completed our financial and performance audit work this year. The recommendations we have brought forth outline a path toward improvement in the efficiency and effectiveness of government. We encourage senior government officials to take timely action to address the identified issues and to implement our recommendations.
- 1.5 Lastly, I would like to sincerely thank the staff of the Office of the Auditor General of Prince Edward Island for the continued effort that they put in each day. They show immense dedication to our mandate, producing high quality work and maintaining professional conduct of the highest standard. It is an honour to work with you all.

Introduction and Overview: Our Office

Mandate

- 1.6 The Auditor General is an independent officer of the Legislative Assembly, appointed under the authority of the *Audit Act*.
- 1.7 The *Audit Act* establishes a framework for an independent audit office on Prince Edward Island. This independence enables the Office to offer impartial opinions, observations, and recommendations on government operations and management practices. The *Audit Act* also provides the Office with

the authority to conduct audits and examinations of provincial departments, Crown corporations, agencies, and funds.

EXHIBIT 1.1

Key Components of the Office's Independence
• 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.
• A Standing Committee on Legislative Assembly Management that reviews and approves the Office's budget.

- 1.8 Financial audits performed by the Office include the Province's consolidated financial statements, as well as other financial statement audits of Crown corporations, agencies and trust funds. Special audits and examinations conducted by the Office include performance audits (sometimes referred to as "value-for-money" audits).
- 1.9 As stated in the *Audit Act*, the Auditor General must report at least annually to the Legislative Assembly, calling attention to anything the Office considers necessary to be brought to the Assembly's attention.
- 1.10 The Annual Report must provide observations, recommendations, and information pertaining to the Office's audits and examinations of government operations during the year. It must also include other specific reporting requirements pursuant to the *Audit Act* and the *Government Advertising Standards Act*.

EXHIBIT 1.2



The Values and Benefits of a Legislative Audit Office



Source: Adapted from a Canadian Council of Legislative Auditors working group.

Vision Statement

- 1.11 To be an independent and trusted audit office, highly valued by Islanders, for our contributions to a sustainable and prosperous future for Prince Edward Island.

Mission Statement

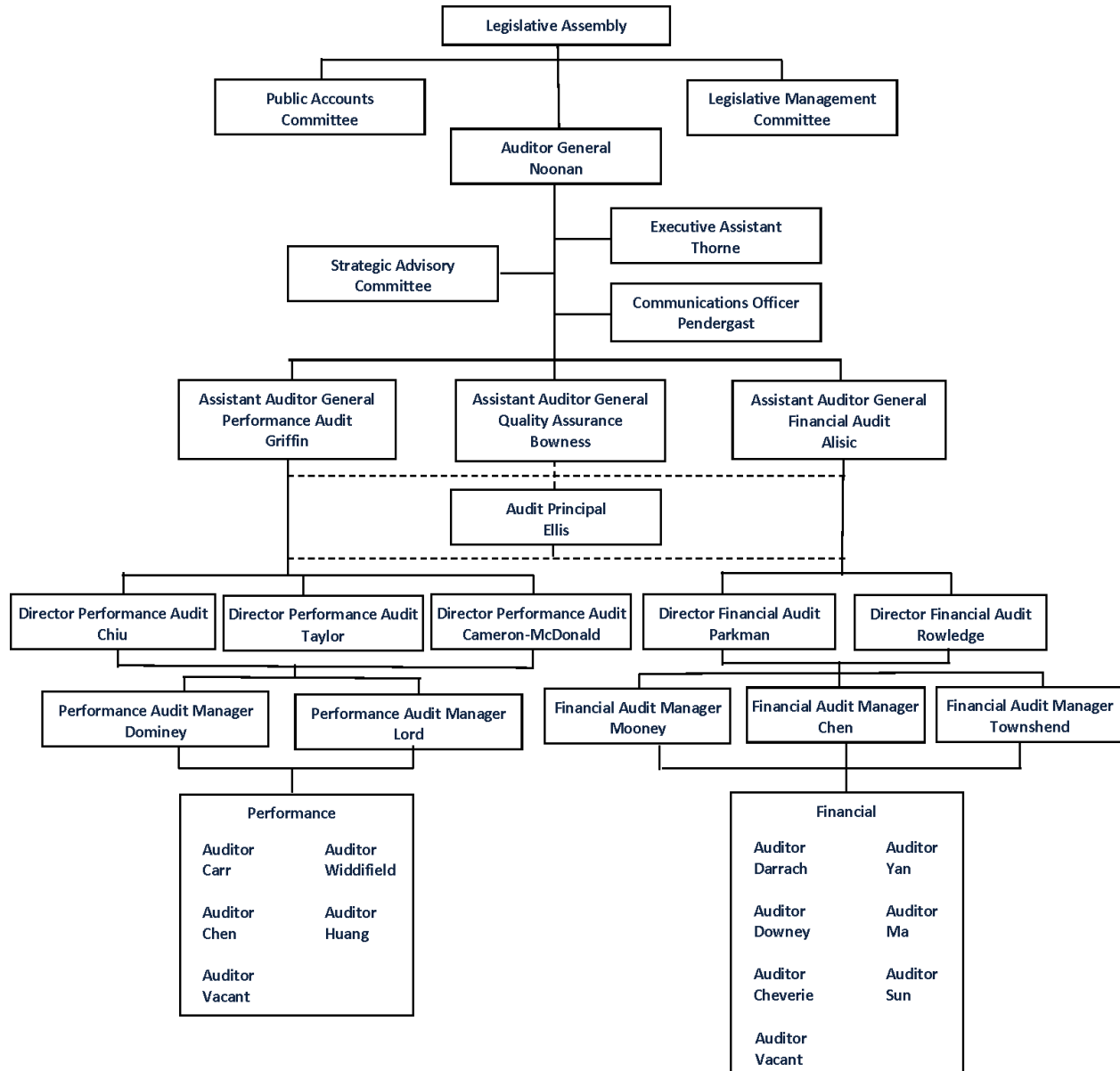
- 1.12 The Office of the Auditor General conducts independent audits and examinations that provide objective information, advice, and assurance to the Legislative Assembly. The Office works to advance government's accountability, transparency and management of public resources.

Our Values

- 1.13 **Independence:** We report to the Legislative Assembly and are fair, objective and non-partisan in our approach. We adhere to our independence standards and professional code of ethics, avoiding real and perceived conflicts in our relationships and in the conduct of our work.
- 1.14 **Integrity:** We are professional, credible, trustworthy, and objective.
- 1.15 **Reliability:** We work together and with others in an open, honest, and trustworthy manner. We strive every day to meet the highest standards of professional conduct and to produce work that is consistently of high quality.
- 1.16 **Relevance:** We select our audits on the basis of significance and risk, with the goal of making a positive difference for Islanders. Our reports present findings on matters of importance to the Legislative Assembly and the public.
- 1.17 **Adaptability:** We seek opportunities for creative problem solving and continuous improvement, supported by advancements in technology.
- 1.18 **Collaboration:** We encourage strong relationships, shared responsibilities and effective communication.
- 1.19 **Respect:** We value diverse opinions, an inclusive workplace and fair treatment of all.

Organizational Chart and Staff Summary

EXHIBIT 1.3 OFFICE OF THE AUDITOR GENERAL'S ORGANIZATIONAL CHART AS OF FEBRUARY 2026



1.20 The Office of the Auditor General has three Assistant Auditors General who each manage a distinct piece of our work.

Performance Audit

1.21 The Office's performance audit team conducts special audits and examinations throughout the year. These audits address timely and significant matters across all areas of government, from health

care to transportation. Performance auditors work with auditable entities (like a funding recipient or an agency of government) to determine whether they are achieving their purpose economically, efficiently, effectively, and in compliance with applicable statutory provisions. This often means examining programs, processes and activities. Performance audits do not assess the merits of policy, but they provide independent, evidence-based observations and conclusions.

- 1.22 Various factors are considered when establishing priorities for performance audits and examinations, including requests from the Legislative Assembly and/or Executive Council; letters from the general public; financial, social, and environmental impact; and our capacity to do the work.
- 1.23 In addition to active audits, the Office also has a follow-up process to monitor the implementation of past audit report recommendations.

Financial Audit

- 1.24 As required by the *Audit Act*, the Office's financial audit team performs the audit of the Province's consolidated financial statements. These statements account for billions of dollars in government spending and are used to inform economic decisions. Our work provides reasonable assurance that the financial statements are fairly presented, and we present insight on the Province's financial position and operating results. In addition, the team performs annual financial statement audits for several government entities.

Quality Assurance

- 1.25 The Office has an Assistant Auditor General of Quality Assurance (AAG of QA) who oversees the Office's system of quality management. The AAG of QA ensures that audit operations adhere to established quality policies and practices, maintaining the integrity of our work.

Staffing Summary

- 1.26 As of February 1, 2026, the Office staff complement consists of three Assistant Auditors General, one Audit Principal, five Audit Directors, five Audit Managers, twelve professional auditors, one Communications Officer, and one administrative staff member. 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 (CPA PEI). 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 throughout the year. Staff also participate in various symposiums and committees of the Canadian Council of Legislative Auditors (CCOLA).

Year in Review: By the Numbers

1.27 Since our last annual report, the Office:

- published 7 performance audit reports and/or examinations;
- completed 9 financial audits;
- reported on appropriations and special warrants (Chapter 12);
- reported on claims, obligations, debts, or monies due to the Government that have been cancelled and written off (Chapter 10);
- reported on the surpluses/deficits of the Province’s Crown corporations, agencies and funds (Chapter 10);
- made 72 recommendations;
- added 1 new team member in a communications role; and
- made 4 presentations for the Standing Committee on Public Accounts.

EXHIBIT 1.4 A YEAR IN REVIEW



Professional Standards

- 1.28 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.
- 1.29 For financial audits, the Office is subject to a practice inspection every three years administered by CPA PEI, the regulatory body that provides oversight of the public accounting profession in the province. This practice inspection is designed to protect the public interest by ensuring office practices meet professional standards. The most recent practice inspection of the Office by CPA PEI took place in December 2025. This inspection confirmed the Office was meeting professional standards.
- 1.30 The Office also participates in the COLA peer-review process for performance audits and examinations. During this process, which takes place every three years, an Auditor General's office from another jurisdiction will review one of our files. The external peer review provides additional assurance that the Office is conducting audits in compliance with the applicable standards of CPA Canada. It also exposes the Office to the practices and methodologies of other offices. In 2024, a peer review was completed on our Surgical Wait Times – Cataract, Knee Replacement and Hip Replacement report (published in 2023). This peer review was performed by a professional staff member of the Office of the Auditor General of Manitoba. Their review confirmed that the Office was meeting professional standards.
- 1.31 In addition, the Office complies with the Canadian Standard on Quality Management of CPA Canada. This standard requires the Office to design, implement and operate a system of quality management. Our quality assurance system includes documented policies and procedures regarding compliance with ethical requirements, professional standards, regulatory and legal requirements, and internal policies. The Office also has a dedicated Assistant Auditor General assigned with this responsibility. As part of the inspection administered by CPA PEI in December 2025, our system of quality management was reviewed. The inspection confirmed our system of quality management is meeting professional standards.

Professional Affiliations

- 1.32 The Office maintains an affiliation with a variety of professional organizations to share information, experience, knowledge, and methodology. These affiliations help us contribute to ongoing development of legislative audit practices and standards while we strive to remain current in audit practices and new developments in the profession and legislative office community.

1.33 Our key affiliations include:

Canadian Council of Legislative Auditors (CCOLA)

The Auditor General is a member of CCOLA, which brings together legislative auditors of the federal government, the provinces and the territories. Our 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.

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 (CPA Canada) and Chartered Professional Accountants of Prince Edward Island (CPA PEI)

The Office maintains an important relationship with professional organizations. We provide input into the development of accounting and assurance standards and receive information on various topics relevant to the profession.

Financial Information

EXHIBIT 1.5

Office of the Auditor General (2024-2025)			
Category	Actual Expenses (\$)	Budgeted Estimates (\$)	Variance (\$)
Administration	32,153	50,600	(18,447)
Equipment	4,091	22,000	(17,909)
Materials, Supplies, and Services	39,309	49,000	(9,691)
Professional Services	2,960	55,000	(52,040)
Salaries	3,071,102	3,333,900	(262,798)
Travel and Training	40,109	56,000	(15,891)
Grants (Canadian Audit and Accountability Foundation)	6,434	6,500	(66)
Total	\$3,196,158	\$3,573,000	(376,842)

Accountability Reporting

1.34 In January 2025, we issued the Office’s [Strategic Plan](#) for 2025-2029 (the Plan). The Plan includes six components: our vision, our mission, our values, risks and trends, our strategic objectives, and key performance indicators. We identified three strategic objectives as our current priorities, and each is supported by a number of key performance indicators. As appropriate, we amend the Plan to ensure our targets are relevant and measurable.

Strategic Objectives

1.35 **Strategic Objective #1: Increase support from and communications with our external stakeholders.**

As an office that serves the Legislative Assembly and the people of Prince Edward Island, we remain focused on providing clear and relevant information that can assist in holding government accountable and advancing transparency on the use of taxpayers’ money. We will work to meet the expectations of the members of the Legislative Assembly, paying particular attention to maximizing the value of our work through audit resources that are focused on relevant and significant matters. Our collaboration with the Standing Committee on Public Accounts is imperative, and we will continue to maintain and strengthen this relationship.

We will continue to seek opportunities to increase external stakeholders’ awareness of our role and to ask for their encouragement and assistance in compelling government to implement our audit recommendations.

1.36 **Strategic Objective #2: Provide a more rewarding professional work environment.**

Our audit work is highly technical, and it is a priority to retain high-quality personnel who remain motivated in their work and are interested in embracing new methodologies and practices. We will work to optimize the competencies of our employees, offering more opportunities for growth through training and development. We will also seek to make continued improvements in our work environment, maintaining a team-oriented approach with opportunities for staff to work on both financial and performance audits.

1.37 **Strategic Objective #3: Issue quality reports.**

We constantly strive to improve our operations and produce work that is relevant, timely and of the highest standard. Balancing efficiency with quality products is a challenge, but we will work to strengthen our risk management processes and improve audit efficiencies. Ensuring our reports are user-friendly and engaging is also important as we communicate findings on matters of importance to the Legislative Assembly and the public.

Key Performance Indicators

- 1.38 Our strategic objectives set the framework for directing our work as an independent audit office. We use key performance indicators to help us assess success toward realizing our vision and mission, while identifying areas for improvement. This year, we looked at performance results since our last annual report from March 14, 2025 to February 20, 2026.

EXHIBIT 1.6 OFFICE OF THE AUDITOR GENERAL'S KEY PERFORMANCE INDICATORS RESULTS

Key Performance Indicators for Strategic Objective #1: Increase support from and communications with our external stakeholders.		
Number of recommendations in our reports that are accepted by the Standing Committee on Public Accounts.	Target	Results
	100%	100%
	In the Standing Committee on Public Account's reports on Committee Activities dated April 30, 2025 and November 27, 2025, the committee endorsed all recommendations made in the Auditor General's reports.	
Percentage of recommendations that are completed by the final year of our follow-up work (four years after original performance audit).	Target	Results
	90%	96%
	Our follow-up work on recommendations made in 2021 found 96% were implemented as of August 31, 2025.	

Key Performance Indicators for Strategic Objective #1 (Continued): Increase support from and communications with our external stakeholders.

Positive response from auditees on the importance of our work through post-audit surveys.	Target	Results
	80%	Not Measured in Current Period
	Although our post-audit surveys and management letter responses provided positive feedback, they did not sufficiently capture this information. Going forward, the surveys will be amended to include a question that speaks specifically to the importance of our work.	
Positive response from members of the Standing Committee on Public Accounts on the value of our work, based on annual survey of the members.	Target	Results
	95%	100%
	Submitted answers all indicated a positive response for the value of our work.	
Meet regularly with the Standing Committee on Public Accounts, not just when reports are tabled.	Target	Results
	6 Meetings/Year	4 Meetings
	The Standing Committee on Public Accounts follows the PEI School Calendar for meeting dates and does not typically meet when the Legislative Assembly is in session. We are planning to alter our reporting cycle to better align with the availability of the Committee and will review our target for this indicator.	
Annual reports of government departments and reporting entities are tabled within the required timelines established through legislation or Treasury Board policies.	Target	Results
	100%*	35%
	Only 14/40 government departments and reporting entities tabled their 2024-25 annual reports within the required timelines.	
Improved reporting content in the annual reports of government departments and reporting entities, including all items listed in Treasury Board Policy Section 10.01.	We continue to work with government on improving their reporting content and following Treasury Board's <i>Annual Reporting Framework</i> . This year, our "Spotlight on Government Performance Reporting" Chapter 5 highlights the importance of performance reporting content in government annual reports.	

*Target amended to 100%

Key Performance Indicators for Strategic Objective #2: Provide a more rewarding professional work environment.

	Target	Results
Employee retention	90%	93%
	This year, the office saw two staff departures. One was from our Performance Audit team and the other was from our Financial Audit team.	
	Target	Results
Positive employee job satisfaction, based on the results of annual employee engagement survey.	90%	96%
	In the results from our internal November 2025 employee engagement survey, 96% of our Office employees indicated they were satisfied or extremely satisfied with their current employment.	

Key Performance Indicators for Strategic Objective #3: Issue quality reports.

Financial audits for entities with a March 31 year end completed by our Office within legislated statutory deadlines.	Target	Results
	100%	83%
	Of the six financial audits with a March 31 year end, only PEI Lotteries Commission was not completed within the legislated statutory deadline. This was due to delays in receiving information from the auditors of the Atlantic Lottery Corporation.	
Positive annual peer reviews of one of our performance audit files completed by the Office of the Auditor General of another jurisdiction.	Target	Results
	Less than 5 Recommendations	None in Current Period
	Every three years, we participate in an inter-jurisdictional peer review coordinated by CCOLA. There was no peer review during the current period. Going forward, we will amend our target for this indicator due to the three-year peer review cycle.	
Positive practice inspection results of our files completed by CPA PEI.	Target	Results
	Less than 3 Recommendations	0 Recommendations
	The practice inspection in December 2025 by CPA PEI resulted in no recommendations.	

Key Performance Indicators for Strategic Objective #3: Issue quality reports.

	Target	Results
	6/Year	7 Issued
<p>The number of performance audits and other examinations issued annually.*</p>	<p>The Office issued the following performance audits: After-Hours Premiums: Radiology (July 2025), Health PEI Excluded Employee Compensation (January 2026).</p> <p>The following other examinations are included within this Annual Report: Spotlight on Government Performance Reporting (February 2026), Fiscal Sustainability (February 2026), Follow-Up with Treasury Board (February 2026), Follow-Up on Performance Audits (February 2026), and Follow-Up on COVID-19 Audit (February 2026).</p>	

*Indicator amended to include examinations.

Public Accounts Committee



Chapter 2

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 collaboration 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 Office of the Auditor General met with the Committee on four occasions since our last annual report and up to the date of this current annual report to review the following reports:
- 2025 Annual Report (two meetings);
 - After-hours Premiums: Radiology; and
 - Health PEI Excluded Employee Compensation.
- 2.3 Since our last annual report, the Committee has met 11 times.
- 2.4 During the year, the Auditor General attended the Joint Canadian Council of Public Accounts Committees and Canadian Council of Legislative Auditors (CCPAC-CCOLA) Conference in Regina, Saskatchewan, with the Chair of the Standing Committee on Public Accounts, the Legislative Clerk of the Standing Committee and the Assistant Auditor General of Quality Assurance.

Committee Reports

- 2.5 The Committee reported to the Legislative Assembly on April 30, 2025 and November 27, 2025, to provide updates on its activities for the year. The Committee made the following recommendations to the Legislative Assembly during the year:
- Your committee endorses all the recommendations made in the Auditor General's reports that the committee has reviewed since it last reported to the legislature.
 - Your committee recommends that, as part of ongoing funding agreements, Government require the PEI Alliance for Mental Well-Being to include annual disclosure of private interests in the conflict-of-interest policies and procedures applicable to anyone tasked with making decisions on grant funding, whether they are peer reviewers, employees or Board members.

- Your committee recommends that in future funding requests, the PEI Alliance for Mental Well-Being clearly indicate what the requested funding will be used for, the Department of Health and Wellness ensure that it understands this and properly communicates the request in any necessary Treasury Board submission, and that any resulting agreement is consistent with the purpose of the request.
- Your committee recommends that the *Mental Health Act* be amended to require that the Mental Health Review Board provide annual reports on its activities to the Minister of Health and Wellness.
- Your committee recommends that the *Mental Health Act* or its regulations be amended to require that applications to the Mental Health Review Board for review of decisions, especially certificates of involuntary admission, be forwarded to the Mental Health Review Board within one clear day.
- Your committee recommends that Government publish detailed supplementary information in the annual Public Accounts on matters such as cumulative payments to individuals and suppliers for salaries, travel expenses, grants, supplier payments and other payments.
- Your committee urges Government to produce and implement a long-term debt management strategy so that Islanders can see how the Province will achieve fiscal sustainability.
- Your committee recommends that provincial departments and agencies wishing to pursue capital building projects identify project needs as clearly, specifically and comprehensively as possible when making new build requests to the Department of Transportation and Infrastructure, so that the Building Services Division can develop a project cost estimate that is more likely to match the actual project cost in the long run.
- Your committee recommends that the PEI Liquor Control Commission consider supplemental training methods, such as video or online resources, to help agency store operators educate new employees on procedures and expectations for the safe sale and handling of alcohol, in addition to the training being delivered biennially by the Commission's liquor inspectors.
- Your committee recommends that the PEI Liquor Control Commission consider addressing situations in which agency store employees are working alone while alcohol is available for sale, either through enhanced training or stricter requirements in agency store agreements.

A hand holding a pen over a document, with a blurred background of papers and a desk.

Examinations

Report in Accordance with the *Government Advertising Standards Act*



Chapter 3

3. Report in Accordance with the *Government Advertising Standards Act*

- 3.1 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.
- 3.2 Under subsection 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.
- 3.3 A Member of the Legislative Assembly may also make a written complaint to the Auditor General under subsection 6(1), that the specified advertisement identified in the complaint does not meet the standards set out in the Act.
- 3.4 In accordance with subsection 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.
- 3.5 No requests or complaints were received since my last annual report.

Fiscal Sustainability

Chapter 4

4. Fiscal Sustainability – Highlights

What We Did:

For the Government of Prince Edward Island, having fiscal sustainability means having the ability to meet financial commitments and the needs of Islanders, both now and in the future. A long-term fiscal outlook ensures risks are understood and government can respond to fiscal pressures as required.

This chapter presents information on some indicators of Prince Edward Island’s fiscal sustainability as well as risks to the fiscal sustainability, providing independent analysis and projections based on fiscal trends.

What We Found:



An **aging population** is expected to reduce the labour force and slow economic growth



Rising health care costs are expected due to higher senior care costs and an aging population

Risks to Fiscal Sustainability:



Climate change response and target to achieve net zero carbon emissions will add further pressure on government spending



PEI continues to be the most **reliant province on federal transfers**



The Province plans to spend \$1.62 Billion on **capital infrastructure** over the next five years

Impact to Net Debt



We project net debt **could double** by the end of fiscal 2031



We project net debt to GDP **could increase to 44%** by the end of fiscal 2031



We project net debt per capita **could increase to \$32,000** by the end of fiscal 2031

Recommendation:

The Government of Prince Edward Island should regularly report to the public on the Province’s fiscal sustainability.

4. Fiscal Sustainability

PURPOSE AND SCOPE

- 4.1 This chapter is not an audit, an evaluation of the completeness or accuracy of government reporting, or an assessment of internal monitoring and risk management processes related to fiscal sustainability.
- 4.2 The purpose of this chapter is to present information to assist legislators and the public in understanding the importance of fiscal sustainability. In this chapter, we discuss:
- fiscal sustainability and why it is important;
 - some of the indicators used to measure fiscal sustainability;
 - risks to the Province’s fiscal sustainability;
 - net debt projections for the Province to the end of fiscal 2030-31; and
 - our recommendation.
- 4.3 For definitions of financial terms used in this chapter, please refer to the **Glossary** at the end of this report.

WHAT IS FISCAL SUSTAINABILITY AND WHY IS IT IMPORTANT?

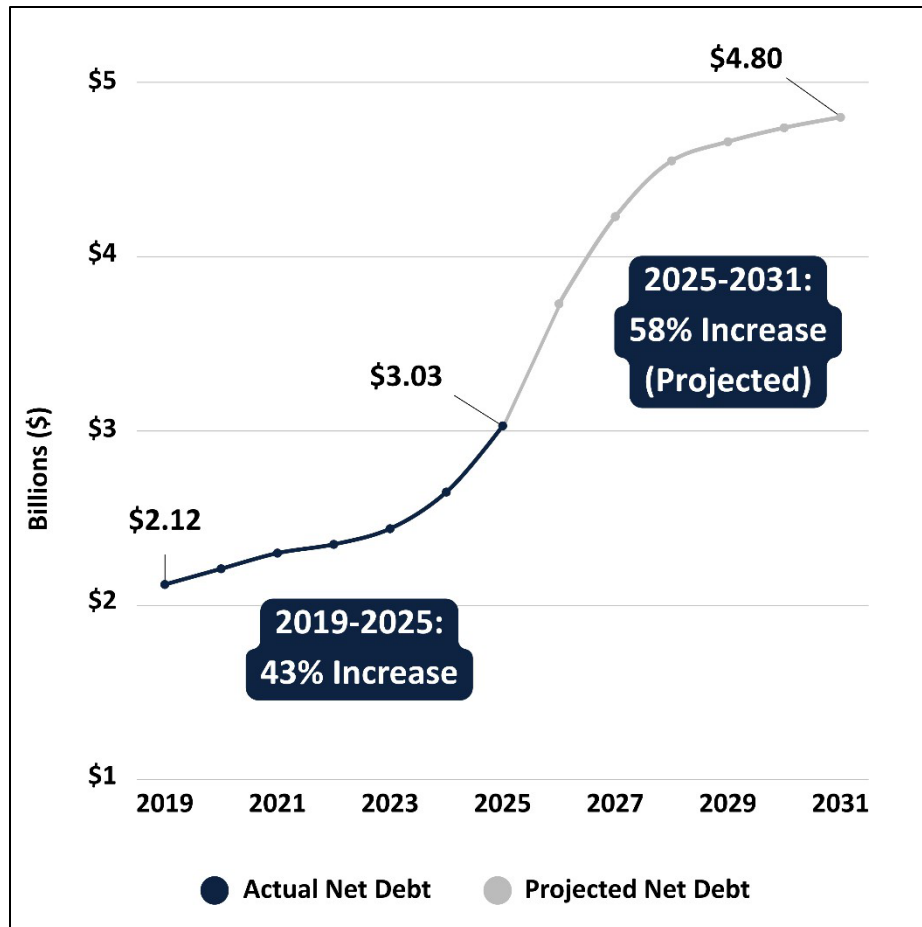
- 4.4 Fiscal sustainability is the ability of an entity to meet financial commitments and provide services, both now and in the future. Recent upward trends in the Province’s capital spending, planned capital investments, and net debt highlight the importance of fiscal sustainability planning.
- 4.5 In its annual budget release, the Government of Prince Edward Island reports projected finances over the next three years. However, long-term planning is required to assess whether a government’s current fiscal policy is sustainable. Reporting on a three-year budget cycle does not demonstrate how decisions made today will impact government sustainability over the long-term.
- 4.6 The long-term risks discussed in this report are expected to significantly impact both the Province’s ability to generate revenues and control service delivery costs in the future. Monitoring fiscal sustainability helps government respond to fiscal pressures in a gradual manner. Public reporting on fiscal sustainability is important to inform both the legislature and the public of the Province’s future financial condition.

- 4.7 There are several indicators that can be used to measure fiscal sustainability, including net debt, net debt to GDP, net debt per capita, expenses to GDP and the fiscal gap. In this section, we will focus our discussion on net debt and the fiscal gap as the other indicators are discussed in Chapter 13. We also discuss credit ratings and how they impact the Province. Chapter 13 presents financial sustainability indicators based on actual results over the past 5 years, while this chapter focuses on projected financial indicators used to measure fiscal sustainability.

Net Debt

- 4.8 An important and widely accepted measure of the financial condition of government is net debt: the difference between liabilities and financial assets. Net debt provides a measure of the amount of future revenues that will be required to pay for past expenditures. There are several ways a government's net debt can grow, including (1) incurring a deficit, when expenditures exceed revenues in a given year; and (2) financing investments in tangible capital assets.
- 4.9 **Exhibit 4.1** shows the Province's net debt increase over the past six fiscal years and a projection for the next six fiscal years. This projection was determined using the Province's latest operating and capital budgets as well as forecasts.

**EXHIBIT 4.1
PROVINCE OF PRINCE EDWARD ISLAND
ACTUAL AND PROJECTED NET DEBT
YEAR ENDED MARCH 31**



Source: Actuals derived from the Province’s consolidated financial statements and projected amounts taken from Scenario 1 of Exhibit 4.11.

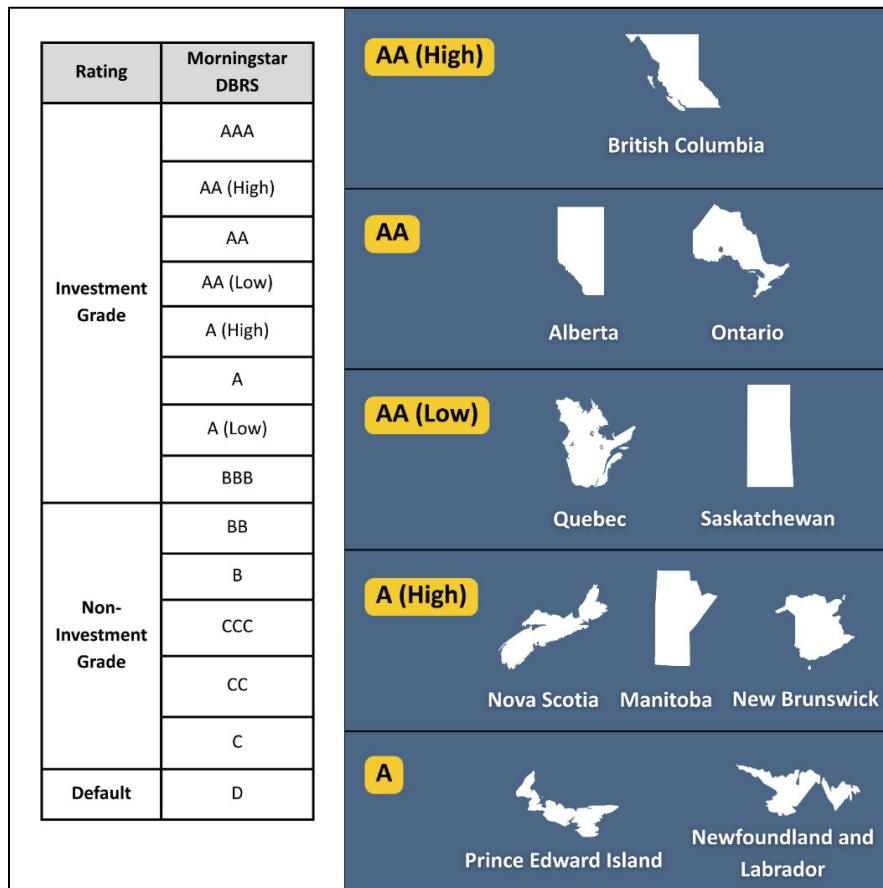
4.10 Over the last six years, net debt has grown by \$904.3 million, or 43 percent, and sits at \$3.03 billion at the end of fiscal 2024-25. Over the next six years, based on the Province’s most recent operating and capital estimates and forecasts, net debt is projected to increase by a further \$1.77 billion, or 58 percent, and reach \$4.80 billion by the end of fiscal 2030-31. Escalating net debt puts a tremendous burden on future generations, and increases in interest costs associated with rising debt levels will take money away from programs and services that benefit Islanders.

Credit Ratings

4.11 A province’s cost of borrowing is directly influenced by its credit rating. Provincial credit ratings are assigned by independent credit rating agencies who assess the ability of a province to repay its debt. The Province currently receives credit ratings from three major credit rating agencies: Morningstar DBRS, Moody’s Investor’s Service, and S&P Global Ratings.

- 4.12 A province’s credit rating is based on a variety of quantitative and qualitative factors including a province’s economic structure, fiscal management, debt and liquidity management, intergovernmental relations, and key financial ratios. Generally, a lower credit rating results in higher interest rates for a province and negatively impacts their fiscal sustainability.
- 4.13 **Exhibit 4.2** shows the range of credit ratings from Morningstar DBRS (DBRS) and summarizes the credit ratings of all Canadian provinces as of January 15, 2026. For simplicity, we have only shown the credit ratings from one agency; however, all three credit rating agencies have rated PEI among the lowest in Canada. PEI’s credit rating is currently “A”, tying it with Newfoundland and Labrador for the lowest DBRS credit rating of all Canadian provinces. This emphasizes the need for long-term fiscal planning by the Province.

**EXHIBIT 4.2
CURRENT CREDIT RATINGS OF CANADIAN PROVINCES**



Source: Compiled from the most recent data published by Morningstar DBRS as of January 15, 2026.

Fiscal Gap

- 4.14 Another way to assess fiscal sustainability is by quantifying it using the fiscal gap. The fiscal gap is a calculated estimate of the extent to which government’s expenditures and debt obligations

exceeds its revenues over a stated time period. In order to reduce the fiscal gap, there must be a change in policy that results in either increased revenues, decreased program spending, or a combination of both. The fiscal gap is expressed as a percentage of GDP.

- 4.15 Since 2010, the Parliamentary Budget Officer¹ (PBO) has published an annual report on the fiscal sustainability of the Government of Canada. The PBO assesses the sustainability of government finances over a term of 75 years. In 2017, the PBO expanded its analysis to provide a fiscal assessment of each province, including each province's fiscal gap.
- 4.16 In its latest fiscal sustainability report dated August 2024, the PBO rated PEI as unsustainable with a fiscal gap of 1.1 percent. This means that the Province would require either permanent revenue increases, spending reductions, or a combination of both, amounting to 1.1 percent of GDP to achieve fiscal sustainability. This equates to approximately \$120 million based on the Province's nominal GDP of \$10.9 billion for fiscal 2024-25.

RISKS TO FISCAL SUSTAINABILITY

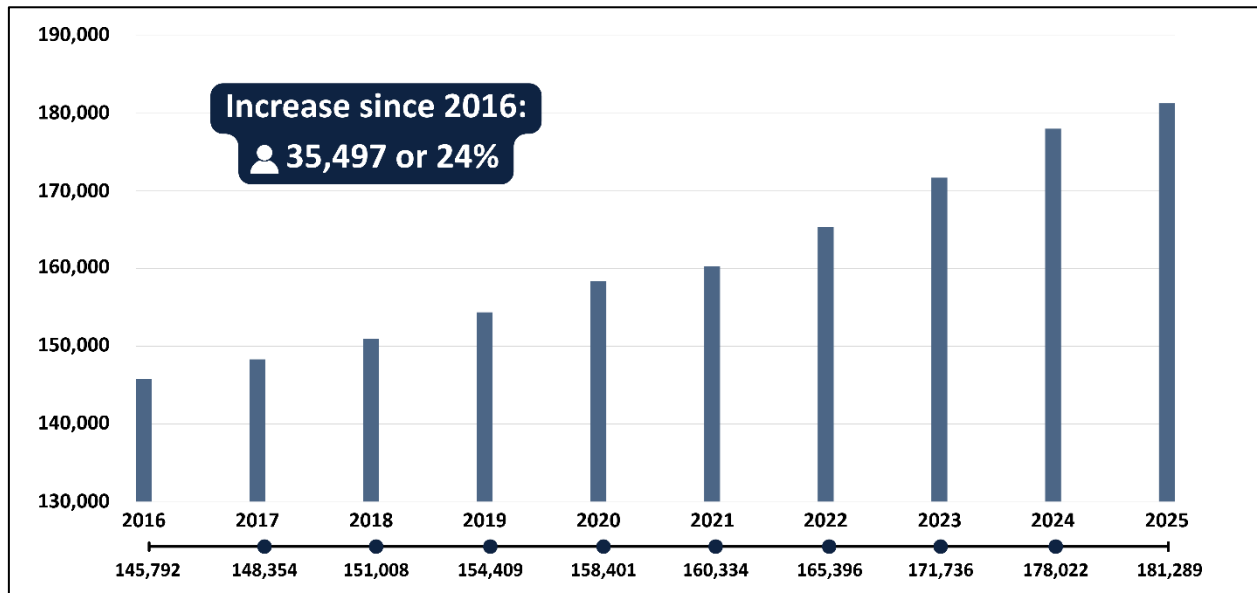
- 4.17 There are several risks to the Province's finances which are expected to intensify over the next few decades. These risks include an aging population, rising health care costs, effects of climate change, reliance on federal transfers, and the cost of maintaining, renewing and replacing infrastructure. These risks increase the importance of planning for fiscal sustainability at a provincial level.

Aging Population

- 4.18 **Exhibit 4.3** shows the Province's population as of April 1 from 2016 to 2025. The Province's population has grown by 35,497 or 24 percent, since 2016. PEI's population experienced the second highest annual growth rate among all Canadian provinces in 2025.

¹ The Government of Canada created the Parliamentary Budget Office (PBO) in December 2006. Its mandate is to provide independent analysis on the state of the nation's finances, government estimates and trends in the national economy.

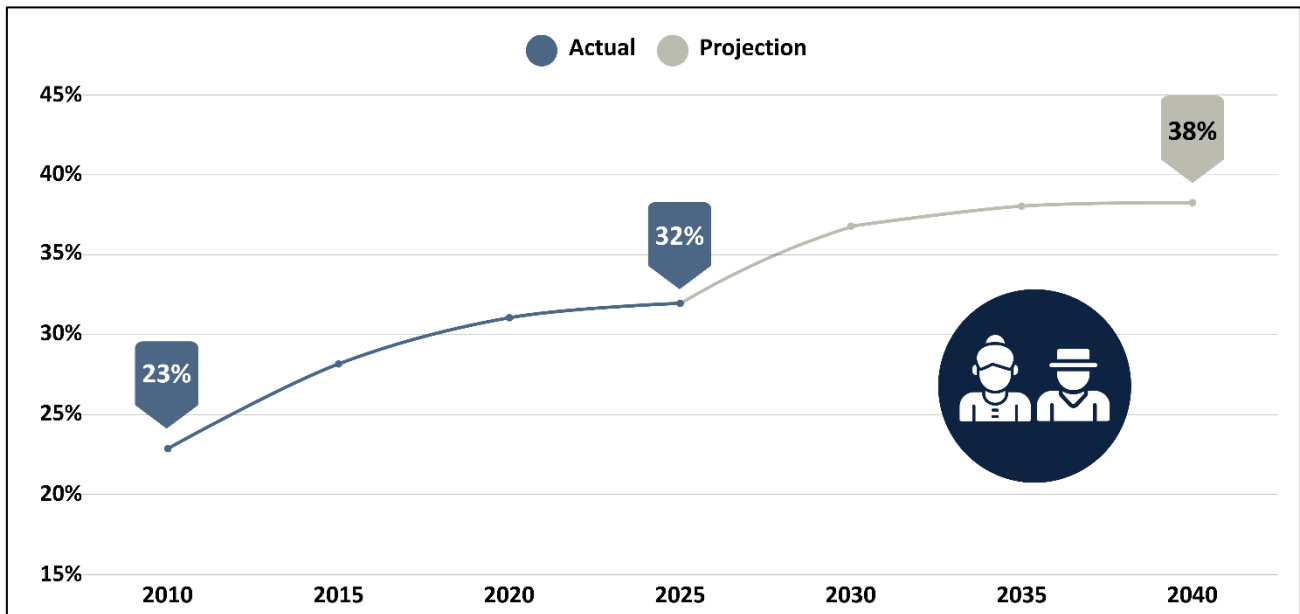
**EXHIBIT 4.3
PROVINCE OF PRINCE EDWARD ISLAND
POPULATION AS OF APRIL 1**



Source: Derived from PEI's Provincial Population Report published December 17, 2025.

- 4.19 Increases in life expectancy, coupled with decreasing fertility rates, have contributed to an increase in the proportion of Islanders aged 65 years and older. This senior population has been the fastest growing age cohort in the province over the past 10 years.
- 4.20 The senior dependency ratio is the proportion of individuals 65 years and older relative to the working-age population of 15 to 64 years. **Exhibit 4.4** presents the Province's historical and projected senior dependency ratio from 2010 to 2040. The senior dependency ratio in PEI has grown from 23 percent in 2010 to 32 percent in 2025 and is projected to increase to 38 percent by 2040.

**EXHIBIT 4.4
PROVINCE OF PRINCE EDWARD ISLAND
SENIOR DEPENDENCY RATIO**



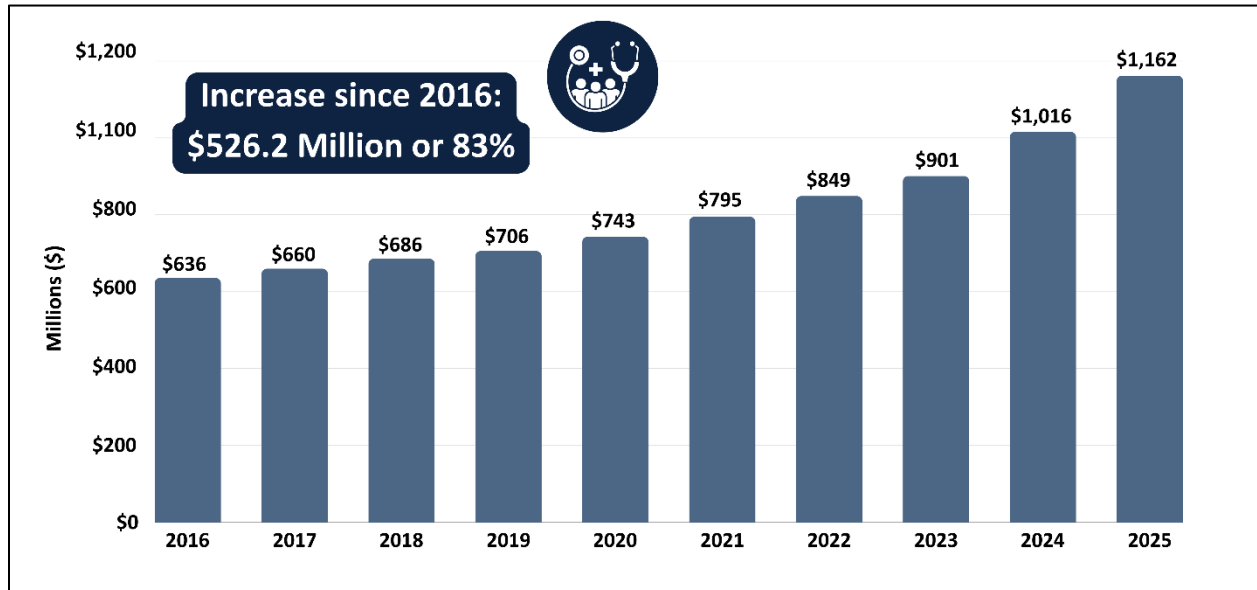
Source: Compiled from Statistics Canada data published in 2025.

4.21 The aging of the Island’s population is expected to reduce the labour force as an increasing share of Islanders transition into retirement. This will slow down economic growth and impact the Province’s ability to generate revenue.

Rising Health Care Costs

4.22 During fiscal year 2024-25, the Province spent \$1.16 billion on health care. **Exhibit 4.5** presents the total health care costs incurred by the Province over the last ten fiscal years. Over this period, health care costs have increased \$526.2 million or 83 percent.

**EXHIBIT 4.5
PROVINCE OF PRINCE EDWARD ISLAND
HEALTH CARE SPENDING
YEAR ENDED MARCH 31**



Source: Derived from the Province's consolidated financial statements.

4.23 As the population of PEI ages, pressure on health care spending is expected to increase. Using data published by the Canadian Institute for Health Information, in its *National Health Expenditure Trends, 2025* report, we calculated that the average health care spending in 2023 for someone aged 65 and older living in PEI was more than 6 times what it was for someone between the ages of 1 and 64.

4.24 The PBO projects that health care spending in PEI will increase by 6.2 percent of GDP over the long-term, which is the largest expected increase of all Canadian provinces. In present day dollars, this equates to approximately \$676 million based on the Province's nominal GDP of \$10.9 billion. The PBO attributes this expected increase to the following:

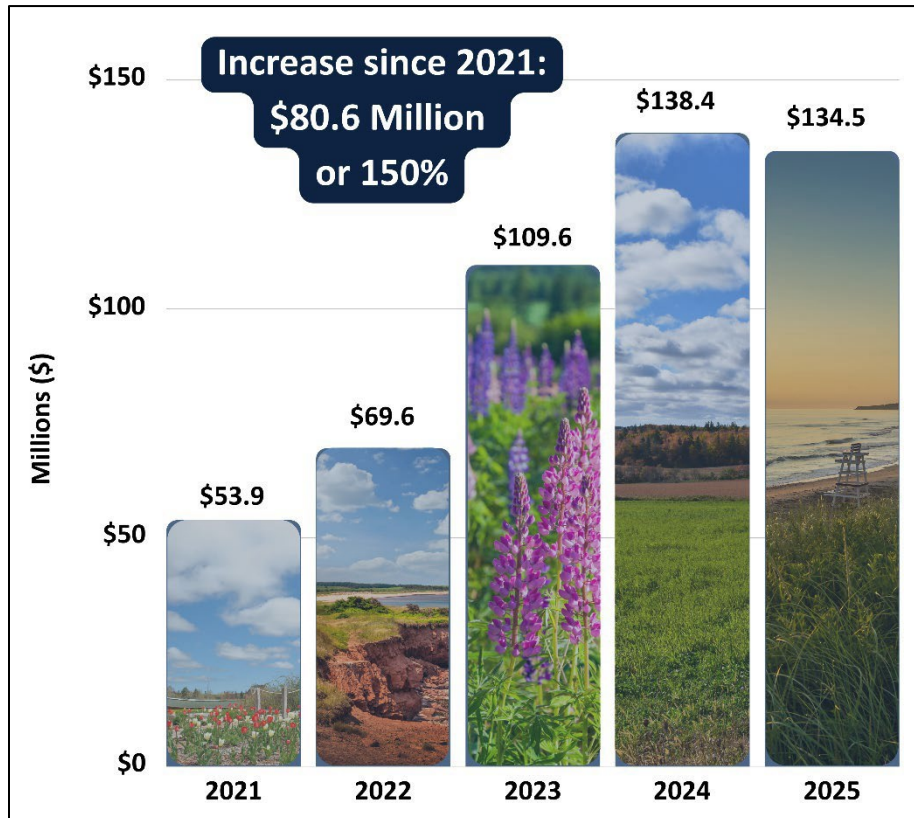
- PEI spends more on senior health care on a per-person basis than any other province; and
- PEI is expected to be affected by an aging population more than most provinces.

Climate Change

4.25 Climate change is a risk to fiscal sustainability; however, it is difficult to measure due to the unknown impact of future changes in weather patterns. A changing climate impacts coastal hazards, such as coastal erosion and coastal flooding, post-tropical storms, heat waves, heavy precipitation, and inland flooding, all of which come with significant financial costs related to prevention and recovery. In addition, PEI has an ambitious climate target to achieve net zero carbon emissions by 2040. This will put further pressure on government budgets and spending.

4.26 **Exhibit 4.6** shows the Province’s spending related to environment, energy and climate action over the past five fiscal years. From 2021 to 2025, spending increased by \$80.6 million or 150 percent. This significant increase mainly resulted from the introduction and delivery of various climate programs over this period.

EXHIBIT 4.6
PROVINCE OF PRINCE EDWARD ISLAND
ENVIRONMENT, ENERGY AND CLIMATE ACTION EXPENDITURES
YEAR ENDED MARCH 31



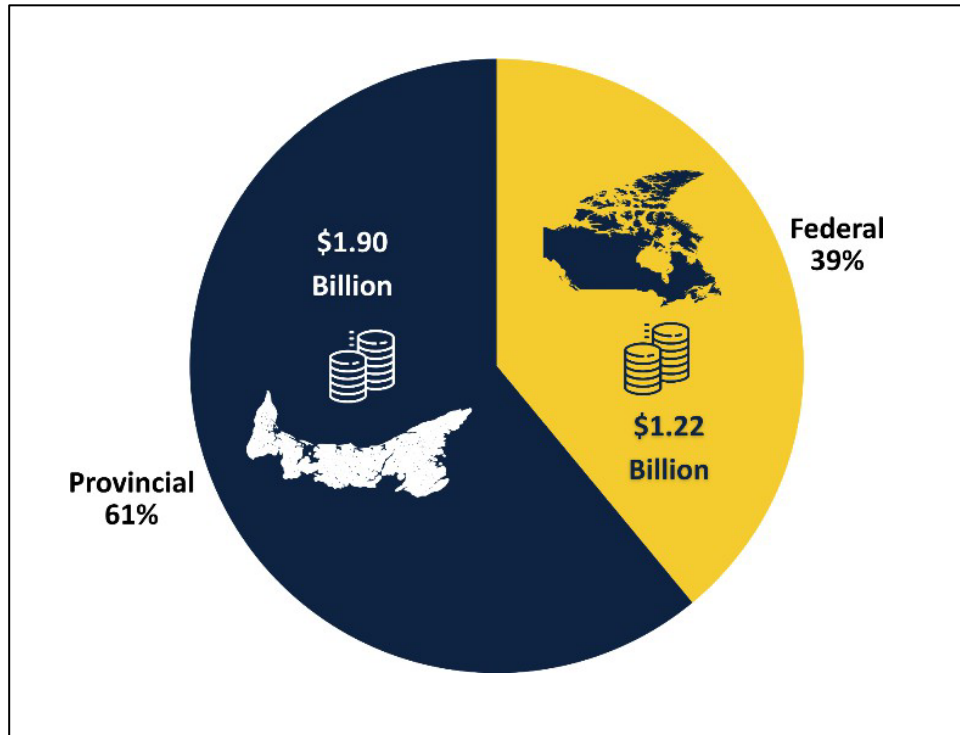
Source: Derived from the Province’s consolidated financial statements with restatements as identified in Public Accounts.

Reliance on Federal Transfers

4.27 In Canada, the federal and provincial governments have different roles and responsibilities. The federal government oversees national and international matters, such as banking, national defence, criminal law, foreign affairs, and employment insurance. The provinces are responsible for health care, education, infrastructure, and social programs, which are partially funded by federal government transfers.

4.28 For the year ending March 31, 2025, the Province received approximately \$1.22 billion dollars from the federal government through federal government transfers. This represented approximately 39 percent of the Province’s total revenues, as shown in **Exhibit 4.7**.

EXHIBIT 4.7
PROVINCE OF PRINCE EDWARD ISLAND
PROVINCIAL AND FEDERAL REVENUES AS A PERCENTAGE OF TOTAL REVENUES
YEAR ENDED MARCH 31, 2025



Source: Derived from the Province's consolidated financial statements.

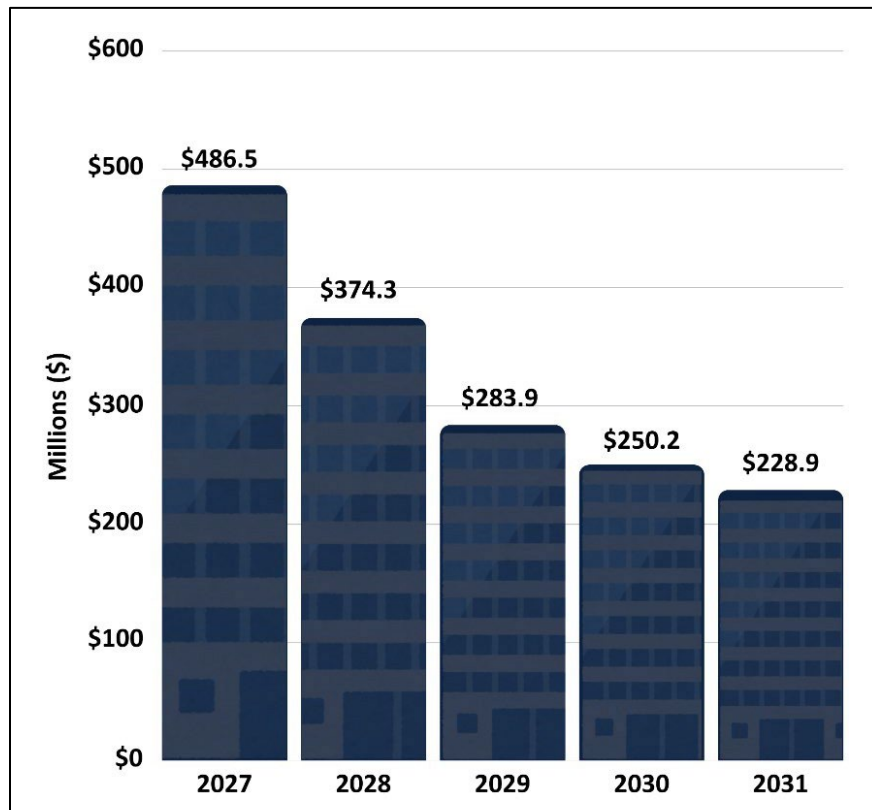
4.29 Although a large portion of the Province's revenues come from the federal government, the Province is still ultimately responsible for the delivery of its programs and services. Changes in transfers from the federal government may ultimately affect the Province's ability to provide these programs and services in the future and make PEI vulnerable to any potential fluctuations in federal transfers. As shown in **Exhibit 13.14** of Chapter 13, PEI received the highest percentage of federal transfers as a percentage of total revenues of all Canadian provinces in fiscal 2024-25. PEI has been the most dependent Canadian province on federal transfers for at least the last five fiscal years.

Costs of Maintaining, Renewing, and Replacing Infrastructure

4.30 The Province's investment in tangible capital assets (TCAs), including maintaining, renewing and replacing capital infrastructure, has grown significantly over the past number of years and is the main contributor to the increasing net debt levels of the Province. TCAs are assets with a useful life of more than one year and include, but are not limited to, land, buildings, roads and bridges, motor vehicles, and equipment. TCAs are a significant economic resource managed by the Province and a key component in the delivery of many government programs and services. Besides land, TCAs have a limited useful life and must eventually be maintained, renewed, or replaced. Significant investment is required to maintain, renew, or replace this infrastructure.

4.31 As shown in **Exhibit 4.8**, the 2026-27 Capital Budget released in November 2025, includes estimated capital spending of \$486.5 million for the 2026-27 fiscal year, and a 5-year capital investment plan total of \$1.62 billion.

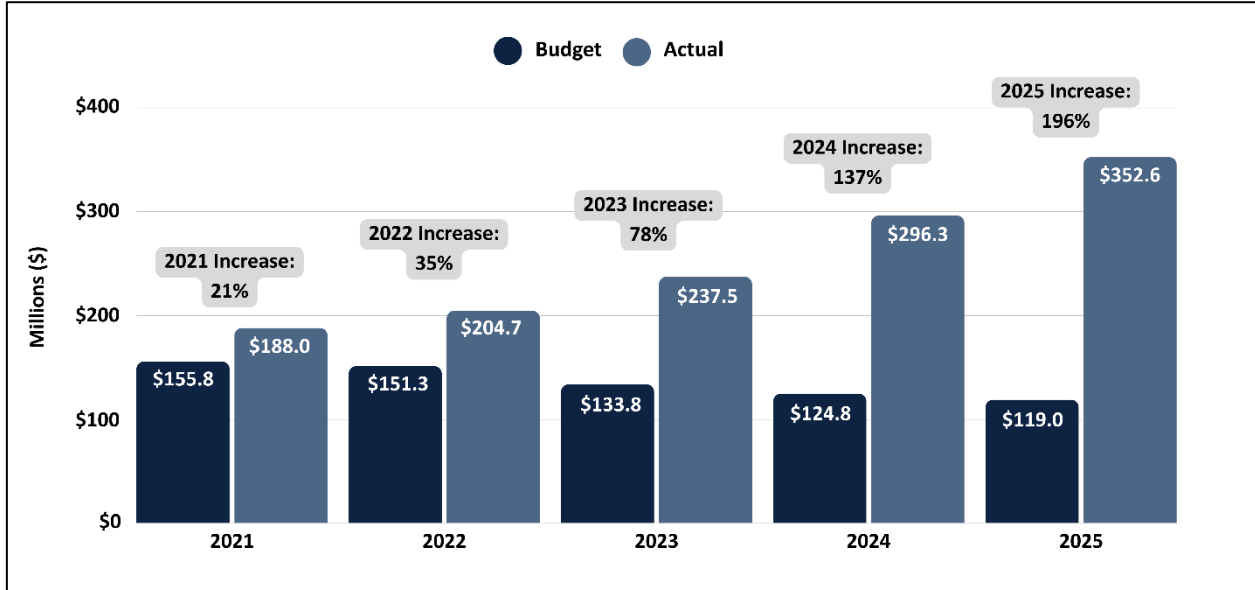
EXHIBIT 4.8
PROVINCE OF PRINCE EDWARD ISLAND
FIVE-YEAR CAPITAL PLAN
YEAR ENDED MARCH 31



Source: PEI Capital Estimates 2026-2027.

4.32 While **Exhibit 4.8** shows a decrease in estimated capital spending after the 2026-27 fiscal year, these figures are estimates and may not accurately reflect actual future investments in TCAs moving forward. For instance, as shown in **Exhibit 4.9**, the 2020-21 Capital Budget released in November 2019 included a 5-year capital plan for fiscal years 2021 to 2025 with estimated capital spending totaling \$684.7 million. However, actual capital spending over those fiscal years has totaled \$1.28 billion, an increase of 87 percent over the original 5-year capital plan.

EXHIBIT 4.9
PROVINCE OF PRINCE EDWARD ISLAND
FIVE-YEAR CAPITAL PLAN TO ACTUALS
YEAR ENDED MARCH 31

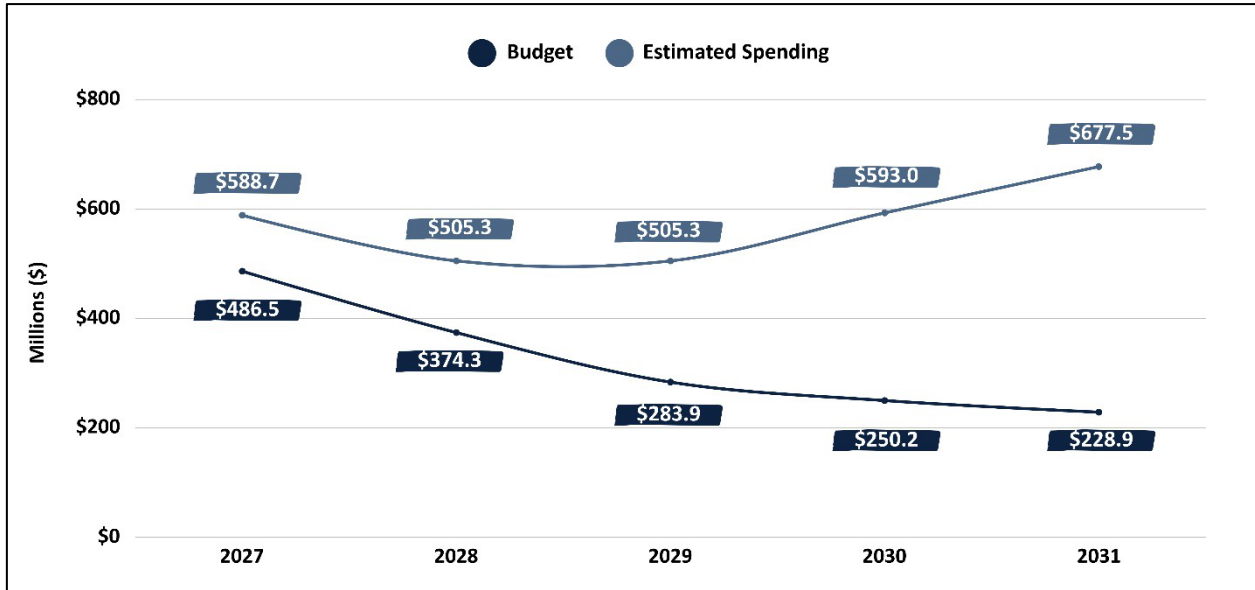


Source: PEI Capital Estimates 2020-2021 and the Province's consolidated financial statements.

4.33 **Exhibit 4.9** shows that as the five-year capital plan goes through later years, the budget becomes less accurate. In year 1 of the 5-year capital plan, actual capital spending was 21 percent over budget. Year 2 actual capital spending was 35 percent over budget, and years 3 to 5 were 78 percent, 137 percent, and 196 percent over budget, respectively.

4.34 Based on this trend, it is reasonable to expect that the Province's actual capital spending over the next five years will be higher than the estimated spending included in the latest capital budget. If we apply these same yearly percentage increases over budget to the current 5-year capital plan, total estimated capital spending over the next 5 fiscal years would increase from \$1.62 billion to approximately \$2.87 billion, as shown in **Exhibit 4.10**.

**EXHIBIT 4.10
PROVINCE OF PRINCE EDWARD ISLAND
PROJECTED FIVE-YEAR CAPITAL
SPENDING YEAR ENDED MARCH 31**

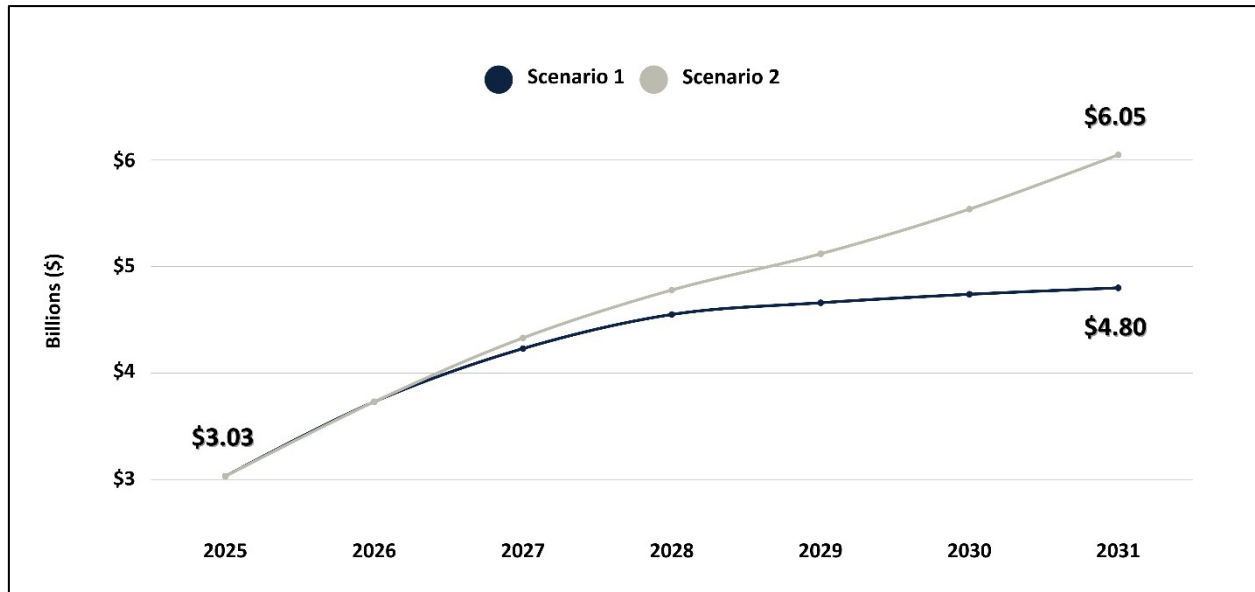


Source: Derived from the PEI Capital Estimates 2026-2027 with projected capital spending based on the actual results presented in Exhibit 4.9.

NET DEBT PROJECTIONS

- 4.35 The Province’s net debt at the end of fiscal 2024-25 was \$3.03 billion. In **Exhibit 4.11**, we present two scenarios where net debt is projected to the end of fiscal 2030-31.
- 4.36 Under scenario one, net debt is projected to increase by 58 percent and reach \$4.80 billion by the end of fiscal 2030-31. Under this scenario, we used information from the Province’s most recent operating and capital budgets as well as the latest fiscal 2025-26 forecast to project net debt over six years. As the Province’s operating budget is limited to a 3-year projection, we assumed an annual surplus/deficit of \$Nil and yearly amortization expense of \$170 million for the last 3 years of our projection.
- 4.37 Under scenario two, estimated capital spending for each fiscal year was increased to match **Exhibit 4.10**. All other assumptions remained the same as in scenario one. Under this scenario, net debt is expected to reach \$6.05 billion by fiscal year 2030-31.

**EXHIBIT 4.11
PROVINCE OF PRINCE EDWARD ISLAND
NET DEBT PROJECTIONS
YEAR ENDED MARCH 31**



Source: Derived from PEI Estimates of Revenue and Expenditures 2025-2026, Capital Estimates 2026-2027, Fiscal and Economic Update 2025-2026 and projected capital spending based on **Exhibit 4.10**.

- 4.38 As discussed in Chapter 13, the Province’s net debt to GDP ratio was 27.8 percent for the year ended March 31, 2025. Based on the above net debt projections, we project net debt to GDP¹ to increase to somewhere between 35 percent and 44 percent by the end of fiscal year 2030-31. An increasing ratio indicates net debt is growing at a rate faster than the economy, which is unfavorable.
- 4.39 As discussed in Chapter 13, the Province’s net debt per capita was \$16.7 thousand for the year ended March 31, 2025. Based on the above net debt projections, net debt per capita is projected to increase to somewhere between approximately \$25,000 and \$32,000 by the end of fiscal 2030-31. This means that, under scenario two, the amount of net debt attributable to each Islander is projected to nearly double over the next six years.

RECOMMENDATION

- 4.40 In order for the Province to report effectively on its fiscal sustainability, it is important to consider best practice. With growing risks to fiscal sustainability, many organizations have published guidance on long-term fiscal reporting. We encourage the Province to regularly report to the public on its fiscal sustainability. Projections within the report should be prepared based on current policy assumptions and expectations of future demographic and economic conditions.

¹ Our estimate of fiscal 2030-31 nominal GDP was calculated using an annual growth rate of 4.0%.

Given that long-term projections are inherently uncertain, it is also important to include a sensitivity analysis and disclose key assumptions.

- 4.41 For further details on risks to fiscal sustainability and best practices for reporting on long-term fiscal sustainability, please see our November 2024 *Long-Term Fiscal Sustainability* report. This report can be found on our website at www.assembly.pe.ca/auditorgeneral.

Recommendation

- 4.42 The Government of Prince Edward Island should regularly report to the public on the Province's fiscal sustainability.

Spotlight on Government Performance Reporting

Chapter 5

5. Spotlight on Government Performance Reporting - Highlights

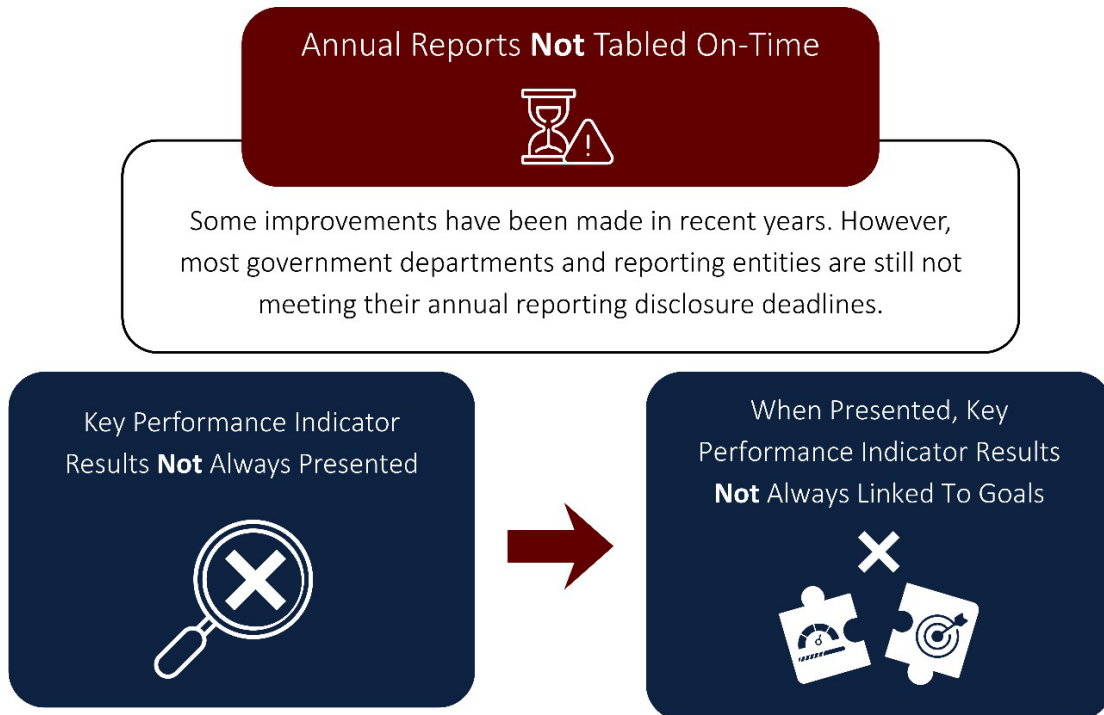
What We Did:

The purpose of this chapter is to highlight the importance of the performance reporting contained within government annual reports, and to assess whether the annual reports of government departments and reporting entities:

- were tabled on time in accordance with the *Financial Administration Act* (FAA) and Treasury Board policy; and
- included a section for accountability reporting presenting key performance results linked to the organization’s goals.

It is important to note that this chapter is not an audit report. The information provided within this chapter has been compiled as part of our own performance reporting practices and includes all government departments and reporting entities listed in schedules A-D of the FAA, except for the Executive Council, the Legislative Assembly and the Office of the Auditor General.

What We Found:



5. Spotlight on Government Performance Reporting

THE IMPORTANCE OF GOVERNMENT PERFORMANCE REPORTING

- 5.1 Those responsible for holding government accountable should be provided with the information they require to understand how government manages the use of taxpayer dollars and if the intended outcomes were achieved.
- 5.2 The FAA requires every government reporting entity to publicly report on their performance each year. Treasury Board policy reiterates this requirement and also requires government departments to publicly report each year. These annual reports should serve as an accountability document to permit the stakeholders to assess the performance of departments and reporting entities, and the results achieved for money spent. They should identify areas of success and explain how shortcomings will be addressed going forward.
- 5.3 An important part of the Office's mission is to help advance government's accountability, transparency and management of public resources. In 2023, we published performance audits on the timeliness and content of government annual reports. This work highlighted significant deficiencies in both areas across government, and we continue to follow-up on the status of recommendations made.
- 5.4 Considering the important role of annual reports in communicating performance results, the Office has integrated the timeliness and content of government annual reports as part of our own performance measurement framework. The following key performance indicators are included within our Strategic Plan:
 - Annual reports of government departments and reporting entities are tabled within the required timelines established through legislation or Treasury Board policies.
 - Improved reporting content in the annual reports of government departments and reporting entities, including all items listed in Treasury Board Policy 10.01.
- 5.5 By measuring progress in these two areas, we hope to demonstrate the impact our recommendations have in supporting our mission to advance government accountability, transparency, and management of public resources.

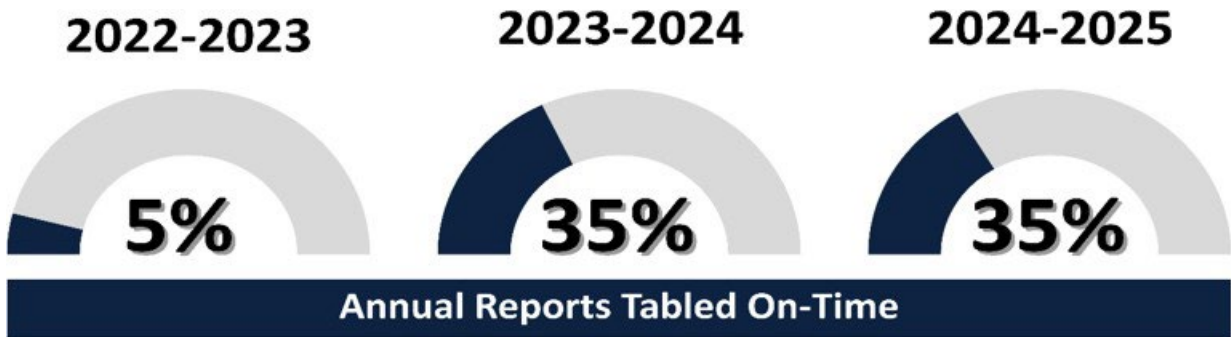
PURPOSE AND SCOPE

- 5.6 The purpose of this chapter is to highlight the importance of the performance reporting contained within government annual reports, and to assess whether the annual reports of government departments and reporting entities:
- were tabled on time in accordance with the FAA and Treasury Board policy; and
 - included an Accountability Reporting – Overview section presenting key performance results linked to the organization’s goals.
- 5.7 It is important to note that this chapter is not an audit report. The information provided within this chapter has been compiled as part of our own performance reporting practices and includes all government departments and reporting entities listed in schedules A-D of the FAA, except for the Executive Council, the Legislative Assembly and the Office of the Auditor General.

TIMELINESS OF ANNUAL PERFORMANCE REPORTING

- 5.8 The FAA requires annual reports for government reporting entities to be made public within six months after their financial year end. This requirement is also reflected within the annual reporting framework outlined in Treasury Board Policy 10.01. Treasury Board policy also requires government departments to make their annual reports available to the public within two months of the date of tabling the Public Accounts. Treasury Board Policy 10.01 – Annual Reporting Framework is included as **Appendix A**.
- 5.9 As part of our *Performance Reporting – Phase I – Reporting Timeliness* audit report released in January 2023, we found most government departments and reporting entities did not meet annual reporting disclosure deadlines in accordance with legislation and Treasury Board policy. We have also highlighted similar non-compliance issues within recent financial audit management letters and annual reports.
- 5.10 For this chapter, we assessed whether government departments and reporting entities tabled their annual reports for fiscal years 2022-23 to 2024-25 on time in accordance with the FAA and Treasury Board policy. **Exhibit 5.1** provides a summary of our assessment.

**EXHIBIT 5.1
TIMELINESS OF GOVERNMENT ANNUAL REPORTS
SUMMARY OF ASSESSMENT**



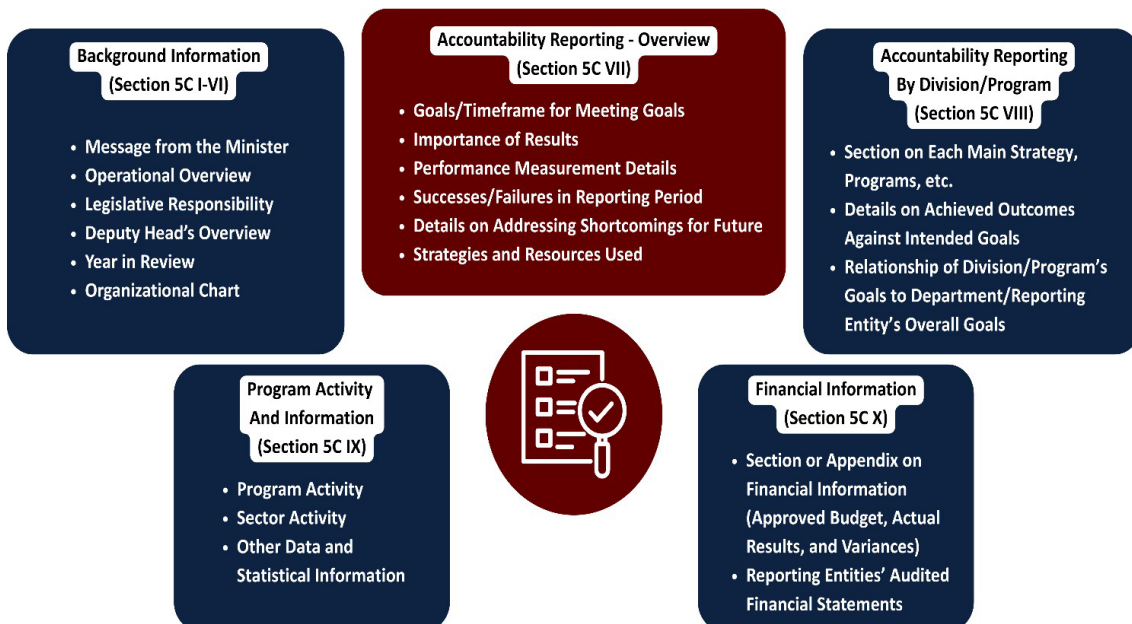
Source: Compiled by OAG PEI based on assessment results

5.11 These results show that some improvements have been made in recent years. However, most government departments and reporting entities are still not meeting their annual reporting disclosure deadlines in accordance with legislation and Treasury Board policy. If annual reports were released on time, decision makers would have better access to the information they require to understand government’s use of taxpayer dollars and whether intended outcomes were achieved.

CONTENT OF ANNUAL PERFORMANCE REPORTING

5.12 Treasury Board Policy 10.01 outlines an annual reporting framework for government departments and reporting entities, which includes detailed content requirements. **Exhibit 5.2** provides a summary of the annual report content requirements included in this policy.

**EXHIBIT 5.2
SUMMARY OF ANNUAL REPORT CONTENT REQUIREMENTS
TREASURY BOARD POLICY 10.01**



Source: Compiled by OAG PEI based Treasury Board Policy 10.01 – Annual Reporting Framework

- 5.13 The overall conclusion of our *Performance Reporting – Phase II – Report Content* audit report released in July 2023, was that government departments and reporting entities were not preparing annual reports in accordance with the content guidelines of Treasury Board policy.
- 5.14 In response to this audit, Treasury Board developed an *Annual Reporting Checklist* intended to be completed by all departments and reporting entities. The checklist should be used as a planning tool to improve annual reporting and serves as an attestation that the requirements of Treasury Board Policy 10.01 have been included.

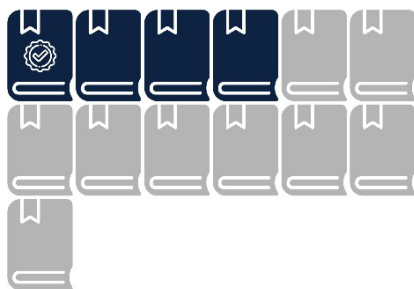
Accountability Reporting – Overview Sections

- 5.15 The primary purpose of an annual report is to serve as an accountability document to permit the stakeholders to assess the performance of departments and reporting entities, and the results achieved for money spent. Effective annual reporting should allow the reader to understand what was planned and achieved, how resources were used, and how performance can be improved.
- 5.16 A key finding of the *Performance Reporting – Phase II – Report Content* audit report, was that many annual reports did not clearly identify the organization’s goals. For those that did, most did not provide sufficient information to assess those goals.
- 5.17 Annual reports do not serve their intended purpose if the organization’s goals and key performance indicator results for the period are not clearly presented. This information should be summarized – with a high level of readability – as part of the “Accountability Reporting – Overview” section dealing with the department or reporting entity’s performance.
- 5.18 For this chapter, we have assessed whether the annual reports of government departments and reporting entities for the 2023-24 fiscal year included an “Accountability Reporting – Overview” section dedicated to presenting key performance indicator results for the period. If this section was identified within the annual report, we further assessed if the key performance results were linked back to the department or reporting entity’s goals. The results of this assessment are presented in **Exhibit 5.3**.

EXHIBIT 5.3
ACCOUNTABILITY REPORTING – OVERVIEW SECTIONS
PERFORMANCE REPORTING CONTENT COMPLIANCE
ANNUAL REPORTS – FISCAL YEAR 2023-24

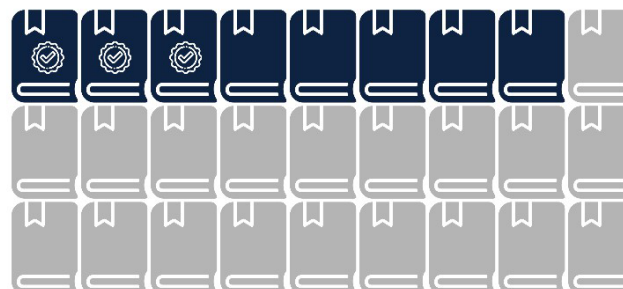
**Government
Departments**

FAA - Schedule A



**Reporting
Entities**

FAA - Schedules B-D



 KPI Results Presented - 12/40 (30%)  KPI Results Linked to Goals - 4/40 (10%)

Source: Compiled by OAG PEI based on assessment results

5.19 Based on our assessments, 30 percent of annual reports presented key performance results for the organization within an “Accountability Reporting – Overview” section. However, only 10 percent of annual reports clearly linked the organization’s goals to those results. The PEI Liquor Control Commission and PEI Cannabis Management Corporation’s 2023-24 Annual Reports are positive examples of how this information can be presented.



Moving Forward . . .

5.20 The Office will continue efforts to improve government’s accountability, transparency, and management of public resources. We encourage all government departments and reporting entities to prioritize the timely release of annual reports, to improve their performance reporting practices by identifying goals, key performance indicators used to assess the achievement of these goals and reporting key performance indicator results each year as part an “Accountability Reporting – Overview” section within the report.

5.21 We also encourage all government departments and reporting entities to complete the *Annual Reporting Checklist* while preparing their annual reports to help ensure that all the requirements of Treasury Board Policy 10.01 have been included. The information provided by these attestations will be useful to assess improvements in government performance reporting and the Office will be requesting these documents to support our work in the coming years.

**TREASURY BOARD POLICY 10.01
ANNUAL REPORTING FRAMEWORK**

SECTION 10	
ACCOUNTABILITY AND GOVERNANCE MATTERS	
10.01 ANNUAL REPORTING FRAMEWORK	
AUTHORITY:	<i>FINANCIAL ADMINISTRATION ACT/ TREASURY BOARD</i>
ADMINISTRATION:	DEPARTMENT OF FINANCE
EFFECTIVE DATE:	DECEMBER 2023

10.01 ANNUAL REPORTING FRAMEWORK

(1) **PURPOSE**

The primary purpose of this Annual Reporting Framework policy is to provide direction and guidelines on the principles, content and process which must be addressed in the preparation and presentation of annual reports.

(2) **APPLICATION**

The application of this policy is referenced to the Schedules of the *Financial Administration Act* (FAA) and applies as follows:

- Schedule "A" - Departments except the Legislative Assembly
- Schedule "B" - Crown corporations
- Schedule "C" - Education Authorities
- Schedule "D" - Commissions

except to the extent that their enabling legislation may incorporate alternate requirements, such as Ministerial or Board Authority.

While this policy **does not apply** to the Legislative Assembly or to Reporting Entities subject to alternate legislation, the **spirit and intent** of the policy should serve as a **guideline** for these entities in developing their own policies. Reporting Entities that develop policies differing from Treasury Board policy require approval of Treasury Board.

(3) **DEFINITIONS**

For the purpose of this policy, the following definitions shall apply:

- (a) "**department(s)**" refers to any department as defined in clause 1(i) of the FAA, as a department or division of the public service named in Schedule A of the FAA.
- (b) "**Deputy Head**" means the Deputy Minister of a department or the Chief Executive Officer of a reporting entity listed in Schedules B, C and D of the FAA;
- (c) "**FAA**" means the *Financial Administration Act*;
- (d) "**fiscal year**" means the twelve (12) month period adopted by a department or reporting entity as its business year, and on which it regularly reports on financial and other prescribed information. For the purpose of clarity, the fiscal year-end for Government departments and most of its reporting entities is March 31, however the Prince Edward Island Grain Elevators Corporation and the Workers Compensation Board of Prince Edward Island have year-ends other than March 31;
- (e) "**reporting entity**" refers to any reporting entity as defined in clause 1(s) of the FAA, as an organization that:
 - (i) is not listed in Schedule A, and

- (ii) is accountable for the administration of its financial affairs and resources to a Minister or through a Minister to the Legislative Assembly and includes those listed in Schedule B, C or D.

(4) **POLICY**

This policy supports Government entities to meet the reporting and accountability requirements to the Legislative Assembly and the general public. The principles and guidelines outlined in this policy are intended as high level standards and provide flexibility for departments and reporting entities to meet their specific objectives.

Subsection 70(5) of the FAA requires each reporting entity to submit an annual report which shall include an audited statement of accounts, a statement of goals and results achieved, and such other information as the Board may require.

The FAA does not provide specific criteria to departments on the process for annual reporting. In the absence of legislative requirements, this policy shall serve as the framework to be followed.

(5) **PROCEDURE**

(a) **PRINCIPLES**

i. **Purpose of Annual Reports:**

1. An Accountability Instrument: **The primary purpose** is to serve as an **accountability** document to permit the stakeholders (e.g. Executive Council, Legislative Assembly and the general public) to assess the performance of departments and reporting entities, and the results achieved for money spent.
2. An Information Document: An annual report provides easy access to summary information on program activity, statistical data and other such information which may be of public interest.
3. A Historical Record: Departmental annual reports also serve as a significant source of historical information. They **should provide consistent information over extended time periods to allow researchers to locate indicators of departmental activity, organizational structure and service philosophy.**
4. Promotional Benefits: Certain departments/reporting entities may wish to design the report and include information which will assist in promoting the Province and/or certain goals. While a "reasonable" amount of effort on promotional objectives is appropriate, it should not detract from the report's primary purpose which is accountability.

- ii. **Goals/Results:** The FAA requires that the annual report for a reporting entity include a statement of goals and results achieved. Goals should be clearly described, and results should be linked back to goals.
- iii. **Quality of Information: Information reported should be of high quality in that it meets the following tests:**
- relevant (of interest to users);
 - complete (financial as well as non-financial information);
 - timely (prepared and presented to stakeholders within a reasonable time);
 - objective, fair and accurate;
 - consistent (similar over time);
 - comparable (results with goals and intentions);
 - promotes understanding without oversimplification;
 - high level of readability (without excessive detail); and
 - **be forward-looking in terms of strategic approach** to significant issues within the organization's mandate.
- iv. **Financial Information - Planned vs Actual:** The FAA requires that financial statements be included as part of the annual reports of reporting entities. Relevant financial information should also be included in departmental annual reports. Actual financial results **should be easily compared with the monies budgeted** for such purposes. In some cases, the financial information will extend beyond the funds appropriated by the Legislative Assembly; however, this should not diminish the need for reporting on the **total budget, actual results and explaining any significant variances.**
- v. **Users:**
1. Primary: Annual reports, in the first instance, are reports by the **Minister** responsible to Members of the **Legislative Assembly** and the **general public** of Prince Edward Island.
 2. Secondary: Annual reports are also critical/useful to other stakeholders such as:
 - Bond Rating Agencies
 - Investors
 - Government's Central Agencies
 - Researchers
 - Employees
 - Other Jurisdictions (provinces, etc.)
- (b) **REPORTING TIMEFRAME**
- i. The FAA requires annual reports for reporting entities, as defined in the FAA, to be made public within **six (6) months after the financial year-end**, whether or not the Legislative Assembly is in session.

- ii. While the FAA does not prescribe a date by which Departments, as defined in the FAA, are required to make public their annual report, for the purposes of this policy, Departments are required to fulfill this requirement within two (2) months of the date of tabling the Public Accounts.
- iii. Annual reports must cover the same period as the department/reporting entity's fiscal year and shall include an audited statement of accounts and a statement of goals and results achieved for the same period. Notwithstanding the need to focus on the stated reporting period, annual reports may also include historical information on trends and/or forward-looking information which may extend beyond the report period.
- iv. Certain statistical data may only be easily available on another basis, such as calendar year. It would be appropriate to include such data but clearly identified as representing a period different from the reporting period.

(c) CONTENT GUIDELINES

In general terms, annual reports should address most, if not all, of the types of information referenced below:

- i. **Message from the Minister:** A statement by the Minister indicating their responsibility for performance of the organization and endorsing the report to the stakeholders.
- ii. **Overview:** As an introduction, the report should put the matter in context by providing the reader with an overview of the organization's purpose and approach to operation. Significant components of this introduction include:
 - 1. **Mandate:** A statement of the terms of reference/authority under which the organization operates.
 - 2. **Mission Statement:** An overview of the department/reporting entity's purpose stated in terms of outcomes rather than process.
 - 3. **Vision Statement:** A description (at the high level) of the desired future state; how the department/reporting entity views its world at some time in the future assuming that the intended results can be achieved (short and precise).
 - 4. **Values:** A description of the principles to be used by the department/reporting entity to meet its vision.
- iii. **Legislative Responsibility:** Listing of the Acts that the department is responsible for administering is valuable information in terms of illustrating the Department/reporting entity's authority to conduct its business.

- iv. **Deputy Head's Overview:** The statement by the Deputy Head should set the tone for the report and include a reference to their endorsement of the report.
- v. **Year in Review:** A summary overview as to what happened in the department/reporting entity over the past year may be of interest to readers and provide an interesting introduction.
- vi. **Organizational Chart:**
1. An Organizational Chart is a valuable way to provide the reader with a snapshot of the department/reporting entity's structure and lines of accountability and improve the readability of the report.
 2. Staffing Summary
- vii. **Accountability Reporting - Overview:** In the interest of brevity and ensuring a high level of readability, an annual report should include an overview section dealing with the department/reporting entity's performance, including:
- the goals of the department/reporting entity;
 - the timeframe for meeting its goals;
 - why the results are important;
 - how performance is measured;
 - the success or failures over the reporting period; and
 - how shortcomings will be addressed for the future.
- The overview should also address the strategies used to obtain the intended results and a comparison of the resources allocated to those actually used.
- viii. **Division/Program Accountability - Results/Outcomes Achieved:**
1. In addition to the overview summary, reports should normally include a separate section in the report on each of the main strategies, programs, etc., particularly for those departments/reporting entities which have significant/complex mandates.
 2. While the focus should remain on accountability for the "key results"/outcomes achieved against intended goals, the information on the results, how these results were measured and the strategies used, will be in greater detail than in the overview section.
 3. The relationship of the Division/Program's goals to the department/reporting entity's overall goals should also be addressed.
- ix. **Program Activity and Information:**
1. This section could include information on program activity, sector activity and other data and statistical information which may be of interest to the reader.
 2. Tables of statistical data may be more appropriately included as an appendix rather than in the body of the report.

- x. **Financial Information:** Annual reports should include a section or an appendix on financial information which sets out the approved budget, actual results and variances. In the case of reporting entities, a copy of the audited financial statements must be included.

(d) PUBLIC RELEASE PROCESS

- i. When the Legislative Assembly is in session, thirty (30) copies of the annual report should be provided to the Clerk of the Legislative Assembly for tabling.
- ii. The Clerk of the Legislative Assembly is authorized under the “Rules of the Legislative Assembly” (Rule 80(k)) to receive “command documents” during times when the Legislative Assembly is not in session and cause these documents to be distributed to all Members of the Legislative Assembly.
- iii. The following outlines the procedure for tabling annual reports and other command documents between sessions of the Legislative Assembly in order to ensure Members of the Legislative Assembly receive reports in a timely and efficient manner:
 - 1. Forward six (6) copies of the annual report to the:
Office of the Clerk
Province House
P. O. Box 2000
Charlottetown, PE, C1A 7N8
 - 2. Upon receipt of the annual reports, the Clerk will distribute a copy to all Members. Within three working days, the report should be available on the Internet.
 - 3. The Clerk will keep a record of all reports tabled in this fashion during the intercession and will advise the Legislative Assembly within 15 days of the start of the next session, in order to meet the requirements of clause 70(5)(a) of the FAA.

(6) INTERPRETATION

In cases where an interpretation is required, such should be referred to the Secretary to Treasury Board, or their delegated officer, who will make the interpretation or refer the matter to Treasury Board, if a Board decision is deemed necessary.

ANNUAL REPORTING CHECKLIST

This checklist is intended to be a tool to assist Government departments and reporting entities to prepare complete and accurate annual reports that support accountability to the Legislative Assembly and the general public. Preparers should consider the nature of the work of each Government department and reporting entity and supplement items in the checklist with other information required due to legislation or other public reporting, as an example, reporting required by federal funding agreements. If a particular item is not being included in the annual report, preparers should be able to clearly articulate why inclusion is not possible and use this information as a planning tool to improve reporting in future annual reports.

#	Item	Yes / No	If No, why?
1	Message (the Minister, Chief Executive Officer or Board Chair): indicating responsibility for performance of the department/reporting entity and endorsing the report to stakeholders.		
2	Overview: As an introduction, the report should put the matter in context by providing the reader with an overview of the department/reporting entity's purpose and approach to operations.		
3	Mandate: A statement of the terms of reference/authority under which the department/reporting entity operates.		
4	Mission Statement: An overview of the department/reporting entity's purpose stated in terms of outcomes rather than process.		
5	Vision Statement: A high level description of the desired future state; how the department/reporting entity views its "world" at some time in the future assuming that the intended results can be achieved (short and precise).		
6	Values: A description of the principles to be used by the department/reporting entity to meet its vision.		
7	Legislative Responsibility: Listing of the Acts that the Department administers.		
8	Deputy Head's Overview: The statement by the Deputy Head should set the tone for the report and endorse the report.		
9	Year in Review: A summary of what happened in the entity over the reporting period.		
10	Organizational Chart		
11	Staffing Summary: By Division and/or Program.		

SECTION 10: ANNUAL REPORTING FRAMEWORK
ATTACHMENT 10.01-I

2

12	<p>Accountability Reporting: An overview of the department/reporting entity's performance, including:</p> <ul style="list-style-type: none"> • the goals of the department/reporting entity; • the timeframe for meeting its goals; • why the results are important; • how performance is measured; • the success or failures over the reporting period; • how shortcomings will be addressed; and • the strategies used to obtain the intended results and a comparison of the resources allocated to those used. 		
13	<p>Division/Program Accountability – Results / Outcomes Achieved:</p> <p>(i) report on each of the main strategies, programs, etc., particularly for those departments/reporting entities which have significant/complex mandates.</p> <p>(ii) key results/outcomes achieved against intended goals, in greater detail than in the overview section.</p> <p>(iii) the relationship of the Division's goals to the department/reporting entity's overall goals.</p>		
14	<p>Program Activity and Information: Information about program activity, sector activity and other data and statistical information which may be of interest to the reader; tables of statistical data may be more appropriately included as an appendix rather than in the body of the report.</p>		
15	<p>Financial Information: A section or an appendix with financial information setting out the approved budget, actual results and variances. In the case of reporting entities, a copy of the audited financial statements must be included</p>		
Other Public Reporting requirements:			
16	<p>Legislatively Required, list:</p> <p>-</p>		
17	<p>Other, list:</p> <p>-</p>		

December 2023



Previous Recommendations

Follow-Up with Treasury Board



Chapter 6

6. Follow-Up with Treasury Board

What We Did:

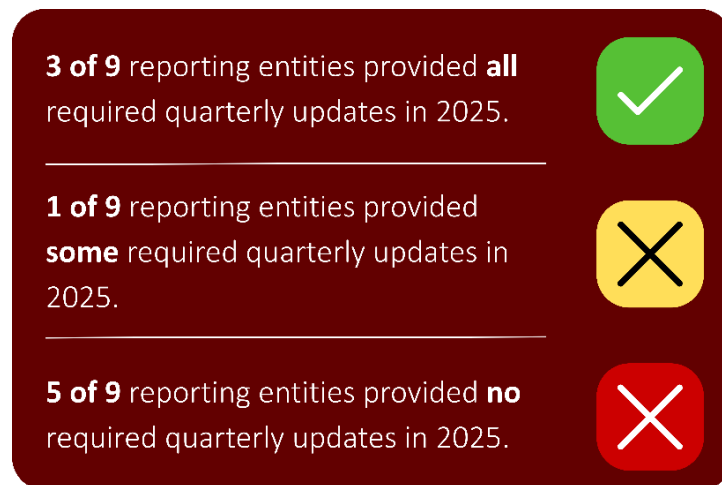
Every year, our Office makes recommendations specific to each of the performance audits and examinations conducted, which are intended to address the findings and issues identified. Each entity audited is required to provide a quarterly update to Treasury Board on the implementation of recommendations made by the Auditor General.

We reviewed the updates provided to Treasury Board by the audited entities to determine if all quarterly reports were submitted as required. We expected updates to be filed with Treasury Board for the first full quarterly reporting period after the performance report was released. We did not examine the content or completeness of the quarterly updates provided to Treasury Board and provide no assurance on the content of these updates.

What We Found:

In 2025, over 52% of the required quarterly updates were not provided to Treasury Board. **Exhibit 6.1** summarizes the compliance by audited entities in providing required quarterly updates to Treasury Board in 2025. **Exhibit 6.2** provides details on these updates for calendar 2024 and 2025.

EXHIBIT 6.1 SUMMARY OF 2025 QUARTERLY UPDATES TO TREASURY BOARD



Source: Compiled by the Office of the Auditor General of Prince Edward Island.

EXHIBIT 6.2
QUARTERLY UPDATES BY DEPARTMENTS AND REPORTING ENTITIES
FOR CALENDAR YEARS 2024-2025

Entity	Report	Report Year	Mar 31 2024	June 30 2024	Sept 30 2024	Dec 31 2024	Mar 31 2025	June 30 2025	Sept 30 2025	Dec 31 2025
Department of Education and Early Years	Prince Edward Island International Student Program	2021	Yes	Yes	Yes	Yes	Yes	No	No	No
Department of Environment, Energy and Climate Action*	Forest Management	2023	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Department of Finance*	Performance Reporting – Phase I – Reporting Timeliness	2023	N/A ³	N/A ³	N/A ³	N/A ³	N/A ³	N/A ³	N/A ³	N/A ³
	Performance Reporting – Phase II – Report Content	2023	N/A ³	N/A ³	N/A ³	N/A ³	N/A ³	N/A ³	N/A ³	N/A ³
	Overdue Property Taxes	2022	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Crown Corporation Governance Survey	2021	N/A ³	N/A ³	N/A ³	N/A ³	N/A ³	N/A ³	N/A ³	N/A ³
	COVID-19 Financial Support Programs Phase I, II, and III	2021, 2023	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Department of Transportation and Infrastructure*	Biomass Heating Contracts	2024	N/A ¹	No	No	No	No	No	No	No
Health PEI	Health PEI Executive Leadership Team Compensation	2024	N/A ²	N/A ²	N/A ²	N/A ¹	Yes	Yes	Yes	Yes
	Surgical Wait Times – Cataract, Knee Replacement and Hip Replacement	2023	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Department of Health and Wellness	PEI Alliance for Mental Well-Being ⁴	2024	N/A ²	N/A ²	Yes	No	No	No	No	No
PEI Alliance for Mental Well-Being	PEI Alliance for Mental Well-Being	2024	N/A ²	N/A ²	N/A ¹	No	No	No	No	No
Public Schools Branch	Healthiness of Food in Schools	2024	N/A ²	N/A ²	N/A ¹	No	No	No	No	No
La Commission scolaire de langue française	Healthiness of Food in Schools	2024	N/A ²	N/A ²	N/A ¹	No	No	No	No	No

Source: Compiled by the Office of the Auditor General of Prince Edward Island.

*Department name as of December 31, 2025.

¹ Update not expected as report released less than one fiscal quarter earlier.

² Update not expected as report not released yet.

³ The recommendations were made to Treasury Board; therefore, we would not expect quarterly reports to be submitted.

⁴ The entity reported all recommendations to be complete in their September 30, 2024, quarterly report to Treasury Board. Based on our follow-up work completed for August 31, 2025, not all recommendations were determined to be complete. Therefore, further reports to Treasury Board were required.

Follow-Up on Performance Audits

Independent Assurance Report

Chapter 7

7. Follow-Up on Performance Audits – Highlights

What We Did:

Recommendations are an integral part of performance audit reports as they are made to help improve the management of government programs and protect the interests of taxpayers. Action is expected to be taken on our recommendations by departments* and reporting entities to reduce or eliminate risks.

This chapter describes the results of our follow-up work performed on the implementation status as of August 31, 2025, for recommendations from performance reports completed in 2021, 2022, 2023, and up to August 31, 2024.

What We Found:

58% of recommendations from 2021 to 2024 have **not** been implemented as at August 31, 2025.

0%

None of the outstanding recommendations from 2021 to 2023 were implemented since our follow-up report in March 2025.

Where risks remain:

- The Department of Education and Early Years has not yet finalized all policies and procedures for the PEI International Student Program;
- The Department of Finance is not advertising properties for tax sale according to timelines in current legislation;
- Work still needs to be done in the Department of Environment, Energy and Climate Action to ensure their compliance with the *Forest Management Act* and to monitor the sustainability of wood harvested for biomass to heat government buildings; and
- Many government departments and reporting entities are still not meeting the legislative and policy requirements related to the timeliness and content of annual reports.

The entities we followed up with this year **reported that 31 outstanding recommendations** were implemented as at August 31, 2025. Our follow-up process concluded that **only eight were actually implemented**. One recommendation was no longer applicable.

● Total % of Recommendations Implemented as at August 31, 2025
● Total % of Recommendations Implemented as at August 31, 2024

Report Year	Total % of Recommendations Implemented as at August 31, 2025	Total % of Recommendations Implemented as at August 31, 2024
2021	96%	96%
2022	67%	67%
2023	20%	20%
2024	19%	N/A

*Department names throughout the remainder of this chapter are as of December 31, 2025.

7. Follow-Up on Performance Audits

- 7.1 Our performance audits and other reports include recommendations to improve the management of government programs and protect the interests of taxpayers. While those managing government programs have a right to select the best course of action, we fully expect action to be taken to address the identified issues.
- 7.2 To hold entities accountable, we follow-up on the implementation status of our recommendations one year after the initial audit, and then for three more years.
- 7.3 To initiate our follow-up process, we request status updates from management assessing each recommendation based on the following categories:
- implemented;
 - not implemented;
 - no longer applicable; and
 - do not intend to implement.
- 7.4 For each recommendation that management reports as implemented, we request details on the actions taken, and we conduct follow-up work to determine if the recommendation was implemented. For recommendations that management reports as not implemented, we do not complete any follow-up work.
- 7.5 The objective of our follow-up work is to provide limited assurance on the status of recommendations management assessed as implemented. This means that our follow-up work is not an audit, but we conduct sufficient procedures to obtain limited assurance to support our conclusions.
- 7.6 Each year, our follow-up process begins at the end of August.

The Office of the Auditor General of PEI Follow-Up Process				
End of August	September to December	January	February	End of February/ Early March
Entities receive a letter describing the follow-up process and templates for them to provide their implementation status updates.	Fieldwork begins, including examining reports, reviewing documentation, and interviewing management and staff.	A report is drafted.	A confidential draft report is provided to management for review.	The report is finalized and provided to the Legislative Assembly.

- 7.7 This chapter provides the results of the follow-up work performed on the implementation status as of August 31, 2025, for recommendations from performance reports completed in 2021, 2022, 2023, and up to August 31, 2024. Further details on the engagement standards, objective, scope, and conclusions are included in **Appendix A** of this chapter.

Prince Edward Island International Student Program (2021)

7.8 In 2021, we completed an audit on the management of the Prince Edward Island International Student Program (PEIISP). This is our fourth and final year following up on this audit.

Audit Objective

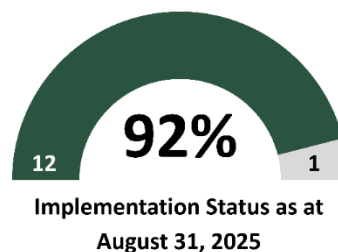
To determine whether the Department of Education and Early Years (formerly the Department of Education and Lifelong Learning) had processes to effectively manage the PEIISP.

Audit Conclusion

The Department of Education and Early Years did not have processes to effectively manage the PEIISP.

Status of Recommendations

7.9 Our original audit included 13 recommendations. We considered 12 of these recommendations to have been implemented during the prior year’s follow-up process. Management of the Department of Education and Early Years reported that the last outstanding recommendation was not implemented as of August 31, 2025. As such, no work was performed on this recommendation. The table below details the outstanding recommendation. See **Appendix B** for management’s detailed update on the status of this recommendation.



Rec. #*	Recommendations Management Assessed as Not Implemented as of August 31, 2025
4.24	The Department of Education and Early Years should document, approve and implement policies and procedures for the PEI International Student Program.

*Recommendation numbers refer to the paragraph numbers in the original audit report.

Crown Corporation Governance Survey (2021)

- 7.10 In 2021, a report was completed based on the results of a survey we conducted to compile and report on an overview of current governance practices. This report was not an audit, but a study on governance practices within Crown corporations. This is our fourth and final year following up on this report.

Report Objective

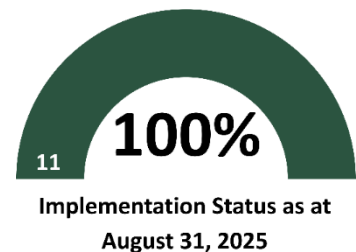
To provide information on existing practices within PEI Crown corporations and highlight areas for discussion and improvement among the various boards.

Report Conclusion

Analysis of the survey results on governance practices within Crown corporations identified gaps between existing and best practices.

Status of Recommendations

- 7.11 Our original report included 11 recommendations. To address these recommendations, Treasury Board developed a new section for Treasury Board policy: *10.03 Reporting Entities – Good Governance*. The purpose of this policy is to establish and communicate Government’s minimum expectations for Boards and members to ensure they fulfil their fiduciary function. When we discuss reporting entities throughout the rest of this section, we are referring to the Boards and members of those reporting entities.



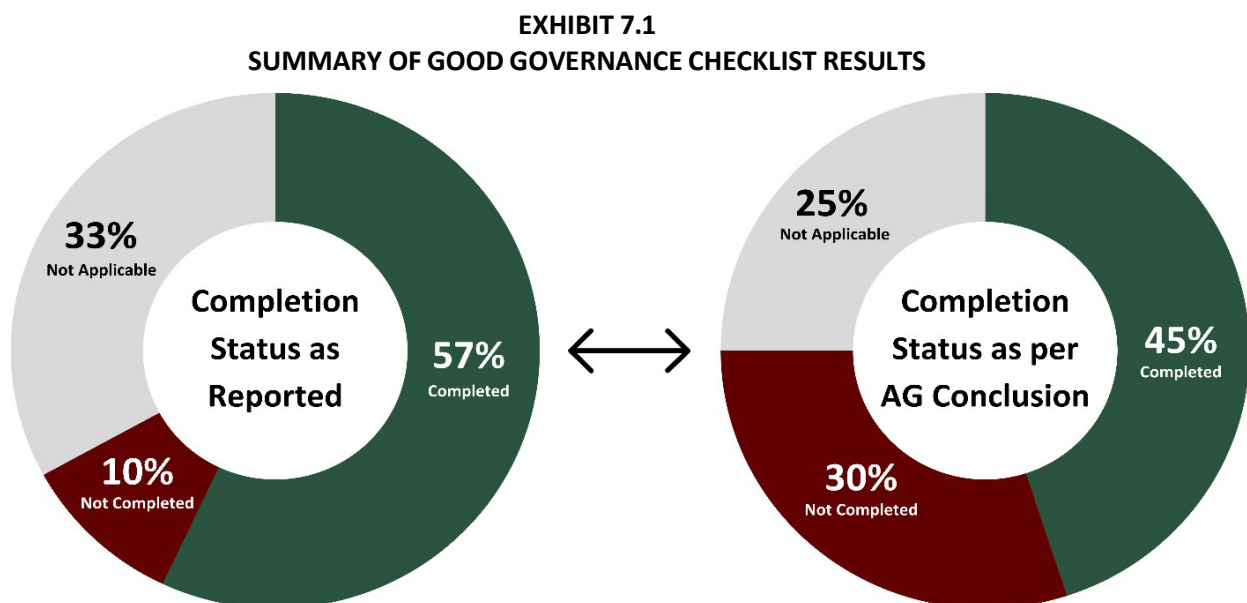
- 7.12 The policy established requirements for reporting entities which addressed each of the recommendations made in our 2021 report. Further, Treasury Board developed the *Good Governance Policy Checklist* to allow reporting entities to indicate whether the items required by the policy were completed. Treasury Board provides a copy of the checklist to all Departments and requests that it be completed by each of their reporting entities annually.
- 7.13 Based on the implementation of the new Treasury Board policy and the checklist, we considered all 11 recommendations to have been implemented during prior year’s follow-up process.

Review of Items Identified as Implemented on Checklists

- 7.14 In 2024, we began to review responses provided to Treasury Board by the reporting entities to determine whether the items identified as complete on their checklists can be supported. For the current year, we selected the checklists for 10 reporting entities under the responsibility of the Department of Transportation and Infrastructure, the Department of Workforce, Advanced Learning and Population, the Department of Education and Early Years, and the Department of Justice and Public Safety.

7.15 We reviewed the *Good Governance Policy Checklists* that these 10 reporting entities provided to Treasury Board in February 2025 and requested support for items identified as complete. We did not assess the quality of the content provided in the supporting documentation, but rather reviewed the information to determine whether documentation existed to demonstrate the reporting entities met the Treasury Board Policy 10.03 requirements as reported to Treasury Board on the checklists. For those items reported as not complete we did not do any work. For those items reported as not applicable we reviewed the entity’s rationale to determine if we agreed with their conclusion.

7.16 **Appendix C** outlines the checklist responses from the 10 reporting entities as well as our conclusions based on testing the checklist items noted as complete. **Exhibit 7.1** below summarizes their responses and our conclusions.



Source: Compiled based on review work of the Office of the Auditor General of Prince Edward Island.

7.17 A summary of the checklist responses provided to Treasury Board by reporting entities, other than the 10 that were tested in the current year, are included in **Appendix D**. We have not conducted any work and provide no assurance on these checklist responses.

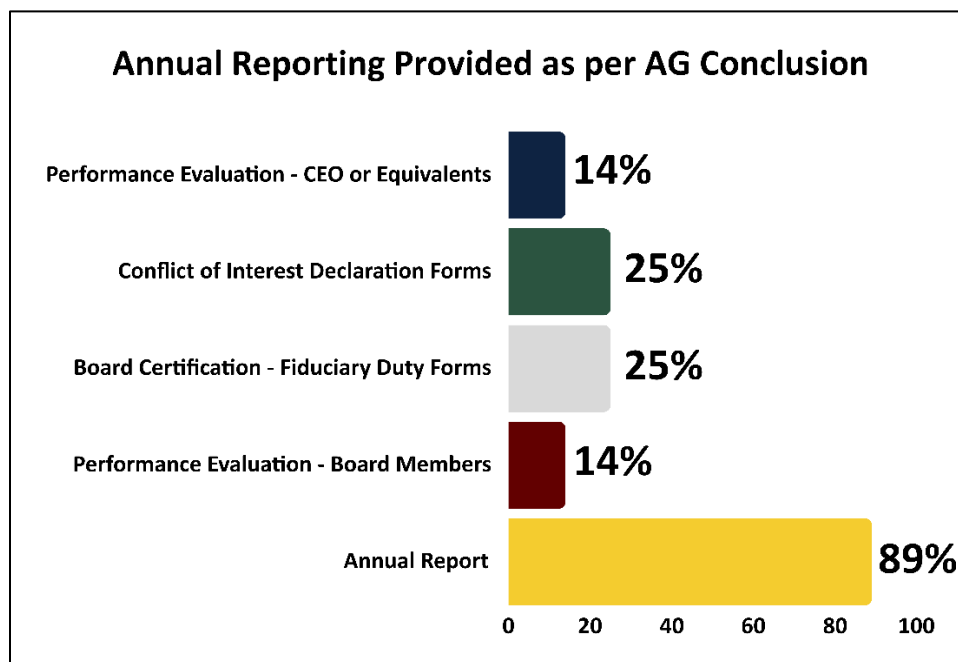
Review of Annual Reporting Requirements

7.18 Section 4 of Treasury Board Policy 10.03 requires reporting entities to provide the following reports or forms to their departments each year by December 31st:

- a) Annual Report;
- b) Conflict of Interest Declaration Forms;
- c) Board Certification – Fiduciary Duty Forms;
- d) Performance Evaluation – CEO or equivalents; and
- e) Performance Evaluation – Board Members.

- 7.19 In addition, section 4 of Treasury Board Policy 10.03 requires departments to clearly communicate Government’s public policy objectives annually, as they relate to that specific Crown, in a formal letter from the Minister to all members of the reporting entity’s Board of Directors.
- 7.20 We requested departments to provide our Office with evidence of the reports or forms received by December 31, 2024, from the 10 reporting entities in our sample. We also requested a copy of the formal letter from the Minister to the boards of directors which clearly communicated Government’s public policy objectives related to each specific crown.
- 7.21 **Appendix E** outlines our conclusions on whether the annual reporting was provided by the reporting entities in our sample to their departments, and whether a formal letter was sent annually to the reporting entities by the Minister communicating Government’s public policy objectives as required. **Exhibit 7.2** below summarizes our conclusions on the applicable annual reporting requirements.

EXHIBIT 7.2
SUMMARY OF ANNUAL REPORTING FROM BOARDS PROVIDED
TO DEPARTMENTS BY DECEMBER 31, 2024



Source: Compiled based on review work of the Office of the Auditor General of Prince Edward Island.

- 7.22 We have been reviewing the *Good Governance Policy Checklists* for three years and every year have noted many issues. It is concerning that even though Treasury Board has provided clear guidance, most reporting entities are not able to support their compliance with section 4 of Treasury Board Policy 10.03.

Overdue Property Taxes (2022)

7.23 In 2022, we completed an audit on compliance with legislation and policies related to property tax. This is our third year following up on this audit.

Audit Objectives

To determine whether the Department of Finance

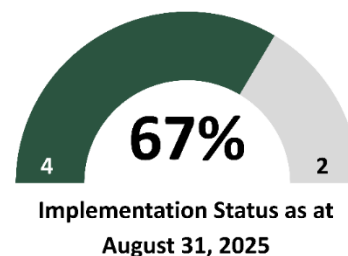
- collected property taxes in accordance with the *Real Property Tax Act* and Regulations, and
- made property tax forgiveness decisions and recommendations in accordance with applicable legislation and policies.

Audit Conclusions

- The Department of Finance collected property taxes in accordance with the *Real Property Tax Act* and Regulations.
- We identified a lack of documented policies and procedures for certain collection activities and identified shortcomings in certain practices.

Status of Recommendations

7.24 Our original audit included six recommendations. We considered four of these recommendations to have been implemented during the prior year’s follow-up process. Management of the Department of Finance reported that the last two outstanding recommendations were not implemented as of August 31, 2025. As such, no work was performed on these recommendations. The table below details the outstanding recommendations. See **Appendix F** for management’s detailed update on the status of these recommendations.



Rec. #*	Recommendations Management Assessed as Not Implemented as of August 31, 2025
1.34	The Department of Finance should advertise properties for tax sale according to timelines established in legislation.
1.58	The Taxation and Property Records Division of the Department of Finance should update their records retention and disposition schedule to maintain all records for taxpayers who have qualified for the Tax Deferral Program for Senior Citizens until the taxpayer exits the Program.

*Recommendation numbers refer to the paragraph numbers in the original audit report.

Forest Management (2023)

7.25 In 2023, we completed an audit on the management of Public Forest Lands. This is our second year following up on this audit.

Audit Objectives

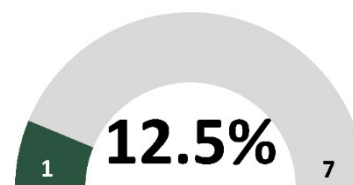
To determine whether the Department of Environment, Energy and Climate Action managed Public Forest Lands in accordance with legislation and policies, and monitored the sustainability of wood harvested for biomass to heat public buildings.

Audit Conclusions

The Department of Environment, Energy and Climate Action was not managing Public Forest Lands in full accordance with legislation and policies and it was not monitoring the sustainability of wood harvested for biomass to heat public buildings.

Status of Recommendations

7.26 Our original audit included eight recommendations. We considered one of these recommendations to have been implemented during the prior year's follow-up process. Management of the Department of Environment, Energy and Climate Action reported that two additional recommendations were implemented as of August 31, 2025. Based on our work, we concluded that no additional recommendations were implemented. The table below details the recommendations which management reported as implemented on August 31, 2025, and our conclusion of the status of implementation.



Implementation Status as at
August 31, 2025

Rec. #*	Recommendations Management Assessed as Implemented as of August 31, 2025	Auditor General Conclusion on Status of Implementation
1.50	The Department of Environment, Energy and Climate Action should review woodlot management plans at least every five years and revise as necessary, in accordance with the Ecosystem-based Forest Management Standards Manual. Evidence of this review should be documented.	✘
1.60	The Department of Environment, Energy and Climate Action should complete and implement a plan to monitor and report on the sustainability of wood harvested for biomass to heat public buildings.	✘

*Recommendation numbers refer to the paragraph numbers in the original audit report.

7.27 Management reported that 5 recommendations were not implemented as of August 31, 2025. The table below details these recommendations. See **Appendix G** for management’s detailed update on the status of these recommendations.

Rec. #*	Recommendations Management Assessed as Not Implemented as of August 31, 2025
1.20	The Department of Environment, Energy and Climate Action should include all information required under section 4(1) of the <i>Forest Management Act</i> in the Forest Policy for the Province.
1.24	The Department of Environment, Energy and Climate Action should review the Forest Policy in accordance with section 4(2) of the <i>Forest Management Act</i> . Timelines for regular reviews of the Forest Policy should be established.
1.32	The Department of Environment, Energy and Climate Action should provide <i>State of the Forest Reports</i> in accordance with the timelines established in the <i>Forest Management Act</i> .
1.37	The Department of Environment, Energy and Climate Action should prepare forest management plans for public forests in accordance with sections 9(3) and 9(4) of the <i>Forest Management Act</i> .
1.38	The Department of Environment, Energy and Climate Action should prepare forest operations plans for public forests in accordance with sections 9(5) and 9(6) of the <i>Forest Management Act</i> .

*Recommendation numbers refer to the paragraph numbers in the original audit report.

Additional Comments

7.28 As part of management’s work to implement recommendation 1.60, the Department of Environment, Energy and Climate Action created a position for a biomass auditor who is responsible for assessing and reporting on the sustainability of wood harvested for biomass which is used to heat public buildings. As of August 31, 2025, one report had been released for harvests completed in 2021; however, the report stated the biomass auditor was unable to form a conclusion on the sustainability of wood harvested for biomass to heat public buildings due to the significant absence of industry data from harvest sites.

7.29 The Office performed an audit on Biomass Heating Contracts which was released in February 2024 as part of our 2024 Annual Report. Our audit identified that the Department of Transportation and Infrastructure is responsible for administering the biomass heating contracts for public buildings. It also identified several weaknesses related to reporting requirements for the 18 biomass contracts for heating government facilities, as well as requirements for sustainable harvesting practices.

7.30 Follow-up work on our Biomass Heating Contracts audit recommendations began this year and can be found on page 81. As the Department of Environment, Energy and Climate Action requires additional information on the biomass harvests to implement recommendation 1.60, and this information can only be obtained by the Department of Transportation and Infrastructure, we continue to urge the two departments to work together to improve the transparency around the sustainability of forest biomass harvest used to heat public buildings.

Performance Reporting – Phase I – Reporting Timeliness (2023)

7.31 In 2023, we completed an audit on compliance with annual reporting disclosure deadlines outlined in legislation and Treasury Board policy. This is our second year following up on this audit.

Audit Objective

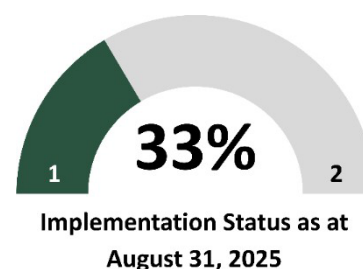
To assess whether government departments and reporting entities were meeting annual reporting disclosure deadlines in accordance with legislation, Treasury Board policies and best practice.

Audit Conclusion

Most government departments and reporting entities were not meeting annual reporting disclosure deadlines in accordance with legislation, Treasury Board policies and best practice.

Status of Recommendations

7.32 Our original audit included three recommendations. We considered one of these recommendations to have been implemented during the prior year’s follow-up process. Management reported that the two additional recommendations were implemented as of August 31, 2025. Based on our work, we concluded that no additional recommendations were implemented. The table below details the recommendations which management reported as implemented on August 31, 2025, and our conclusion of the status of implementation.



Rec. #*	Recommendations Management Assessed as Implemented as of August 31, 2025	Auditor General Conclusion on Status of Implementation
2.38 ¹	Annual reports of government departments and reporting entities should be made public within six months of the end of their fiscal year in accordance with section 70(5) of the <i>Financial Administration Act</i> , section 5(b)(i)(ii) (formerly section 7(a)) of Treasury Board Policy 10.01 and best practice.	✘
2.41	Ministers should provide annual reports of government departments and reporting entities to the Legislative Assembly within timeframes required in section 70(5) of the <i>Financial Administration Act</i> . Documentation should be maintained to support compliance with these timeframes.	✘

*Recommendation numbers refer to the paragraph numbers in the original audit report.

¹ In December 2023, Treasury Board updated Policy 10.01 to require government departments to make their annual reports public within two months of the date of tabling the Public Accounts. In this year’s follow-up work, the timeframe established in the updated policy was used during testing on departments to determine if recommendation 2.38 was implemented.

Performance Reporting – Phase II – Report Content (2023)

7.33 In 2023, we completed an audit on the content of annual reports prepared by government departments and reporting entities. This is our second year following up on this audit.

Audit Objective

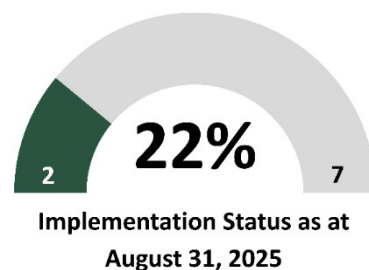
To assess whether the annual reports of government departments and reporting entities were prepared in accordance with the content guidelines of Treasury Board Policy.

Audit Conclusion

Government departments and reporting entities were not preparing annual reports in accordance with the content guidelines of Treasury Board Policy.

Status of Recommendations

7.34 Our original audit included nine recommendations. To address these recommendations, Treasury Board developed an *Annual Reporting Checklist*, based on Treasury Board Policy: “10.01 Annual Reporting Framework”. The checklist’s purpose is to provide direction and guidelines on the principles, content and process that should be followed in the preparation and presentation of annual reports. The checklist is attached to Treasury Board Policy 10.01 and is to be used as a tool to remind Government departments and reporting entities of all content items required by the policy.



7.35 We considered two of the recommendations from our audit to have been implemented during the prior year’s follow-up process. Management reported that the seven additional recommendations were implemented as of August 31, 2025. To assess if we agreed that the recommendations were implemented, we selected three departments and three reporting entities and reviewed their March 31, 2024, annual reports to determine if they contained the required content based on the recommendations made in our 2023 report. The departments selected were:

- the Department of Economic Development, Innovation and Trade;
- the Department of Fisheries, Tourism, Sport and Culture; and
- the Department of Health and Wellness.

7.36 The reporting entities selected were

- Island Waste Management Corporation;
- Prince Edward Island Human Rights Commission; and
- Prince Edward Island Museum and Heritage Foundation.

7.37 **Appendix H** outlines the results of our testing.

7.38 Based on our work, we concluded that no additional recommendations were implemented. The table below details the recommendations which management reported as implemented on August 31, 2025, and our conclusion of the status of implementation.

Rec. #*	Recommendations Management Assessed as Implemented as of August 31, 2025	Auditor General Conclusion on Status of Implementation
33	<p>In accordance with Treasury Board Policy 10.01, sections 5(c)(i, iii, iv & vi) (formerly sections 8(a, c, d & f)), Treasury Board, in conjunction with government departments and reporting entities, should ensure annual reports include</p> <ul style="list-style-type: none"> • a message endorsed by the Minister or Chair of the Board; • a listing of the Acts the department/reporting entity is responsible for; • an overview statement endorsed by the Deputy Head; and • an organizational chart for the department/reporting entity identifying lines of accountability. 	x
38	<p>In accordance with Treasury Board Policy 10.01, section 5(c)(ii) (formerly section 8(b)), Treasury Board, in conjunction with government departments and reporting entities, should ensure annual reports include the organizations’:</p> <ul style="list-style-type: none"> • mandate; • mission statement; • vision statement; and • values or description of principles used to meet its vision. 	x
43	<p>Treasury Board, in conjunction with government departments and reporting entities, should ensure annual reports include a section which clearly outlines the organization’s goals in accordance with Treasury Board Policy 10.01, section 5(c)(vii) (formerly section 8(g)(i)).</p>	x
47	<p>Treasury Board, in conjunction with government departments and reporting entities, should ensure annual reports provide details on goals in accordance with Treasury Board Policy, section 5(c)(vii) (formerly section 8(g)(i)), specifically including</p> <ul style="list-style-type: none"> • the timeframe for meeting its goals; • why the results are important; • how performance is measured; • the success or failures over the reporting period; and • how shortcomings will be addressed for the future. 	x

Rec. #*	Recommendations Management Assessed as Implemented as of August 31, 2025	Auditor General Conclusion on Status of Implementation
50	Treasury Board, in conjunction with government departments and reporting entities, should ensure annual reports outline the strategies used to obtain the intended results and provide a comparison of resources allocated to those actually used in accordance with Treasury Board Policy 10.01, section 5(c)(vii) (formerly section 8(g)(ii)).	x
57	Treasury Board, in conjunction with government departments and reporting entities, should ensure annual reports include a separate section on the organization’s main strategies and programs in accordance with Treasury Board Policy 10.01, section 5(c)(viii) (formerly section 8(h)) which identifies: <ul style="list-style-type: none"> • outcomes achieved against intended goals, how the results were measured, and strategies used; and • the relationship of the division’s goals to the organization’s overall goals. 	x
66	Treasury Board, in conjunction with government departments and reporting entities, should ensure annual reports include a section or appendix with financial information which sets out the approved budget, actual results and variances in accordance with Treasury Board Policy 10.01, section 5(c)(x) (formerly section 8(j)).	x

*Recommendation numbers refer to the paragraph numbers in the original audit report.

Surgical Wait Times – Cataract, Knee Replacement and Hip Replacement (2023)

7.39 In 2023, we completed an audit on the management of surgical wait times. This is our first year following up on this audit.

Audit Objective

To assess whether Health PEI had systems and processes for tracking, managing, and reporting on patients waiting for the following surgeries:

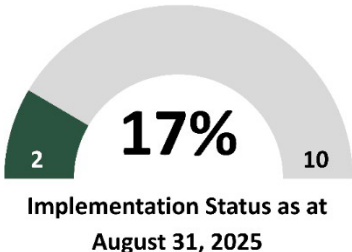
- cataract;
- knee replacement; and
- hip replacement.

Audit Conclusions

- Health PEI had systems and processes for tracking, managing and reporting on patients waiting for cataract, knee replacement and hip replacement surgeries. However, the information was not being used to take corrective action where required.
- We identified a lack of documented policies and procedures, deviations from best practice for surgical wait times calculations and reporting, and issues with wait time data not being provided to all stakeholders.

Status of Recommendations

7.40 Our original audit included 12 recommendations. Management of Health PEI reported that two recommendations were implemented as of August 31, 2025. Based on our work, we agreed with management. The table below details the recommendations which management reported as implemented on August 31, 2025, and our conclusion of the status of implementation.



Rec. #*	Recommendations Management Assessed as Implemented as of August 31, 2025	Auditor General Conclusion on Status of Implementation
78	Health PEI should publicly report both the 50 th and 90 th percentile surgical wait times.	✓
83	Health PEI should provide current surgical wait time information on the Province’s website.	✓

*Recommendation numbers refer to the paragraph numbers in the original audit report.

7.41 Management reported that 10 recommendations were not implemented as of August 31, 2025. The table below details these recommendations. See **Appendix I** for management’s detailed update on the status of these recommendations.

Rec. #*	Recommendations Management Assessed as Not Implemented as of August 31, 2025
37	Health PEI should have documented policies and procedures for calculating surgical wait times.
41	Health PEI should calculate its surgical wait times using the start dates based on national standards.
46	Health PEI should exclude the following surgeries from its surgical wait time calculations: <ul style="list-style-type: none"> • surgeries where the patient declined the first available surgery date; and • patients second eye cataract surgeries.
60	Health PEI’s Executive Leadership Team should review surgical wait times using the 50 th and 90 th percentile calculations, on a quarterly basis.
63	Health PEI’s Executive Leadership Team should monitor surgical wait times, identify the factors causing wait times to be higher than targets, and take corrective actions to address the issues identified. This process should be documented.
75	Health PEI should provide accurate information to the public on how surgical wait times are calculated.
87	Health PEI should track and report consult wait times for surgical procedures to the general public and referring physicians.
90	Health PEI should provide current surgical wait time data to referring physicians.
94	Health PEI should make information on current wait times per surgeon readily available to referring physicians and the public.
99	Health PEI should provide the Board of Directors with surgical wait time data on a quarterly basis.

*Recommendation numbers refer to the paragraph numbers in the original audit report.

Biomass Heating Contracts (2024)

7.42 In 2024, we completed an audit on the integration of sustainable harvesting requirements into biomass heating contracts. This is our first year following up on this audit.

Audit Objectives

To determine whether the Department of Transportation and Infrastructure:

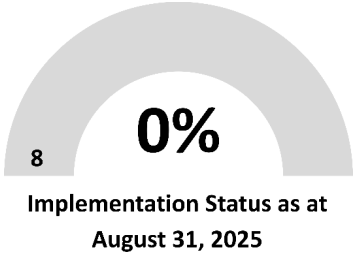
- had biomass heating contracts for government facilities that included sustainable harvesting requirements, and
- monitored compliance with sustainable harvesting requirements in biomass heating contracts for government facilities.

Audit Conclusions

- There were 18 contracts to heat government facilities using biomass. Of these, two did not include sustainable harvesting requirements.
- The Department of Transportation and Infrastructure did not monitor compliance with sustainable harvesting requirements in biomass heating contracts for government facilities.

Status of Recommendations

7.43 Our original audit included eight recommendations. Management of the Department of Transportation and Infrastructure reported that one recommendation was implemented as of August 31, 2025. Based on our work, we concluded that this recommendation was not implemented. The table below details the recommendation which management reported as implemented on August 31, 2025, and our conclusion of the status of implementation.



Rec. #*	Recommendations Management Assessed as Implemented as of August 31, 2025	Auditor General Conclusion on Status of Implementation
5.48	The Department of Transportation and Infrastructure should maintain complete records of all biomass heating contracts it administers.	✘

*Recommendation numbers refer to the paragraph numbers in the original audit report.

7.44 Management reported that seven recommendations were not implemented as of August 31, 2025. The table below details these recommendations. See **Appendix J** for management’s detailed update on the status of these recommendations.

Rec. #*	Recommendations Management Assessed as Not Implemented as of August 31, 2025
5.21	The Department of Transportation and Infrastructure should define sustainable harvesting practices in all biomass heating contracts for government facilities.
5.22	The Department of Transportation and Infrastructure should require all biomass used to heat government facilities be harvested in a sustainable manner. This requirement should be included in all biomass heating contracts.
5.39	The Department of Transportation and Infrastructure should require contractors to report sufficient information on harvests for all biomass contracts which will allow the Department to assess if sustainable harvesting requirements were met.
5.40	The Department of Transportation and Infrastructure should regularly monitor, review, and enforce the reporting requirements included in the biomass contracts.
5.41	The Department of Transportation and Infrastructure should include penalty clauses in all biomass heating contracts to be applied if harvest information is not reported by contractors in accordance with the contract terms.
5.42	The Department of Transportation and Infrastructure should include corrective action and penalty clauses in all biomass heating contracts to be applied if sustainable harvesting requirements are not met.
5.50	The Department of Transportation and Infrastructure should update all biomass heating contracts so that requirements are consistent among all contracts.

*Recommendation numbers refer to the paragraph numbers in the original audit report.

Additional Comments

7.45 Recommendation 5.48 relates to biomass heating contracts for heating two public schools. During our audit, one contract was expired and the Department of Transportation and Infrastructure could not provide us with a current contract. The Department did not have a copy of the other contract. The Department was not a signatory for either contract.

7.46 While completing our follow-up work this year, representatives from the Department informed us they do not consider the Department to be the administrators of these contracts. They also stated that the Department does not maintain and operate the public schools in the province, and therefore they do not feel they are responsible for ensuring the contracts are current/renewed.

7.47 It is our opinion that the Department should, at a minimum, maintain copies of the biomass heating contracts for heating all public buildings. This would allow the Department to be aware of all contract terms and conditions, specifically those related to sustainable harvesting and reporting requirements. The main reasons for our position on this are:

- The Minister of the Department is charged with the care and management of all buildings belonging to the Government, as well as to order all repairs, improvements, extensions, additions and alterations made in any provincial buildings per the *Public Works Act*.
- At the time of our audit, the Department was signatory to biomass heating contracts for heating 21 other schools. In our opinion, this contradicts their position that they do not need

to maintain biomass heating contracts for schools. These contracts establish that the Department's responsibilities include such things as purchasing biomass heat energy from the contractor and providing support, direction, decisions and information to the contractors as deemed necessary.

- Lastly, during our audit, the Department was able to provide us with other biomass heating contracts that they were not a signatory. Therefore, they do maintain copies of contracts that they would not consider the Department to administer.

PEI Alliance for Mental Well-Being (2024)

7.48 In 2024, we completed an audit on the management of the PEI Alliance for Mental Well-Being grant program. This is our first year following up on this audit.

Audit Objectives

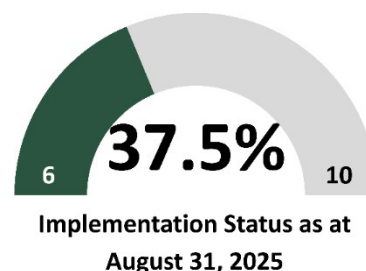
To determine whether the Department of Health and Wellness managed the grant funding provided to the PEI Alliance for Mental Well-Being in accordance with applicable policies and whether the PEI Alliance for Mental Well-Being administered its grant program with effective processes and controls.

Audit Conclusions

The Department of Health and Wellness did not manage the grant funding provided to the PEI Alliance for Mental Well-Being in accordance with all applicable policies and the PEI Alliance for Mental Well-Being did not consistently administer its grant program with effective processes and controls.

Status of Recommendations

7.49 Our original audit included 4 recommendations addressed to the Department of Health and Wellness and 13 recommendations addressed to the PEI Alliance for Mental Well-Being. Management of both the Department and the Alliance reported that all recommendations were implemented as of August 31, 2025. Based on our work, we concluded that two recommendations addressed to the Department were implemented and four recommendations addressed to the Alliance were implemented. One recommendation addressed to the Alliance was determined to be no longer applicable, therefore it has been removed from the implementation status calculation. The tables below detail the recommendations which management reported as implemented on August 31, 2025, and our conclusion of the status of implementation.



Rec. #*	Recommendations Management Assessed as Implemented as of August 31, 2025	Auditor General Conclusion on Status of Implementation
28	The Department of Health and Wellness should obtain audited financial statements from the PEI Alliance for Mental Well-Being in accordance with the timelines established in the funding agreement.	✓
29	The Department of Health and Wellness should document its review of progress reports received from the PEI Alliance for Mental Well-Being.	✗
33	The Department of Health and Wellness should add a clause to its funding agreement with the PEI Alliance for Mental Well-Being regarding procedures for unused funds.	✓

Rec. #*	Recommendations Management Assessed as Implemented as of August 31, 2025	Auditor General Conclusion on Status of Implementation
37	The Department of Health and Wellness should develop a performance measurement framework, including specific performance indicators and expectations, for the grant funding provided to the PEI Alliance for Mental Well-Being.	✘
54	The PEI Alliance for Mental Well-Being should document its assessment of expense eligibility for each applicant.	✘
59	The PEI Alliance for Mental Well-Being should complete a third peer review assessment when required in accordance with grant program guidelines.	N/A
66	The PEI Alliance for Mental Well-Being should retain all documentation to support the rationale for funding recommendations.	✘
67	The PEI Alliance for Mental Well-Being should provide the Board of Directors with a listing of all funding-ready applications.	✔
72	All payments made by the PEI Alliance for Mental Well-Being should be signed by two authorized individuals in accordance with its by-laws.	✘
77	The PEI Alliance for Mental Well-Being should obtain project reports in accordance with the timelines established in the funding agreements.	✔
82	The PEI Alliance for Mental Well-Being should review and document its assessment of all reports in accordance with grant program guidelines.	✘
83	The PEI Alliance for Mental Well-Being should retain documentation to support that issues identified from its assessment of reports have been resolved.	✔
94	The PEI Alliance for Mental Well-Being should implement a conflict-of-interest policy for employees, and require employees to document they have read and understand the policy.	✘
95	The PEI Alliance for Mental Well-Being should require employees to sign an annual conflict-of-interest declaration disclosing their private interests.	✘
96	The PEI Alliance for Mental Well-Being should require peer reviewers to sign an annual conflict-of-interest declaration disclosing their private interests.	✘
97	The PEI Alliance for Mental Well-Being should obtain an annual conflict-of-interest declaration from each Board member disclosing their private interests.	✔
103	Members of the PEI Alliance for Mental Well-Being Board of Directors should declare all conflicts-of-interest. These declarations should be recorded in meeting minutes, and board members should remove themselves from any discussions related to the conflict.	✘

*Recommendation numbers refer to the paragraph numbers in the original audit report.

Healthiness of Food in Schools (2024)

7.50 In 2024, we completed an audit on the nutrition policies within the Public Schools Branch (PSB) and la Commission scolaire de langue française (CSLF). This is our first year following up on this audit.

Audit Objectives

To determine whether the Public Schools Branch and la Commission scolaire de langue française:

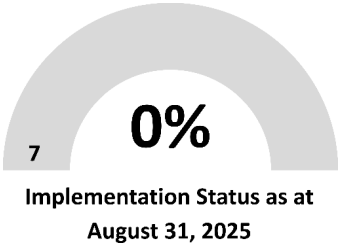
- had school nutrition policies that were based on current best practice;
- were adequately monitoring and reporting on healthy eating in schools; and
- schools were complying with school nutrition policies.

Audit Conclusions

- The PSB and CSLF both had school nutrition policies from 2016 and 2011, respectively, but neither were based on current best practice.
- The PSB and CSLF were not monitoring and reporting on healthy eating in schools.
- Not all schools in the PSB and CSLF were complying with the school nutrition policy of their education authority.

Status of Recommendations

7.51 Our original audit included seven recommendations. Management of both PSB and CSLF reported that no recommendations were implemented as of August 31, 2025. As such, no work was performed on these recommendations. The table below details these recommendations. See **Appendix K** for management’s detailed update on the status of these recommendations.



Rec. #*	Recommendations Management Assessed as Not Implemented as of August 31, 2025
25	The Public Schools Branch and la Commission scolaire de langue française should update their school nutrition policy to reflect current best practice.
35	The Public Schools Branch and la Commission scolaire de langue française, in conjunction with schools within their education authority, should regularly monitor whether food and beverages offered comply with their respective school nutrition policy.
41	The Public Schools Branch and la Commission scolaire de langue française, in conjunction with the Department, should work with schools to address the barriers faced by schools in implementing school food programs that comply with school nutrition policies.
47	The Public Schools Branch and la Commission scolaire de langue française should develop goals and objectives specific to healthy eating in schools.

Rec. #*	Recommendations Management Assessed as Not Implemented as of August 31, 2025
48	The Public Schools Branch and la Commission scolaire de langue française should publicly report on the outcomes of healthy eating in schools.
79	Schools in the Public Schools Branch and la Commission scolaire de langue française should ensure food and beverages offered in schools comply with the school nutrition policy and food choices guide.
89	Schools in the Public Schools Branch and la Commission scolaire de langue française should have up-to-date contracts with food service providers, which include appropriate terms and conditions requiring compliance with their school nutrition policy.

*Recommendation numbers refer to the paragraph numbers in the original audit report.

STANDARDS, 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 2021, 2022, 2023 and 2024 reports (up to August 31, 2024)¹. 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.

The Office of the Auditor General of Prince Edward Island applies the Canadian Standard on Quality Management 1 (CSQM 1) which requires the Office to design, implement and operate a system of quality management, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

In conducting this limited 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 by management as “implemented” as of August 31, 2025, 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 implemented.

For recommendations assessed as “do not intend to implement” or “no longer applicable” we focused on whether the rationale provided by management was reasonable. If we agreed with the rationale, we did not conduct further follow-up work on the applicable recommendation.

¹ This excludes the recommendations made in the three phases of the Covid-19 Financial Support Programs Audit, which are reported on in Chapter 8.

SCOPE AND APPROACH

The scope of our work included only recommendations from 2021, 2022, 2023 and 2024 (up to August 31, 2024) audit reports. We provide limited assurance on those recommendations assessed by management as implemented as of August 31, 2025.

The procedures performed in a limited assurance engagement vary in nature and timing, and are less extensive than, for 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.

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.

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.

CONCLUSION

Based on the limited assurance procedures performed and evidence obtained, we concluded that only 8 of the 31 recommendations management reported as implemented on August 31, 2025, were actually implemented. We also concluded that 1 of the 31 recommendations management reported as implemented on August 31, 2025, was no longer applicable.

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 24, 2026, in Charlottetown, Prince Edward Island.

**DEPARTMENT OF EDUCATION AND EARLY YEARS
MANAGEMENT RESPONSE TO RECOMMENDATION REPORTED AS
NOT IMPLEMENTED AS OF AUGUST 31, 2025**

We requested a written assessment from the Department of Education and Early Years management on the implementation status of the one outstanding recommendation from our 2021 PEI International Student Program audit at August 31, 2025. We also requested an update on the actions taken to date and any planned actions towards implementing the recommendation. This appendix lists the recommendation reported by management as not implemented. We have not conducted any work and provide no assurance on this management response. It is presented for information purposes.

Rec. #*	Recommendation	Management Response
PEI International Student Program - 2021		
4.24	The Department of Education and Early Years should document, approve and implement policies and procedures for the PEI International Student Program.	<p>Actions Taken to Date:</p> <p>The PEIISP is working on policies and related legislation and regulations, in consultation with legal and legislative staff. A Service Agreement was signed between the Government of PEI and the Public Schools Branch enabling the Department of Education and Early Years to collect tuition fees from international students. This agreement has been extended until June 2027.</p> <p>A procedures manual has been created that outlines procedures and practices for PEIISP staff. In the absence of the legislative changes, this document cannot yet be adopted as a policy document.</p> <p>Actions Planned:</p> <p>The PEIISP is working on policies and related legislation and regulations, in consultation with legal and legislative staff.</p>

*Recommendation numbers refer to the paragraph numbers in the original audit report.

**RESULTS OF REVIEW
GOOD GOVERNANCE CHECKLISTS
AS REPORTED ON FEBRUARY 14, 2025 CHECKLISTS
(for those requirements reported as complete by the reporting entity)**

Items required in Treasury Board Policy 10.03 included on Good Governance Policy Checklist	Department of Transportation and Infrastructure ¹		Department of Workforce, Advanced Learning and Population ¹						Department of Education and Early Years ¹				Department of Justice and Public Safety ¹											
	Per Checklist	Per review ²	Per Checklist	Per review ²	PEI Advisory Council on the Status of Women	Per Checklist	Per review ²	PEI Employment Development Agency	Per Checklist	Per review ²	PEI Student Financial Assistance Corporation	Workers Compensation Board	Per Checklist	Per review ²	Public Schools Branch	La Commission scolaire de langue française	Per Checklist	Per review ²	Island Regulatory and Appeals Commission	Per Checklist	Per review ²	PEI Human Rights Commission	Per Checklist	Per review ²
4(a) Formal board orientation	✓	Yes	N/A ³	N/A	Yes	✓	Yes	✓	Yes	✓	Yes	Yes	✓	Yes	Yes	✓	✓	N/A	✓	✓	Yes	✓	✓	Yes
4(b) Regular board training	✓	Yes	N/A ³	N/A	Yes	✓	Yes	N/A ³	N/A	N/A ³	N/A	Yes	✓	Yes	Yes	✓	✓	N/A ³	N/A	✓	✓	Yes	✓	Yes
4(C) Strategic Plan including Information Technology Strategies	✓	Yes	N/A ³	N/A	Yes	✓	Yes	✓	Yes	✓	Yes	Yes	✓	Yes	Yes	✓	✓	N/A ³	-	✓	✓	Yes	✓	Yes
4(d) Deputy Minister/representative at board meetings	✓	Yes	N/A ³	N/A	✓	✓	Yes	✓	Yes	✓	Yes	Yes	✓	Yes	Yes	✓	✓	N/A ³	N/A	✓	✓	N/A ³	✓	N/A
4(e) Publicly released annual report	✓	Yes	✓	No	N/A ⁵	✓	Yes	✓	Yes	✓	Yes	Yes	✓	Yes	Yes	✓	✓	✓	Yes	✓	Yes	✓	✓	Yes
4(f) Conflict of interest declaration forms	✓	No	✓	No	Yes	✓	N/A ⁴	No	Yes	✓	Yes	Yes	✓	Yes	Yes	✓	✓	N/A ⁴	N/A	✓	Yes	✓	N/A ³	N/A
4(g) Annual Board Certifications	✓	No	N/A ⁴	No	Yes	✓	N/A ⁴	No	Yes	✓	Yes	Yes	✓	Yes	Yes	✓	✓	N/A ⁴	N/A	✓	Yes	✓	N/A ³	N/A
4(h) Audit Committee/other sub-committees	✓	Yes	N/A ³	N/A	Yes	✓	N/A ³	N/A	Yes	✓	N/A ³	Yes	✓	Yes	Yes	✓	✓	N/A ³	N/A	✓	Yes	✓	N/A ³	N/A

Source: Compiled based on review work of the Office of the Auditor General of Prince Edward Island.

**RESULTS OF REVIEW
GOOD GOVERNANCE CHECKLISTS
AS REPORTED ON FEBRUARY 14, 2025 CHECKLISTS
(for those requirements reported as complete by the reporting entity)**

Items required in Treasury Board Policy 10.03 included on Good Governance Policy Checklist	Department of Transportation and Infrastructure ¹		Department of Workforce, Advanced Learning and Population ¹						Department of Education and Early Years ¹				Department of Justice and Public Safety ¹	
	Island Waste Management Corporation	PEI Crown Building Corporation	PEI Advisory Council on the Status of Women	PEI Employment Development Agency	PEI Student Financial Assistance Corporation	Workers' Compensation Board	Public Schools Branch	La Commission scolaire de langue française	Island Regulatory and Appeals Commission	PEI Human Rights Commission	Per Checklist review ²		Per Checklist review ²	
											Per Checklist	Per review ²	Per Checklist	Per review ²
4(i) Annual CEO Performance evaluation	X	N/A ³	✓	N/A ⁴	No	✓	X	-	✓	No	N/A ³	N/A	✓	No
4(j) Annual Board effectiveness evaluation	✓	N/A ³	X	N/A ⁴	No	✓	N/A ⁴	No	N/A ⁴	No	N/A ⁴	N/A	N/A ³	N/A

Source: Compiled based on review work of the Office of the Auditor General of Prince Edward Island.

¹ The checklist responses and completion of the checklist items is not the responsibility of the departments, but solely the responsibility of the reporting entities.

² Review column indicates where follow-up work was completed. Where the entity indicated not completed, no follow-up work was performed.

³ Reporting entities indicated not applicable (N/A) based on composition of board members and/or nature of operations.

⁴ Reporting entities indicated not applicable (N/A); however, we did not agree with their assessment.

⁵ After their fiscal 2023-2024 year-end, the PEI Advisory Council on the Status of Women changed their fiscal year-end date from March 31st to December 31st. The Office decided to complete both 2024 year-end financial statement audits at the same time, subsequent to December 31, 2024. This resulted in the PEI Advisory Council on the Status of Women being unable to release their 2023-2024 Annual Report publicly during the reporting period identified on their Good Governance Policy Checklist. As such, we concluded as not applicable.

SUMMARY OF GOOD GOVERNANCE POLICY CHECKLIST RESPONSES
AS REPORTED ON FEBRUARY 14, 2025 CHECKLIST

We provide no assurance on the responses provided by each reporting entity (for information only)

Items required in Treasury Board Policy 10.03 included on Good Governance Policy Checklist	Department of Agriculture		Department of Economic Development, Innovation and Trade					Department of Environment, Energy and Climate Action
	Agriculture Insurance Corp	Grain Elevators Corp	Finance PEI	Innovation PEI	Island Investment Development Inc.	Charlottetown Area Development Corp.	Summerside Regional Development Corp.	
4(a) Formal board orientation	✓		✓	✓	✓	✓	N/A	✓
4(b) Regular board training	Partially		✓	✗	✗	✓	N/A	✓
4(c) Strategic Plan including Information Technology Strategies	✓	✗	✓	✓	✓	✓	N/A	✓
4(d) Departmental Minister/representative at board meetings	✓		✓	✓	✓	✓	✓	✓
4(e) Publicly released annual report	✓		✓	✓	✓	✓	✓	✓
4(f) Conflict of Interest declaration forms	✓		✓	✗	✓	✓	N/A	✓
4(g) Annual Board Certifications	✓		✓	✗	✓	✓	N/A	✓
4(h) Audit Committee/other sub-committees	✓	N/A	N/A	✓	✓	✓	N/A	✓
4(i) Annual CEO Performance evaluation	✓		✗	✗	✗	✓	N/A	✗
4(j) Annual Board effectiveness evaluation	✓		✗	✗	✗	✗	N/A	✗

Source: Compiled by the Office of the Auditor General of Prince Edward Island.

SUMMARY OF GOOD GOVERNANCE POLICY CHECKLIST RESPONSES
AS REPORTED ON FEBRUARY 14, 2025 CHECKLIST

We provide no assurance on the responses provided by each reporting entity (for information only)

Items required in Treasury Board Policy 10.03 included on Good Governance Policy Checklist	Department of Finance				Department of Fisheries, Tourism, Sport and Culture			Department of Health and Wellness	Department of Housing, Land and Communities
	PEI Cannabis Management Corporation	PEI Liquor Control Commission	PEI Self-Insurance and Risk Management Fund	PEI Lotteries	PEI Marine Science Organization	PEI Museum and Heritage	Tourism PEI	Health PEI	PEI Housing Corporation
4(a) Formal board orientation	✓	✓	N/A – not overseen by a Board of Directors	✓	N/A	✓	✓	✓	N/A
4(b) Regular board training	✓	✓		✓	N/A	✗	✓	✓	N/A
4(c) Strategic Plan including Information Technology Strategies	✓	✓		✓	N/A	✓	✓	✓	✓
4(d) Deputy Minister/representative at board meetings	✓	✓		✓	✓	✓	✓	✓	N/A
4(e) Publicly released annual report	✓	✓		✓	✓	✓	✓	✓	✓
4(f) Conflict of Interest declaration forms	✓	✓		✓	✓	✓	✓	✓	N/A
4(g) Annual Board Certifications	✓	✓		✓	✓	✗	✓	✓	N/A
4(h) Audit Committee/other sub-committees	✓	✓		✓	N/A	N/A	✓	✓	N/A
4(i) Annual CEO Performance evaluation	✓	✓		✓	N/A	N/A	N/A	✓	N/A
4(j) Annual Board effectiveness evaluation	✓	✓		✓	✗	N/A	✗	✗	N/A

Source: Compiled by the Office of the Auditor General of Prince Edward Island.

APPENDIX E

RESULTS OF REVIEW
ANNUAL REPORTING FROM BOARDS
AS PROVIDED TO DEPARTMENTS BY DECEMBER 31, 2024

Items required in Treasury Board Policy 10.03 to be provided to Departments by December 31st	Department of Transportation and Infrastructure		Department of Workforce, Advanced Learning and Population				Department of Education and Early Years			Department of Justice and Public Safety
	Island Waste Management Corporation	PEI Crown Building Corporation	PEI Advisory Council on the Status of Women	PEI Employment Development Agency	PEI Student Financial Assistance Corporation	Workers Compensation Board	Public Schools Branch	La Commission scolaire de langue française	Island Regulatory and Appeals Commission	PEI Human Rights Commission
(a) Annual Report	✓	X	N/A ¹	✓	✓	✓	✓	✓	✓	✓
(b) Conflict of Interest declaration forms	X	X	X	X	✓	✓	X	X	N/A	N/A
(c) Board Certification – Fiduciary Duty forms	X	X	X	X	✓	✓	X	X	N/A	N/A
(d) Performance Evaluation – CEO or equivalents	X	N/A	X	X	X	✓	X	X	N/A	N/A
(e) Performance Evaluation – Board Members	X	N/A	X	X	X	✓	X	X	N/A	N/A
Formal letter required in Treasury Board Policy 10.03 to be provided by Minister to Boards										
Government's Public Policy Objectives related to each Crown	X	N/A	X	N/A	N/A	N/A	X	X	N/A	N/A

Source: Compiled based on review work of the Office of the Auditor General of Prince Edward Island.

¹ After their fiscal 2023-2024 year-end, the PEI Advisory Council on the Status of Women changed their fiscal year-end date from March 31st to December 31st. The Office decided to complete both 2024 year-end financial statement audits at the same time, subsequent to December 31, 2024. This resulted in the PEI Advisory Council on the Status of Women being unable to release their 2023-2024 Annual Report publicly during the reporting period identified on their Good Governance Policy Checklist. As such, we concluded as not applicable.

**DEPARTMENT OF FINANCE
MANAGEMENT RESPONSES TO RECOMMENDATIONS REPORTED AS
NOT IMPLEMENTED AS OF AUGUST 31, 2025**

We requested a written assessment from the Department of Finance management on the implementation status of the recommendations from our 2022 Overdue Property Taxes audit on August 31, 2025. We also requested an update on the actions taken to date and any planned actions towards implementing the recommendations. This appendix lists all recommendations reported by management as not implemented. We have not conducted any work and provide no assurance on these management responses. They are presented for information purposes.

Rec. #*	Recommendation	Management Response
Overdue Property Taxes - 2022		
1.34	The Department of Finance should advertise properties for tax sale according to timelines established in legislation.	<p>Actions Taken to Date:</p> <p>The Department of Finance does not have the same interpretation of the timeline established in the legislation. The Department has discussed the differing interpretations of the legislation with a view to crafting wording that is easier to interpret.</p> <p>The Department has first developed the payment arrangement and tax sale timing procedures to assist legislative drafters with determining how to draft legislative language.</p> <p>Actions Planned:</p> <p>Now that the payment arrangement policy noted in 1.29 has been finalized, the Department will work with legislative counsel to add clarity on reasonable timelines for advertising properties, based on interpreting the Act as a whole, including other prescribed requirements for advertising.</p> <p>This initiative was approved for the Department of Finance Legislative work plan for Fall 2023 and is in progress in conjunction with other changes to the <i>Real Property Tax Act</i> Regulations. The Department included this work as part of its Spring 2025 Legislative Work Plan relating to regulation amendments and expects to complete this work in Fall 2025.</p>

*Recommendation numbers refer to the paragraph numbers in the original audit report.

DEPARTMENT OF FINANCE
MANAGEMENT RESPONSES TO RECOMMENDATIONS REPORTED AS
NOT IMPLEMENTED AS OF AUGUST 31, 2025
We provide no assurance on management responses (for information only)

Rec. #*	Recommendation	Management Response
Overdue Property Taxes – 2022 (cont'd)		
1.58	The Taxation and Property Records Division of the Department of Finance should update their records retention and disposition schedule to maintain all records for taxpayers who have qualified for the Tax Deferral Program for Senior Citizens until the taxpayer exits the Program.	<p>Actions Taken to Date:</p> <p>The Department updated the records retention schedule and forwarded to the Public Archives and Records Office for approval in 2023. Staffing changes at the Public Archives and Records Office (Department of Education) have slowed retention schedule approval. The new records retention schedule is in the final stages of receiving approval.</p> <p>Actions Planned:</p> <p>The draft Taxation and Property Records Operational Records System will be submitted to the Public Records Committee for review and approval at a meeting September or October 2025. In the interim, no records for the Seniors Tax Deferral Program are being disposed of.</p>

*Recommendation numbers refer to the paragraph numbers in the original audit report.

**DEPARTMENT OF ENVIRONMENT, ENERGY AND CLIMATE ACTION
MANAGEMENT RESPONSES TO RECOMMENDATIONS REPORTED
AS NOT IMPLEMENTED AS OF AUGUST 31, 2025**
We provide no assurance on management responses (for information only)

We requested a written assessment from the Department of Environment, Energy and Climate Action management on the implementation status of the recommendations from our 2023 Forest Management audit on August 31, 2025. We also requested an update on the actions taken to date and any planned actions towards implementing the recommendations. This appendix lists all recommendations reported by management as not implemented. We have not conducted any work and provide no assurance on these management responses. They are presented for information purposes.

Rec. #*	Recommendation	Management Response
Forest Management - 2023		
1.20	The Department of Environment, Energy and Climate Action should include all information required under section 4(1) of the <i>Forest Management Act</i> in the Forest Policy for the Province.	<p>Actions Taken to Date:</p> <p>In February 2023, the Department launched a Forestry Commission to advise Government on forestry policy, programs, and legislation in the wake of post-tropical storm Fiona. The Department received the final report of the Commission in October 2024, including recommendations for legislation and policy. Legislation must set the framework for policy, and the Department has begun its review and update of the <i>Forest Management Act</i>. Once that is complete, the policy will be updated.</p> <p>Actions Planned:</p> <p>The Department plans to update PEI's Forest Policy once the <i>Forest Management Act</i> update is complete.</p>
1.24	The Department of Environment, Energy and Climate Action should review the Forest Policy in accordance with section 4(2) of the <i>Forest Management Act</i> . Timelines for regular reviews of the Forest Policy should be established.	<p>Actions Taken to Date:</p> <p>In February 2023, the Department launched a Forestry Commission to advise Government on forestry policy, programs, and legislation in the wake of post-tropical storm Fiona. The Department received the final report of the Commission in October 2024, including recommendations for legislation and policy. Legislation must set the framework for policy, and the Department has begun its review and update of the <i>Forest Management Act</i>. Once that is complete, the policy will be updated.</p> <p>Actions Planned:</p> <p>The Department plans to update PEI's forest policy once the <i>Forest Management Act</i> update is complete. The Act will include timelines for regular review of the Policy.</p>

*Recommendation numbers refer to the paragraph numbers in the original audit report.

DEPARTMENT OF ENVIRONMENT, ENERGY AND CLIMATE ACTION
MANAGEMENT RESPONSES TO RECOMMENDATIONS REPORTED
AS NOT IMPLEMENTED AS OF AUGUST 31, 2025
We provide no assurance on management responses (for information only)

Rec. #*	Recommendation	Management Response
Forest Management - 2023 (cont'd)		
1.32	The Department of Environment, Energy and Climate Action should provide <i>State of the Forest Reports</i> in accordance with timelines established in the <i>Forest Management Act</i> .	<p>Actions Taken to Date:</p> <p>The 2020 State of the Forest Report was released in December 2023, with a detailed post-Fiona update released in August 2024.</p> <p>The timelines established in the 1988 <i>Forest Management Act</i> are not reasonable for the complex information and analysis (including carbon budgeting) now expected from <i>State of the Forest Reports</i>.</p> <p>In February 2023, the Department launched a Forestry Commission to advise Government on forestry policy, programs, and legislation in the wake of post-tropical storm Fiona. The Department received the final report of the Commission in October 2024, including recommendations for legislation and policy. The Department has begun its review and update of the <i>Forest Management Act</i>.</p> <p>Actions Planned:</p> <p>The Department has begun its review and update of the <i>Forest Management Act</i>. The updated Act will include timelines for completion of <i>State of the Forest Reports</i>.</p>

*Recommendation numbers refer to the paragraph numbers in the original audit report.

DEPARTMENT OF ENVIRONMENT, ENERGY AND CLIMATE ACTION
MANAGEMENT RESPONSES TO RECOMMENDATIONS REPORTED
AS NOT IMPLEMENTED AS OF AUGUST 31, 2025
We provide no assurance on management responses (for information only)

Rec. #*	Recommendation	Management Response
Forest Management - 2023 (cont'd)		
1.37	The Department of Environment, Energy and Climate Action should prepare forest management plans for public forests in accordance with sections 9(3) and 9(4) of the <i>Forest Management Act</i> .	<p>Actions Taken to Date:</p> <p>The <i>Forest Management Act</i> is more than 30 years old and needs to be updated.</p> <p>In February 2023, the Department launched a Forestry Commission to advise Government on forestry policy, programs, and legislation in the wake of post-tropical storm Fiona. The Department received the final report of the Commission in October 2024, including recommendations for legislation. The Department has begun its review and update of the <i>Forest Management Act</i>.</p> <p>Actions Planned:</p> <p>The Department has begun its review and update of the <i>Forest Management Act</i>, which will include provisions for landscape-scale planning.</p>
1.38	The Department of Environment, Energy and Climate Action should prepare operations plans for public forests in accordance with sections 9(5) and 9(6) of the <i>Forest Management Act</i> .	<p>Actions Taken to Date:</p> <p>The <i>Forest Management Act</i> is more than 30 years old and needs to be updated.</p> <p>In February 2023, the Department launched a Forestry Commission to advise Government on forestry policy, programs, and legislation in the wake of post-tropical storm Fiona. The Department received the final report of the Commission in October 2024, including recommendations for legislation. The Department has begun its review and update of the <i>Forest Management Act</i>.</p> <p>Actions Planned:</p> <p>The Department has begun its review and update of the <i>Forest Management Act</i>, which will include provisions for landscape-scale planning.</p>

*Recommendation numbers refer to the paragraph numbers in the original audit report.

RESULTS OF REVIEW
ANNUAL REPORT CONTENT
FOR MARCH 31, 2024 ANNUAL REPORTS

Rec.	Annual reports should include:	Department of Economic Development, Innovation and Trade	Department of Fisheries, Tourism, Sport and Culture	Department of Health and Wellness	Island Waste Management Corporation	PEI Human Rights Commission	PEI Museum and Heritage Foundation
33	a message endorsed by the Minister or Chair of the Board	✓	X	✓	✓	✓	✓
	a listing of Acts the department/reporting entity is responsible for	✓ ¹	X	X	✓	✓	✓
	an overview statement endorsed by the Deputy Head	✓	✓	✓	✓	✓	✓
38	an organizational chart for the department/reporting entity identifying lines of accountability	✓	✓	✓	X	X	✓
	organization's mandate	✓	✓	✓	✓	✓	✓
	organization's mission statement	✓	✓	X	X	X	✓
	organization's vision statement	✓	X	✓	X	X	✓
43	organization's values or description of principles used to meet its vision	✓	X	✓	X	X	X
	a section which clearly outlines the organization's goals in accordance with Treasury Board Policy 10.01, Section 5(c)(vii) (formerly Section 8(g)(i))	✓	✓	✓	✓	X	✓
47	the timeframe for meetings its goals	X	X	X	✓	X	X
	why the results are important	✓	X	X	X	X	X
	how performance is measured	X	X	X	X	X	X
	the success or failures over the reporting period	X	X	X	X	X	X
50	how shortcomings will be addressed for the future	X	X	X	X	X	X
	outlines of the strategies used to obtain the intended results and provide a comparison of resources allocated to those actually used in accordance with Treasury Board Policy 10.01, Section 5(c)(vii) (formerly Section 8(g)(ii))	X	X	X	X	X	X
57	a separate section on the organization's main strategies and programs in accordance with Treasury Board Policy 10.01, Section 5(c)(viii) (formerly Section 8(h))	✓	✓	X	✓	✓	✓
	outcomes achieved against intended goals, how the results were measured, and strategies used	X	X	X	X	X	X
66	the relationship of the division's goals to the organization's overall goals	X	X	X	X	X	X
	a section or appendix with financial information which sets out the approved budget, actual results and variances in accordance with Treasury Board Policy 10.01, Section 5(c)(x) (formerly Section 8(i))	X	X	X	✓	✓	✓

Source: Compiled based on review work of the Office of the Auditor General of Prince Edward Island.

¹ A listing of Acts the department is responsible for does exist; however, based on the testing performed, the listing is not complete.

**HEALTH PEI
MANAGEMENT RESPONSES TO RECOMMENDATIONS REPORTED
AS NOT IMPLEMENTED AS OF AUGUST 31, 2025**

We requested a written assessment from Health PEI management on the implementation status of the recommendations from our 2023 Surgical Wait Times audit on August 31, 2025. We also requested an update on the actions taken to date and any planned actions towards implementing the recommendations. This appendix lists all recommendations reported by management as not implemented. We have not conducted any work and provide no assurance on these management responses. They are presented for information purposes.

Rec. #*	Recommendation	Management Response
Surgical Wait Times - 2023		
37	Health PEI should have documented policies and procedures for calculating surgical wait times.	<p>Actions Taken to Date:</p> <p>Health PEI requested and received methodology documentation from CIHI to develop the reports that automatically calculate the surgical wait times.</p> <p>Actions Planned:</p> <p>Formal policy and procedure documents will be created to ensure the CIHI methodology is being matched and reporting guidelines are being followed for hips, knees and cataracts.</p>
41	Health PEI should calculate its surgical wait times using the start dates based on national standards.	<p>Actions Taken to Date:</p> <p>Automated reports have been developed in Rstudio to calculate surgical wait times for hip replacements, knee replacements and first cataract surgeries with national standard timeframes of April 1 to September 30th along with yearly, quarterly and monthly breakdowns.</p> <p>Actions Planned:</p> <p>Scale the process to include all surgical procedures once an IT solution is in place.</p>

*Recommendation numbers refer to the paragraph numbers in the original audit report.

HEALTH PEI
MANAGEMENT RESPONSES TO RECOMMENDATIONS REPORTED
AS NOT IMPLEMENTED AS OF AUGUST 31, 2025
We provide no assurance on management responses (for information only)

Rec. #*	Recommendation	Management Response
Surgical Wait Times – 2023 (cont'd)		
46	<p>Health PEI should exclude the following surgeries from its surgical wait time calculations:</p> <ul style="list-style-type: none"> • surgeries where the patient declined the first available surgery date; and • patients second eye cataract surgeries. 	<p>Actions Taken to Date:</p> <p>Automated wait time reports for cataracts exclude patients second eye cataract surgeries.</p> <p>Actions Planned:</p> <p>The implementation of the Novari software system will allow Health PEI to exclude surgeries where the patient declined the first available surgery date. The Novari project has been submitted to the Treasury Board for approval.</p>
60	<p>Health PEI's Executive Leadership Team should review surgical wait times using the 50th and 90th percentile calculations, on a quarterly basis.</p>	<p>Actions Taken to Date:</p> <p>Automated reports have been developed in Rstudio to calculate surgical wait times for hip replacements, knee replacements and first cataract surgeries with national standard timeframes of April 1 to September 30th along with yearly, quarterly and monthly breakdowns.</p> <p>Actions Planned:</p> <p>Quarterly reviews are provided to the Board, Provincial Surgical Services Committee. The transformation office workstream will include 50th and 90th percentile wait times in future pulse check updates to executive leadership. These pulse checks occur at 6-week intervals.</p> <p>Reasons for No Action:</p> <p>The surgical workstream has previously been reporting on surgical volumes as they provide a more immediate view on the impact of the work being completed to increase capacity.</p>

*Recommendation numbers refer to the paragraph numbers in the original audit report.

**HEALTH PEI
MANAGEMENT RESPONSES TO RECOMMENDATIONS REPORTED
AS NOT IMPLEMENTED AS OF AUGUST 31, 2025
We provide no assurance on management responses (for information only)**

Rec. #*	Recommendation	Management Response
Surgical Wait Times – 2023 (cont'd)		
63	Health PEI’s Executive Leadership Team should monitor surgical wait times, identify the factors causing wait times to be higher than targets, and take corrective actions to address the issues identified. This process should be documented.	<p>Actions Taken to Date:</p> <p>Health PEI’s Executive Leadership Team has established a workstream in Dec 2024 within the transformation office that has a mandate to reduce surgical wait times. The workstream team has identified several opportunities for improvement and is in the process of developing and implementing solutions. Updates are provided to executive leadership every 3 weeks through pulse checks and a Workstream Steering Committee. Opportunities that have already been implemented include:</p> <ul style="list-style-type: none"> • OR staff scheduling coordination to reduce OR closures and increase surgical volumes • Update OR booking procedures to improve block utilization and lay groundwork for future opportunities. <p>Actions Planned:</p> <p>Improvement opportunities that are being developed and are in various stages of implementation include:</p> <ul style="list-style-type: none"> • Increasing the capacity for same day discharges for hip and knee replacements. • Implement a data drive block schedule review process to improve OR utilization and allocation • Regular hours emergency case time structuring to increase daytime emergency surgeries with existing resources. • A review of the transition of certain procedures from an OR setting to an ambulatory setting; based on level of procedural sedation required; ensuring the best patient experience and OR resources are being used as efficient as possible.

*Recommendation numbers refer to the paragraph numbers in the original audit report.

**HEALTH PEI
MANAGEMENT RESPONSES TO RECOMMENDATIONS REPORTED
AS NOT IMPLEMENTED AS OF AUGUST 31, 2025
We provide no assurance on management responses (for information only)**

Rec. #*	Recommendation	Management Response
Surgical Wait Times – 2023 (cont'd)		
75	Health PEI should provide accurate information to the public on how surgical wait times are calculated.	<p>Actions Taken to Date:</p> <p>Health PEI is reporting the 50th and 90th percentile based on completed cases and is working with operations to determine possibilities for Website enhancements such as Wait 1. (GP/NP Referral to specialist).</p> <p>Current and future state process map completed, starting at Primary care referral to surgery complete. The map outlines the opportunities to improve efficiency and improve reporting with the implementation of an IT solution.</p> <p>Actions Planned:</p> <p>The Prince Edward Island website where surgical wait times are reported will be updated to include a section outlining the methodology applied for calculating wait times and the existing limitations of HPEI’s systems.</p> <p>Treasury Board submission has been updated and on the agenda for September 3rd meeting for approval of an IT solution.</p>
87	Health PEI should track and report consult wait times for surgical procedures to the general public and referring physicians.	<p>Actions Taken to Date:</p> <p>Patient journey map completed and will support the TB memo submission seeking approval for IT solution.</p> <p>Process map updated with future state opportunities and efficiencies noted with the implementation of an IT solution.</p> <p>Manual process implemented for internal usage with surgeons and surgical services administration.</p> <p>Actions Planned:</p> <p>The implementation of the Novari solution will provide visibility and tracking capabilities into wait time 1 for surgical procedures which could then be reported to referring physicians and the public.</p>

*Recommendation numbers refer to the paragraph numbers in the original audit report.

HEALTH PEI
MANAGEMENT RESPONSES TO RECOMMENDATIONS REPORTED
AS NOT IMPLEMENTED AS OF AUGUST 31, 2025
We provide no assurance on management responses (for information only)

Rec. #*	Recommendation	Management Response
Surgical Wait Times – 2023 (cont'd)		
90	Health PEI should provide current surgical wait time data to referring physicians.	<p>Actions Taken to Date:</p> <p>Currently surgical wait time data is being calculated on completed procedures and posted on the Prince Edward Island website with some delay.</p> <p>Surgical leadership worked with Transformation Office and KPMG to develop a high level dashboard supporting reporting of information given the current data available.</p> <p>Actions Planned:</p> <p>Treasury Board submission; for an IT solution to manage, monitor and report Wait Time 1 for surgical patients; updated and on the agenda for September 3rd, 2025.</p>
94	Health PEI should make information on current wait times per surgeon readily available to referring physicians and the public.	<p>Actions Taken to Date:</p> <p>Business requirements for IT solution defined.</p> <p>Data is being collected to provide these metrics. The filtering and validation of the data remains under construction. The process is manual and time consuming.</p> <p>Actions Planned:</p> <p>With the approval of an IT solution, a centralized waitlist process will be developed, validated and implemented supporting a single source of data. The current wait times on the website are based on completed procedures and would need to be updated.</p>
99	Health PEI should provide the Board of Directors with surgical wait time data on a quarterly basis.	<p>Actions Planned:</p> <p>Adding the 50th and 90th percentile surgical wait times to the executive dashboard and providing this dashboard to the Board of Directors on a quarterly basis will provide them with the data they need to meet this recommendation.</p>

*Recommendation numbers refer to the paragraph numbers in the original audit report.

DEPARTMENT OF TRANSPORTATION AND INFRASTRUCTURE
MANAGEMENT RESPONSES TO RECOMMENDATIONS REPORTED
AS NOT IMPLEMENTED AS OF AUGUST 31, 2025

We requested a written assessment from the Department of Transportation and Infrastructure management on the implementation status of the recommendations from our 2024 Biomass Heating Contracts audit on August 31, 2025. We also requested an update on the actions taken to date and any planned actions towards implementing the recommendations. This appendix lists all recommendations reported by management as not implemented. We have not conducted any work and provide no assurance on these management responses. They are presented for information purposes.

Rec. #*	Recommendation	Management Response
Biomass Heating Contracts - 2024		
5.21	The Department of Transportation and Infrastructure should define sustainable harvesting practices in all biomass heating contracts for government facilities.	<p>Actions Taken to Date:</p> <p>DTI has met with biomass energy industry contacts to understand the impact that incorporating a definition for sustainable harvesting practices within heating contracts would have on contractors.</p> <p>Actions Planned:</p> <ul style="list-style-type: none"> • Follow-up conversations with industry. • Collaboration with Department of Environment, Energy and Climate Action (EECA) on developing an appropriate definition that is consistent with existing forest management standards.
5.22	The Department of Transportation and Infrastructure should require all biomass used to heat government facilities be harvested in a sustainable manner. This requirement should be included in all biomass heating contracts.	<p>Actions Taken to Date:</p> <p>DTI has met with biomass energy industry contacts to identify current industry challenges with establishing an available, reliable and traceable supply of sustainably harvested biomass material.</p> <p>Actions Planned:</p> <ul style="list-style-type: none"> • Follow-up conversations with industry. • Explore sustainably harvested biomass pilot facility.

*Recommendation numbers refer to the paragraph numbers in the original audit report.

DEPARTMENT OF TRANSPORTATION AND INFRASTRUCTURE
MANAGEMENT RESPONSES TO RECOMMENDATIONS REPORTED AS
NOT IMPLEMENTED AS OF AUGUST 31, 2025

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

Rec. #*	Recommendation	Management Response
Biomass Heating Contracts – 2024 (cont'd)		
5.39	The Department of Transportation and Infrastructure should require contractors to report sufficient information on harvests for all biomass contracts which will allow the Department to assess if sustainable harvesting requirements were met.	<p>Actions Planned:</p> <ul style="list-style-type: none"> Work with EECA to develop reporting tools for biomass energy contractors to use that will allow the Departments to confirm that the harvested wood complies with the sustainable harvesting definition. <p>Reasons for No Action:</p> <p>DTI has not entered into any new biomass supply contracts.</p>
5.40	The Department of Transportation and Infrastructure should regularly monitor, review, and enforce the reporting requirements included in the biomass contracts.	<p>Actions Taken to Date:</p> <p>DTI continues to monitor, review and enforce reporting requirements within the boundaries of existing contracts.</p> <p>Actions Planned:</p> <ul style="list-style-type: none"> Work with EECA to establish improved processes and procedures to monitor and review biomass energy contractors contract reporting and to follow up on any reporting gaps.
5.41	The Department of Transportation and Infrastructure should include penalty clauses in all biomass heating contracts to be applied if harvest information is not reported by contractors in accordance with the contract terms.	<p>Actions Planned:</p> <ul style="list-style-type: none"> When a new contract template is developed, penalty clauses for non-compliance with reporting requirements will be developed. <p>Reasons for No Action:</p> <p>DTI has not entered into any new biomass supply contracts.</p>

*Recommendation numbers refer to the paragraph numbers in the original audit report.

DEPARTMENT OF TRANSPORTATION AND INFRASTRUCTURE
MANAGEMENT RESPONSES TO RECOMMENDATIONS REPORTED AS
NOT IMPLEMENTED AS OF AUGUST 31, 2025

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

Rec. #*	Recommendation	Management Response
Biomass Heating Contracts – 2024 (cont'd)		
5.42	The Department of Transportation and Infrastructure should include corrective action and penalty clauses in all biomass heating contracts to be applied if sustainable harvesting requirements are not met.	<p>Actions Planned:</p> <ul style="list-style-type: none"> When a new contract template is developed, clear and fair correction action and penalty clauses for non-compliance with sustainable harvesting requirements will be developed. <p>Reasons for No Action: DTI has not entered into any new biomass supply contracts.</p>
5.50	The Department of Transportation and Infrastructure should update all biomass heating contracts so that requirements are consistent among all contracts.	<p>Actions Planned:</p> <ul style="list-style-type: none"> DTI will continue to improve contract language with future evolutions of biomass supply contracts which reflect the state of sustainable practices at the time of the contract. <p>Reasons for No Action: DTI has not had to renew any expired contracts or enter into any new biomass supply contracts.</p>

*Recommendation numbers refer to the paragraph numbers in the original audit report.

**PUBLIC SCHOOLS BRANCH AND LA COMMISSION SCOLAIRE DE LANGUE FRANÇAISE
MANAGEMENT RESPONSES TO RECOMMENDATIONS REPORTED
AS NOT IMPLEMENTED AS OF AUGUST 31, 2025**

We requested a written assessment from the Public Schools Branch and la Commission scolaire de langue française management on the implementation status of the recommendations from our 2024 Healthiness of Food in Schools audit on August 31, 2025. We also requested an update on the actions taken to date and any planned actions towards implementing the recommendations. Management from both entities provided the same responses. This appendix lists all recommendations reported by management as not implemented. We have not conducted any work and provide no assurance on these management responses. They are presented for information purposes.

Rec. #*	Recommendation	Management Response
Healthiness of Food in Schools - 2024		
25	The Public Schools Branch and la Commission scolaire de langue française should update their school nutrition policy to reflect current best practice.	<p>Actions Taken to Date:</p> <ul style="list-style-type: none"> A School Food Project Coordinator was hired on May 5, 2025, by the Department of Education and Early Years, to lead the development of a new school food policy in collaboration with both Education Authorities. Initial discussions, research, and consultation with key stakeholders took place May to August 2025. The updated school food policy and supporting documents are currently in draft form. <p>Actions Planned:</p> <ul style="list-style-type: none"> Broad consultation on the draft school food policy is planned for Fall 2025 with groups such as principals, teachers, education stakeholders, public, home and school, etc.

*Recommendation numbers refer to the paragraph numbers in the original audit report.

PUBLIC SCHOOLS BRANCH AND LA COMMISSION SCOLAIRE DE LANGUE FRANÇAISE
MANAGEMENT RESPONSES TO RECOMMENDATIONS REPORTED
AS NOT IMPLEMENTED AS OF AUGUST 31, 2025

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

Rec. #*	Recommendation	Management Response
Healthiness of Food in Schools – 2024 (cont'd)		
35	The Public Schools Branch and la Commission scolaire de langue française, in conjunction with schools within their education authority, should regularly monitor whether food and beverages offered comply with their respective school nutrition policy.	<p>Actions Planned:</p> <ul style="list-style-type: none"> A process for monitoring compliance will be established when the updated school food policy is finalized. <p>Reasons for No Action:</p> <ul style="list-style-type: none"> School Nutrition Environment Policy is still in draft form, but monitoring/reporting has been built into the goals and objectives. Measurables will be determined when the policy is finalized.
41	The Public Schools Branch and la Commission scolaire de langue française, in conjunction with the Department, should work with schools to address the barriers faced by schools in implementing school food programs that comply with school nutrition policies.	<p>Actions Taken to Date:</p> <ul style="list-style-type: none"> During initial stakeholder contacts, Principals were asked to identify and comment on barriers to implementation. <p>Actions Planned:</p> <ul style="list-style-type: none"> The Department and Education Authorities will work collaboratively to address these barriers through the policy implementation process. The School Food Project Coordinator will work with schools and food service providers to address anticipated barriers to implementation once the draft school food policy has been finalized.

*Recommendation numbers refer to the paragraph numbers in the original audit report.

PUBLIC SCHOOLS BRANCH AND LA COMMISSION SCOLAIRE DE LANGUE FRANÇAISE
MANAGEMENT RESPONSES TO RECOMMENDATIONS REPORTED
AS NOT IMPLEMENTED AS OF AUGUST 31, 2025

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

Rec. #*	Recommendation	Management Response
Healthiness of Food in Schools – 2024 (cont'd)		
47	The Public Schools Branch and la Commission scolaire de langue française should develop goals and objectives specific to healthy eating in schools.	<p>Actions Taken to Date:</p> <ul style="list-style-type: none"> Goals and objectives for healthy eating at school have been drafted and used to inform the updates to the School Food Environment policy. <p>Actions Planned:</p> <p>Finalize language when the School Food Environment policy is finalized to ensure alignment.</p>
48	The Public Schools Branch and la Commission scolaire de langue française should publicly report on the outcomes of healthy eating in schools.	<p>Actions Planned:</p> <p>Public reporting can occur once the updated school food environment policy has been implemented and compliance is measured and evaluated.</p>
79	Schools in the Public Schools Branch and la Commission scolaire de langue française should ensure food and beverages offered in schools comply with the school nutrition policy and food choices guide.	<p>Actions Taken to Date:</p> <ul style="list-style-type: none"> The draft School Food Environment policy includes a directive that schools and school food service providers must comply with the Food and Beverage Standards in the School Food Environment Implementation Guide (which will replace the existing food choices guide). The Food and Beverage Standards have been drafted to align with the 2019 Canada’s Food Guide and current best practices. <p>Actions Planned:</p> <ul style="list-style-type: none"> The Food and Beverage Standards in the School Food Environment Implementation Guide are subject to upcoming consultations in Fall 2025. Once the updated school food environment policy has been finalized, compliance monitoring tools will be developed for schools and the school boards.

*Recommendation numbers refer to the paragraph numbers in the original audit report.

PUBLIC SCHOOLS BRANCH AND LA COMMISSION SCOLAIRE DE LANGUE FRANÇAISE
MANAGEMENT RESPONSES TO RECOMMENDATIONS REPORTED
AS NOT IMPLEMENTED AS OF AUGUST 31, 2025

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

Rec. #*	Recommendation	Management Response
Healthiness of Food in Schools – 2024 (cont'd)		
89	Schools in the Public Schools Branch and la Commission scolaire de langue française should have up-to-date contracts with food service providers, which include appropriate terms and conditions requiring compliance with their school nutrition policy.	<p>Actions Taken to Date:</p> <ul style="list-style-type: none"> The draft School Food Environment policy includes a directive that contracts with food service providers must include a clause requiring compliance.

*Recommendation numbers refer to the paragraph numbers in the original audit report.

Follow-Up on COVID-19 Audit

Independent Assurance Report

COVID-19
CORONAVIRUS

Chapter 8

8. Follow-Up on COVID-19 Audit – Highlights

What We Did:

At the request of the former Premier Dennis King in April 2020, the Office began audit work on the finances related to the provincial government’s COVID-19 programming, supports, and special warrants. A three-phase audit approach was used with reports released in July 2021, July 2023 and December 2023.

This report describes the results of our follow-up assessment to monitor the progress on recommendations that were presented to government.

What We Found:

Treasury Board reported that **2 of 3** recommendations had been implemented.

During our follow-up, we found only **1 of 3** were actually implemented.



Recommendation 1:

Treasury Board should follow up with all departments and Crown corporations, even those not involved with this audit, to ensure they understand the requirement to follow Treasury Board policy, specifically requirements related to:

- budgeting and financial management and contracts. (Phase I & III)
- section 13: Contract Services, Conditional Grants & Funding Agreements. (Phase II)

Treasury Board Response: Implemented | Auditor General Conclusion: Implemented

Recommendation 2:

Treasury Board and Executive Council should require departments and Crown corporations that disbursed COVID-19 financial support payments based on applicant attestation, to develop and implement post payment verification work. (Phase I)

Treasury Board Response: Implemented | Auditor General Conclusion: Not Implemented

Recommendation 3:

Treasury Board and Executive Council should conduct a formal assessment of the delivery of the COVID-19 Financial Support Programs and apply the findings of this assessment to the design and delivery of future government emergency programs. (All phases)

Treasury Board Response: Not Implemented

8. Follow-Up on COVID-19 Audit

WHAT OUR COVID-19 FINANCIAL SUPPORT PROGRAM AUDIT EXAMINED

- 8.1 On April 10, 2020, former Premier Dennis King requested the Auditor General, under subsection 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 programing and supports, and the special warrants associated with COVID-19 for the period starting March 13, 2020.
- 8.2 The Government of Prince Edward Island established two temporary contingency funds to support Islanders during the pandemic:
- **COVID-19 Emergency Contingency Fund:** \$88.6 million to support individuals and businesses facing hardship due to the pandemic through 40 government programs.
 - **COVID-19 Response and Recovery Contingency Fund:** \$65 million to provide additional support to Islanders in the event of a second wave of the pandemic and to assist with economic recovery, through 42 government programs.
- 8.3 As we obtained a better understanding of the various COVID-19 programs, a three-phased approach was presented to, and approved, by Executive Council. **Exhibit 8.1** provides a summary of each audit phase.

EXHIBIT 8.1
SUMMARY OF COVID-19 FINANCIAL SUPPORT PROGRAMS AUDIT PHASES

Audit Phase	Report Date	Description of Audit Scope	Actual Expenditures Included in Scope (\$ million)	Programs Tested
Phase I	July 26, 2021	Included financial support program payments paid from the COVID-19 Emergency Contingency Fund with application deadlines up to, and including, August 31, 2020.	\$38.6	21
Phase II	July 5, 2023	Included loan programs, as well as the remaining program payments funded by the COVID-19 Emergency Contingency Fund with application deadlines after August 31, 2020.	\$23.0	11
Phase III	December 5, 2023	Included additional programs established using the COVID-19 Response and Recovery Contingency Fund.	\$15.9	18

Source of data: OAG audit reports on Covid-19 Financial Support Programs

- 8.4 The audit objectives for each phase of the audit were to determine whether the Province of Prince Edward Island:
- 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.
- 8.5 After completing the three phases of the audit, we concluded the Province of Prince Edward Island obtained appropriate authorizations for financial support programs initiated in response to COVID-19. However, appropriate oversight and controls were not always maintained over disbursements made under these programs.

OUR FOLLOW-UP PROCESS

- 8.6 The objective of this engagement was to provide limited assurance on the implementation status of recommendations from the three phases of our COVID-19 Financial Support Programs audit which Treasury Board Secretariat (Treasury Board) reported as implemented.
- 8.7 We did not conduct a follow-up audit, but conducted sufficient procedures to obtain limited assurance to support our conclusions. Further details on the engagement standards, objective, scope and conclusion are included in **Appendix A**.
- 8.8 To streamline the follow-up process, similar recommendations across the three reports were grouped together. We asked Treasury Board to provide an implementation status for each recommendation based on the following categories:
- Implemented
 - Not implemented
 - Do not intend to implement
 - Action no longer required due to changes in circumstances
- 8.9 Treasury Board assessed two of the three recommendations from the COVID-19 Financial Support Programs audit as implemented as of June 30, 2025. See **Appendix B** for Treasury Board's written assessment.
- 8.10 For each recommendation reported as implemented by Treasury Board, we requested details on the actions taken and conducted follow-up work to determine if the recommendation was implemented. For recommendations reported as not implemented, we did not complete any follow-up work.

IMPLEMENTATION STATUS OF RECOMMENDATIONS

Recommendation 1

Treasury Board should follow up with all departments and Crown corporations, even those not involved with this audit, to ensure they understand the requirement to follow Treasury Board policy, specifically requirements related to:

- budgeting and financial management and contracts. *(Phase I- Recommendation 1; Phase III - Recommendation 1)*
- section 13: Contract Services, Conditional Grants & Funding Agreements. *(Phase II - Recommendation 1)*

Status Reported by Treasury Board: *Implemented*

Our Conclusion: *Implemented*

8.11 This recommendation was made in response to several key weaknesses identified across the three phases of our audit, which indicated those administering the programs were not always knowledgeable in Treasury Board policies. Key weaknesses included:

- Not all programs were approved by Treasury Board before public announcement or implementation. (Phase II and III)
- Treasury Board approval was not consistently obtained for program changes before implementation. (Phase I, II and III)
- Payments and contracts were not always appropriately authorized. (Phase I)
- Applicants were not always required to attest to all eligibility criteria. (Phase I)
- Funding was sometimes provided to ineligible recipients. (Phase I, II and III)
- Service contracts were not always in place. (Phase I and II)
- Calculation errors were found in payments. (Phase I and III)
- Not all programs had documented procedures established to guide staff. (Phase I and III)
- For most programs there was no documentation available to indicate a quality review had been done. (Phase I)

8.12 Treasury Board reported this recommendation was implemented and indicated that Treasury Board employees work regularly with all government staff to provide education on Treasury Board policies. We reviewed the content and attendance records relating to the training provided to departments and Crown corporations. We found the training addressed Treasury Board policy requirements related to budgeting, financial management, and contracts. Participation records also supported that training was provided to the Deputy Ministers responsible for departments and Crown corporations. Therefore, we agreed with Treasury Board's assessment and concluded that this recommendation was implemented.

Recommendation 2	
Treasury Board and Executive Council should require departments and Crown corporations that disbursed COVID-19 financial support payments based on applicant attestation, to develop and implement post-payment verification work. <i>(Phase I - Recommendation 2)</i>	
Status Reported by Treasury Board: <i>Implemented</i>	Our Conclusion: <i>Not Implemented</i>

- 8.13 As part of the Phase I audit report, we found 7 of the 21 programs required applicants to submit signed attestations stating that they reviewed, understood, and met the program specific eligibility criteria, rather than have applicants submit supporting documentation. This practice was used by similar financial support programs across the country and allowed applications to be processed quickly.
- 8.14 Due to the nature of this application process, we made this recommendation expecting that departments and Crown corporations responsible for these seven programs would select a sample of applicants to confirm their eligibility. Treasury Board responded that this recommendation was implemented and that Government has already completed follow-up for a number of programs. **Exhibit 2** provides the results from our follow-up work and a summary of programs that used applicant attestations.

EXHIBIT 2
FOLLOW-UP RESULTS
PROGRAMS THAT USED APPLICANT ATTESTATIONS

FINANCIAL SUPPORT PROGRAM**	AT THE TIME OF OUR AUDIT*		FOLLOW-UP RESULTS: WERE POST-PAYMENT VERIFICATIONS IMPLEMENTED?
	ACTUAL EXPENDITURES	APPROVED APPLICANTS	
Workspace Adaptation Assistance Fund	\$1,032,100	933	Yes
Emergency Relief – Worker Assistance Program	\$1,382,100	280	No
COVID-19 Income Support Fund	\$6,441,000	8,585	No
Employee Gift Card Program	\$787,500	10,500	No
Community Champions Gift Card Program	\$252,000	3,270	No
Special Situations Fund	\$774,400	480	No
Emergency Relief to Childcare Centers & Essential Workers	\$1,321,600	N/A	No
Total	\$11,900,700		

Source of data: OAG audit report Phase I Covid-19 Financial Support Payments

*The actual expenditures and number of approved applicants presented above are based on results presented as part of the COVID-19 Financial Support Programs Phase I report.

Some government departments have been restructured since the time of our audit work. **Appendix C outlines the department currently responsible for each program, as compared to the department responsible at the time of our original audit report.

8.15 Although Treasury Board reported this recommendation as implemented, they later acknowledged they did not actually confirm with departments and Crown corporations that post-payment verification was done for each program. They further noted that they did not intend to do any more follow-up work in this area on COVID-19 related programs. Therefore, we did not agree with Treasury Board’s assessment and concluded that this recommendation was not implemented.

Recommendation 3

Treasury Board and Executive Council should conduct a formal assessment of the delivery of the COVID-19 Financial Support Programs and apply the findings of this assessment to the design and delivery of future government emergency programs.

(Phase I - Recommendation 3; Phase II - Recommendation 2 - Phase III - Recommendation 2)

Status Reported by Treasury Board: *Not Implemented*

**We did not perform any follow-up work and provide no assurance on this recommendation as Treasury Board reported as not implemented.*

8.16 Approximately \$153.6 million in financial payments were made as part of government’s COVID-19 emergency response programs. Given this high-dollar value and how the funds were intended to be used in areas which needed economic recovery or stimulus, we expected a formal assessment to be conducted.

8.17 Treasury Board noted this recommendation was not implemented, but that an evaluation framework for the overall response to the COVID-19 pandemic will be developed. As part of follow-up discussions with the Office, Treasury Board also confirmed that a staff member from the Department of Finance was delegated as responsible for completing the assessment, which is anticipated to be completed by March 31, 2026.

8.18 It is important for government to evaluate the effectiveness, or impact, of these financial support programs. Conducting an assessment helps determine whether the funded programs achieved their objectives and identifies what went well and what could be improved for future programs.

STANDARDS, 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 implementation status of the recommendations from the three phases of our COVID-19 Financial Support Programs audit. 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 the Canadian Standard on Quality Management 1 (CSQM1) which requires the Office to design, implement, and operate a system of quality management, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

In conducting this limited 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

The objective of this engagement was to provide limited assurance on the implementation status of the recommendations from the three phases of our COVID-19 Financial Support Programs audit, which management reported as implemented as of June 30, 2025.

SCOPE AND APPROACH

The scope period is from the report date of each of the three COVID-19 Financial Support Programs audit reports (Phase I – July 2021; Phase II – July 2023; Phase III – December 5, 2023) to June 30, 2025. We did not perform any follow-up work, and provide no assurance, on the recommendation Treasury Board reported as not implemented.

The procedures performed in a limited assurance engagement are less extensive than for 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.

Our approach included:

- obtaining assertions from Treasury Board on the implementation status of each recommendation;
- interviewing Treasury Board and staff from departments which administered the COVID-19 Financial Support Programs; and
- examining documents.

CONCLUSION

Treasury Board reported that two of three recommendations from the three phases of our COVID-19 Financial Support Programs audit have been implemented as of June 30, 2025.

Based on the limited assurance procedures performed and evidence obtained on all implemented recommendations, we concluded that only one of three recommendations from the three phases of our COVID-19 Financial Support Programs audit have been implemented as of June 30, 2025.

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 January 12, 2026, in Charlottetown, Prince Edward Island.

**IMPLEMENTATION STATUS OF RECOMMENDATIONS REPORTED BY TREASURY BOARD
AS OF JUNE 30, 2025**

We requested a written assessment from Treasury Board on the implementation status of recommendations from the three phases of the COVID-19 Financial Support Programs audit as of June 30, 2025. To streamline this process, similar recommendations were grouped and a single response was provided to cover the following three areas of recommendation. This appendix lists all recommendations and responses reported by Treasury Board.

Rec #	Recommendation	Treasury Board Response
1	<p>Treasury Board should follow up with all departments and Crown corporations, even those not involved with this audit, to ensure they understand the requirement to follow Treasury Board policy, specifically requirements related to budgeting and financial management and contracts. (Phase I & III)</p> <p>Treasury Board should follow up with all departments and Crown corporations, even those not involved in this audit, to ensure they understand the requirement to follow Treasury Board policy, specifically requirements related to Section 13: Contract Services, Conditional Grants & Funding Agreements. (Phase II)</p>	<p>Actions Taken to Date: Treasury Board staff work regularly with all staff to provide education on Treasury Board policies. Government commits to continue working with departments and Crown corporations to provide information on the requirements related to budgeting, financial management and contracts.</p> <p>Treasury Board has followed up with all departments and Crown corporations, even those not involved in this audit, with an email reminder of the importance of following Treasury Board policy on October 4, 2023.</p> <p>Actions Planned: N/A - Implemented</p>

Rec #	Recommendation	Treasury Board Response
2	<p>Treasury Board and Executive Council should require departments and Crown corporations that disbursed COVID-19 financial support payments based on applicant attestation, to develop and implement post-payment verification work. (Phase I).</p>	<p>Actions Taken to Date:</p> <p>When developing the programs needed during the early days of the pandemic, Government was required to determine how much information from applicants was necessary in order to have comfort prior to providing a payment. One approach used in some program designs was an applicant attestation. The attestation would indicate that the applicant met the criteria for the program and the funding provided by the program. Government agrees that some form of post-payment follow-up is important. Government has already completed follow-up for a number of programs to confirm that payments were made to eligible applicants.</p> <p>Treasury Board will continue to provide guidance to departments on these controls as a matter of course. Future programs established in response to an emergency situation should require entities to develop and implement a post-payment verification of the attestation function of the program to ensure that payments were provided to qualified applicants.</p> <p>Actions Planned:</p> <p>N/A - Implemented</p>

Rec #	Recommendation	Treasury Board Response
3	<p>Treasury Board and Executive Council should conduct a formal assessment of the delivery of the COVID-19 Financial Support Programs and apply the findings of this assessment to the design and delivery of future government emergency programs. (Phase I, II and III).</p>	<p>Actions Taken to Date: Informal assessments of COVID-19 programs, as well as Hurricane Fiona programs, have been conducted by some departments and Crown corporations, with the intent of these assessments to provide insight into the design and delivery of future government emergency programs.</p> <p>Actions Planned: Government will be developing an evaluation framework for the overall response to the COVID-19 pandemic. In developing the framework, there may be programs that will require a comprehensive assessment. A goal for Government is to continue to improve emergency management processes. The lessons learned from dealing with past emergencies like Hurricane Dorian were applied when dealing with the situations presented during the pandemic. The results of the evaluation will assist government to continue improving our emergency management processes.</p>

RESPONSIBLE DEPARTMENT FOR COVID-19 FINANCIAL SUPPORT PROGRAMS

FINANCIAL SUPPORT PROGRAM	RESPONSIBLE DEPARTMENT/CROWN CORPORATION AT TIME OF AUDIT	RESPONSIBLE DEPARTMENT/CROWN CORPORATION AFTER APRIL 2023 GOVERNMENT REORGANIZATION
Workspace Adaptation Assistance Fund	Innovation PEI	Innovation PEI
Emergency Relief – Worker Assistance Program	Department of Economic Growth, Tourism and Culture	Department of Workforce, Advanced Learning and Population
COVID-19 Income Support Fund	Department of Economic Growth, Tourism and Culture	Department of Workforce, Advanced Learning and Population
Employee Gift Card Program	Department of Economic Growth, Tourism and Culture	Department of Fisheries, Tourism, Sport and Culture
Community Champions Gift Card Program	Department of Economic Growth, Tourism and Culture	Department of Fisheries, Tourism, Sport and Culture
Special Situations Fund	Department of Transportation and Infrastructure	Department of Transportation and Infrastructure
Emergency Relief to Childcare Centers & Essential Workers	Department of Education and Lifelong Learning	Department of Education and Early Years



Financial Audits

Introduction to Financial Audits

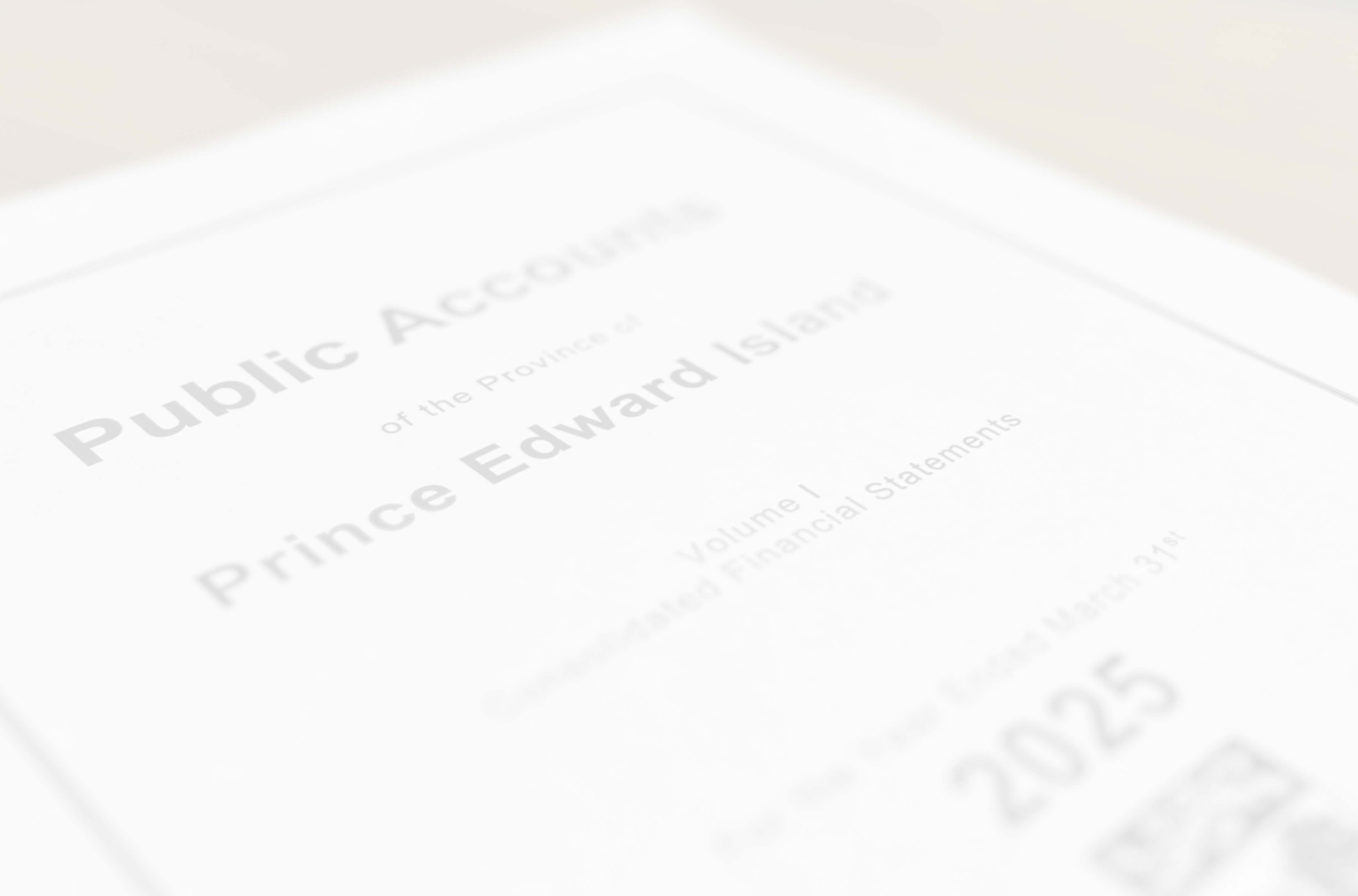
Chapter 9

9. Introduction to Financial Audits

- 9.1 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.
- 9.2 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.
- 9.3 The work of an independent auditor provides assurance that the financial statements are fairly presented. Using Canadian Auditing Standards, the auditor, among other things:
- identifies and assesses the risks of material misstatement, whether due to fraud or error, based on an understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control;
 - obtains sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks; and
 - forms an opinion on the financial statements based on conclusions drawn from the audit evidence obtained.
- 9.4 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.
- 9.5 The *Audit Act* requires the Auditor General to perform the annual financial audit of the Province's consolidated financial statements. We also perform the annual financial statement audits for the following entities:
- Health PEI
 - PEI Advisory Council on the Status of Women
 - PEI Crown Building Corporation
 - PEI Lotteries Commission
 - PEI Self-Insurance and Risk Management Fund
 - PEI Teachers' Pension Plan
 - Public Trustee
 - Supreme Court of PEI Trust Accounts

- 9.6 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.
- 9.7 The Office also has reporting responsibilities under the *Government Advertising Standards Act*. These responsibilities were reported in Chapter 3.
- 9.8 In the chapters that follow, we provide summary financial highlights and comments on indicators of financial condition for the Province. We also report on key findings and recommendations resulting from our audits of
- the Province’s consolidated financial statements;
 - the financial statements of Crown corporations, agencies and trust funds; and
 - the processing and recording of appropriations and special warrants.

Audit of the Consolidated Financial Statements



Chapter 10

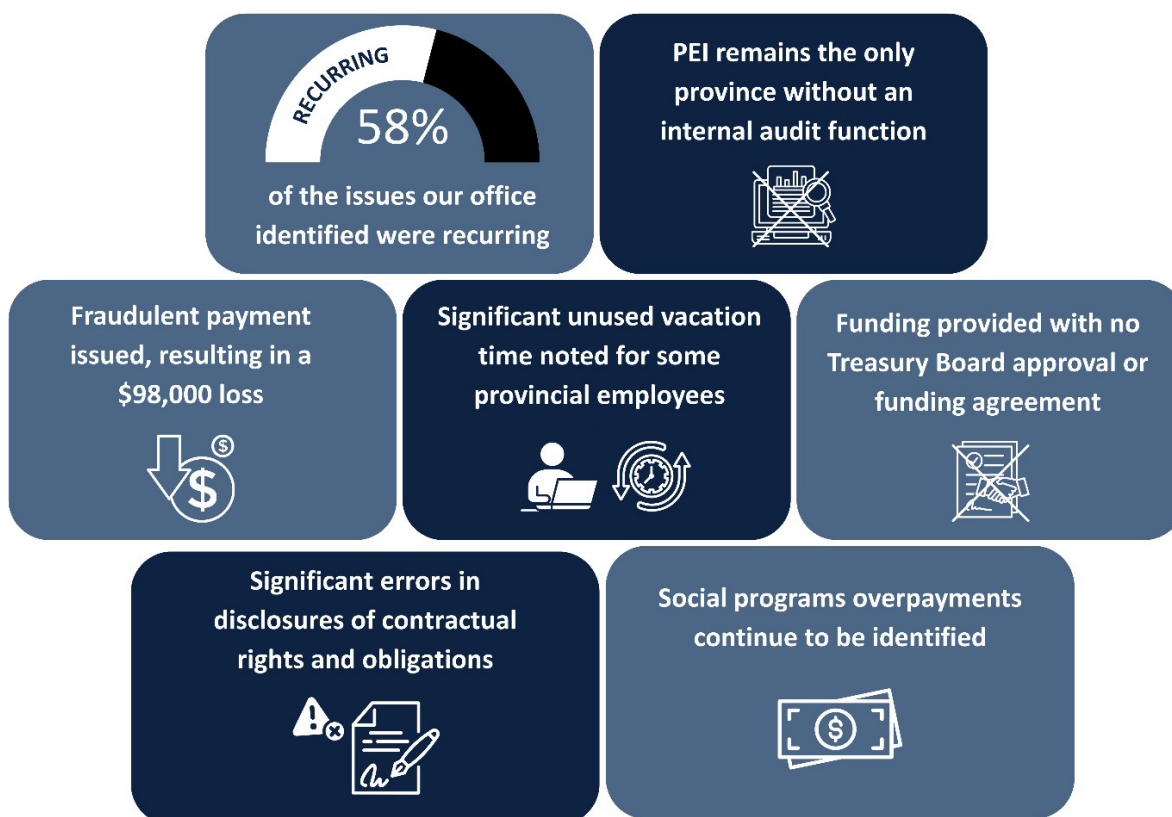
10. Audit of the Consolidated Financial Statements – Highlights

What We Did:

We completed our audit of the Province’s consolidated financial statements for the year ended March 31, 2025, and issued a clean, or unqualified, audit opinion on September 29, 2025.

In this chapter, we provided information on the significant issues and recommendations arising from our audit work, along with other items we identified for consideration. We also provided a summary of amounts due to the Province that had been cancelled or written off under section 26 of the *Financial Administration Act*. In addition, we reported surpluses and deficits of the Province’s agencies, boards, funds, and Crown corporations for the year ended March 31, 2025.

What We Found:



10. Audit of the Consolidated Financial Statements

BACKGROUND

- 10.1 The *Financial Administration Act* requires the Comptroller to annually prepare the Province's Public Accounts. Volume I of Public Accounts contains the Province's audited consolidated financial statements. All information and decisions related to these statements are the responsibility of Government. Public Accounts also includes Volume II, which contains the unaudited Operating Fund financial statements and details of revenues and expenditures of the Operating Fund, and Volume III (Part A and B), which contains the available financial statements of agencies, boards, funds, and Crown corporations that have been audited.
- 10.2 The *Financial Administration Act* requires the Minister of Finance to annually table the Province's Public Accounts in the Legislative Assembly. Public Accounts for the fiscal year ended March 31, 2025, were tabled on October 8, 2025.

OBJECTIVES AND SCOPE

- 10.3 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.
- 10.4 Under section 17 of the *Audit 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.
- 10.5 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, 2025. We also include issues and recommendations arising from our work and provide information to address other reporting requirements under the *Audit Act*.

AUDIT OPINION

- 10.6 Our audit was conducted in accordance with Canadian Auditing Standards. On September 29, 2025, the Auditor General issued a clean, or unqualified, audit opinion on the Province's consolidated financial statements for the fiscal year ended March 31, 2025. The independent audit opinion stated that the Province's consolidated financial statements for the year ended March 31, 2025, were fairly

presented in accordance with Canadian Public Sector Accounting Standards. As part of our audit report, we also disclosed a key audit matter encountered during our audit of the Province's consolidated financial statements.

OBSERVATIONS AND RECOMMENDATIONS

- 10.7 The consolidated financial statements are the responsibility of Government and are prepared by the Office of the Comptroller. Our audit involves performing procedures to obtain sufficient and appropriate audit evidence to provide a basis for the audit opinion.
- 10.8 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 related to internal controls and financial reporting that require improvement. The following paragraphs provide details on some of the more significant issues and recommendations resulting from our audit, along with other items we noted for consideration.
- 10.9 **Appendix A** of this chapter includes a listing of the recommendations resulting from our audit, as well as management responses to our recommendations.

No Internal Audit Function

- 10.10 As noted in prior years, the Province does not have an internal audit function and is the only province in Canada without one. An internal audit function would assist the Province in accomplishing its objectives by providing it with internal auditing services. These services would provide a systematic approach for evaluating and advising government on the effectiveness of its internal controls, governance processes, and risk management. It could support the Province's operations by assessing various matters: the reliability of information produced and used by the Province, compliance with legislation, policies and accounting standards, and the effectiveness of programs, internal control operations and exposure to fraud.
- 10.11 The Department of Finance is currently acting on recommendations received from an independent consultant related to the design and establishment of an internal audit division which will carry out an internal audit function. However, an internal audit function is still not in place approximately two years after the Department committed to it.

Recommendation (Recurring)

- 10.12 The Department of Finance should establish an internal audit function to help support the Province's operations.

Payment Issued to Fraudulent Party

10.13 During our audit, we became aware of an incident where the Department of Social Development and Seniors issued a payment of \$98,000 to an unknown fraudulent party, who had posed as an existing payee of the Department.

10.14 As of January 2026, these funds have not been recovered. Failure to address the control weaknesses that allowed this payment to be issued could lead to additional public funds being paid to fraudulent parties in the future. We were informed by the Office of the Comptroller that it is working together with the Department to improve controls to prevent this from happening in the future.

Recommendation (New)

10.15 The Department of Social Development and Seniors and the Office of the Comptroller should work together to implement more robust controls that prevent payments from being issued to fraudulent parties.

Significant Unused Vacation Time

10.16 During our audit, we continued to note a number of the Province's employees carrying over significant amounts of accrued vacation time in combination with minimal vacation usage during the 2024-25 fiscal year. This could indicate that regular vacation is not being taken or is not being reported. While we acknowledge that position vacancies and unexpected work requirements can limit vacation time usage in some circumstances, not taking regular vacation time could negatively impact the performance, retention, and future recruitment of provincial government employees.

10.17 Taking regular vacation time is essential for employee well-being from both a mental health and physical health perspective. It is associated with benefits including increased productivity and job satisfaction, reduced stress, and the maintenance of a healthy work-life balance. It is also an important internal control that promotes operational transparency and reduces fraud risk. To encourage the use of vacation time earned, employees of the Province have a limit on the amount of vacation time that they are entitled to carry over each fiscal year. In some cases, employees may be able to carry over vacation time in excess of their annual limit if an appropriate level of approval is obtained. Unused vacation balances at year-end represent an accrued liability for the Province that can only be reduced through employees using their vacation time or the Province paying it out.

Recommendation (Recurring)

10.18 Departments and reporting entities of the Province should regularly monitor vacation time usage and promote the timely use of vacation by employees.

Funding Provided with No Treasury Board Approval or Funding Agreement

10.19 During our audit, we noted that over \$6 million was paid to PEI School Food Program Inc. (PEISFPI) over an entire school year with no formal funding agreement in place. After a previous funding agreement with PEISFPI expired on August 31, 2024, a new funding agreement was not finalized until July 11, 2025. We also noted that Treasury Board approval for the new agreement was not obtained until March 26, 2025, almost seven months after the start of the school year and expiry of the previous agreement. The Department of Social Development and Seniors contracts PEISFPI to deliver the PEI Healthy School Food Program.

10.20 Formal funding agreements are important as they ensure the responsibilities of the parties involved are clear. They can also offer protection if any of the parties fail to meet the terms of the agreement. Section 13 of the *Treasury Board Policy and Procedures Manual* provides guidance concerning funding agreements and their approval. The PEI Healthy School Food Program offers all Island K-12 students a nutritious and affordable daily lunch option at school.

Recommendation (New)

10.21 The Department of Social Development and Seniors should have funding agreements in place, prior to funding being provided, that have been approved in accordance with Treasury Board policy.

Errors in Contractual Obligations and Contractual Rights Schedules

10.22 Consistent with prior periods, we noted incomplete information and errors in the schedules of contractual obligations and contractual rights provided for audit. As a result of our audit work, we identified and recommended net changes to disclosures of approximately \$20 million for contractual obligations and \$166 million for contractual rights. While the net change to contractual obligations disclosures was approximately \$20 million, it resulted from gross adjustments of \$257 million that we identified. The extent of changes identified warrants concern with regard to the completeness and accuracy of the schedules of contractual obligations and rights that were provided for audit. The Office of the Comptroller recorded the changes recommended by our office.

10.23 Disclosure of significant contractual obligations provides information to users of the consolidated financial statements about government resources that have already been committed for future spending. Contractual rights disclosures provide information about future resources that will be available to meet obligations or finance operations. Therefore, it is important that these disclosures be complete and accurate.

10.24 While we acknowledge that a documented process exists for preparing these disclosures, it is evident that additional support should be provided to assist staff with the preparation of the contractual obligations and contractual rights disclosures.

Recommendation (Recurring)

10.25 The Office of the Comptroller should provide additional support to assist staff with the preparation of contractual obligations and contractual rights disclosures to ensure that the information presented in the consolidated financial statements is complete and accurate.

Errors Identified in Income Tax Revenues

10.26 During our audit, we identified errors in the Department of Finance's calculations of corporate and personal income tax revenues. As a result, we determined that corporate income tax revenues were overstated by \$27.3 million and personal income tax revenues were understated by \$7.9 million. Audit adjustments were recommended by our office to correct the errors and the Department of Finance recorded the adjustments.

10.27 Corporate and personal income tax revenues are two of the Province's largest revenue streams, totaling approximately \$774 million for the 2024-25 fiscal year. The Department of Finance uses detailed tax assessment data provided by the Canada Revenue Agency along with other inputs and assumptions to estimate corporate and personal income tax revenues. The errors identified resulted from incorrect inputs being used in the calculations and did not relate to differences from our own estimates or related assumptions.

Recommendation (New)

10.28 The Department of Finance should perform a thorough review of its income tax revenue calculations to ensure they are complete and accurate prior to providing them for audit.

Inaccurate Reporting of Pension Plan Assets

10.29 During our audit, we noted a significant difference between the market values reported in the consolidated financial statements for some pension plan assets held within the Province of Prince Edward Island Master Trust, compared to the market values reported on the individual investment statements. The difference resulted from transactions not being reported for the last three months of the 2024-25 fiscal year for some alternative investments. This led to pension plan assets being understated by \$27.2 million in the notes to the consolidated financial statements. Audit adjustments were recommended by our office to correct the errors, but they were not made by the Department of Finance.

10.30 The Province of Prince Edward Island sponsors various defined benefit pension plans and investments of the primary pension plans are held within the Prince Edward Island Master Trust. Alternative investments are financial assets within the Master Trust that do not belong to conventional asset categories such as stocks, bonds or cash and can include such things as infrastructure, private equity, debt and global real estate. Determination of their market value requires considerable judgment and/or estimation. The issue noted above recurs annually due to

inherent delays in receiving final investment statements from investment managers. However, these investment statements are available in time to be included in the consolidated financial statements. The size of the error has been increasing over the past three years and could continue to grow as the Master Trust continues to adjust its investment asset mix.

Recommendation (New)

10.31 The Department of Finance should report accurate and up-to-date values for alternative investments within the pension plans in the consolidated financial statements.

Social Programs Overpayments

10.32 We continued to note that the Department of Social Development and Seniors is making social programs overpayments. During the 2024-25 fiscal year, the Department identified approximately \$2.3 million of social programs overpayments. This represents the highest annual total of overpayments identified in recent years based on available information. The collection of overpayments is considered doubtful by the Department and issues with collection have led to the write-off and cancellation of overpayment balances.

10.33 Social programs overpayments relate mostly to adjustments, errors, and misrepresentations associated with client income levels and living arrangements. It is our understanding that social programs overpayments are set up as receivable by the Department once discovered. The March 31, 2025 consolidated financial statements include approximately \$8.3 million of accumulated social programs receivables (for overpayments) that have been set up as doubtful of collection through a provision. During the 2024-25 fiscal year, Executive Council also approved social programs receivable write-offs of \$2.6 million and cancellations of \$872,000.

Recommendation (Recurring)

10.34 The Department of Social Development and Seniors should improve processes and controls around social programs payments, specifically those related to the verification of client income levels and living arrangements.

Concerns Regarding the Assessment of Property Taxes for Utility Corporations

10.35 In the prior year, we noted that the Department of Finance calculates the assessed market value of utility transmission and distribution systems through applying an income-based approach using a percentage of gross utility corporation revenues. The percentage rate differs among the various utility corporations. This method for calculating an implied assessment value has been in place for many years and no documentation to support the negotiated rate or methodology used in the calculation could be provided. Due to the lack of support for the methodology used, we could not determine whether the implied assessment value calculated is a reasonable assessment of market value and in accordance with the *Real Property Assessment Act*. An unreasonable market value assessment would lead to an inaccurate amount of real property taxes being levied.

10.36 We were also advised that the revenue figures used in these calculations are submitted by the utility corporations and no process is in place to verify the accuracy of the revenue figures submitted. As these are large corporations with significant revenues, a verification process should be implemented by the Department of Finance. This would address the risk of corporations having an inherent bias to pay the lowest amount of taxes possible. Based on the Department's October 2025 quarterly report to Treasury Board on the status of implementation of our recommendations, the Department had not yet addressed these issues.

10.37 The Province is responsible for calculating and collecting both the municipal and provincial portion of real property taxes on utility transmission and distribution systems. Such systems would generally include power lines and substations. Based on the contents of section 4 of the *Real Property Tax Act*, we would expect these real property taxes to be calculated based on the assessed market value of the real property. Market value, as defined in the *Real Property Assessment Act*, "means, in respect of real property, the most probable sale price of that real property as of comparable properties and the value indicated by rentals or anticipated net income."

Recommendations (Recurring)

10.38 The Department of Finance should document and approve its methodology for calculating the assessed market values of utility transmission and distribution systems to support that they are appropriately assessed in accordance with the *Real Property Assessment Act*.

10.39 Revenue figures submitted by utility corporations should be verified by the Department of Finance to ensure they are fair and accurate.

Improving Readiness for Interim Audit Testing

10.40 For our audit of the consolidated financial statements, we have historically completed some interim audit testing on payroll, expenses, and revenues. For the 2024-25 fiscal year, in an effort to move more audit work to the interim period and reduce pressure on the back-end of the audit, we requested that accounting records for Government of Canada revenues (federal revenues) to be ready for interim testing up to the end of the third quarter. However, once this information was received and testing began, we noted issues with 75 percent of the samples selected because federal revenue amounts were not properly accrued up to the end of the third quarter, as we had requested. Our office therefore decided to defer our testing of federal revenues until after year-end and the advantages of completing this work in the interim period were lost.

10.41 Interim audit testing is preliminary audit work that is completed prior to year-end of the fiscal year under audit. There are several advantages to completing interim audit testing including allowing audit work to be completed earlier relieving pressure from the back-end of an audit. It also allows for earlier identification and resolution of audit issues and informs audit planning. For interim audit testing to be effective, accounting records and information provided for audit must be complete and accurate. If it is not feasible for the Office of the Comptroller to have federal revenues ready for interim testing, we would like to see other accounting records and information made available for interim audit testing.

Recommendation (New)

10.42 The Office of the Comptroller should expand the accounting records available for interim audit testing.

Accuracy of the Estimated Useful Life of Buildings

10.43 The Province's Tangible Capital Asset Policy defines amortization of tangible capital assets (TCAs) as the process of allocating the cost of TCAs over their estimated useful lives in order to match expenditures with revenues generated or public services provided. As a result, useful life is the estimated period over which a TCA is expected to be used by the Province. As noted in prior years, the average age of buildings and schools has exceeded the 40-year estimated useful life that is disclosed in section 8 of the Policy. Similarly, three of the five hospital facilities under Health PEI are currently past their 40-year estimated useful lives. Many of these buildings, schools, and hospitals are expected to be used well beyond this period. As a result, the Policy does not reflect an appropriate useful life estimate for these facilities.

10.44 A regular review of estimated useful life is required by Canadian Public Sector Accounting Standards, under paragraph 29 of *PS 3150 Tangible Capital Assets*, and several factors should be considered in estimating the useful life of these facilities. Amortization expense is an important part of the costs associated with providing government services, and estimated useful life is a key factor in ensuring TCA are amortized over the period they are being used. Based on a jurisdictional scan across Canada, we noted that more than half of the provinces have a class of buildings with an estimated useful life extending beyond 40 years.

Recommendation (Recurring)

10.45 The Office of the Comptroller should review the Province's Tangible Capital Asset Policy to ensure that the estimated useful life of buildings reflects the best estimate of expected useful life for this class of tangible capital assets.

Other Opportunities for Consideration

10.46 In addition to the issues and recommendations provided above, we would like to call attention to other opportunities we have identified for enhancing the Province's accountability and transparency, improving current practices and processes, and ensuring the adequacy of internal controls prior to implementation of new software systems.

Disclosure of Supplemental Information

10.47 Other jurisdictions, including Nova Scotia, New Brunswick and Newfoundland and Labrador provide supplementary information as part of their reporting on Public Accounts. For example, Nova Scotia and New Brunswick publicly disclose information such as cumulative payments within the fiscal year to individuals and suppliers for things like salaries, travel expenses, supplier payments, grants and

other payments. Such amounts typically must meet a minimum threshold for disclosure. Newfoundland and Labrador publicly discloses annual listings of government employees who received total compensation of more than \$100,000. The disclosure of such information would enhance accountability and transparency for the Province.

Treasury Board Policy and Procedures Manual

10.48 Several sections of the *Treasury Board Policy and Procedures Manual* (the Manual) have been reviewed and updated over the past few years. It is our understanding that the review process is ongoing and will continue to assess additional areas such as rates, thresholds and other policy type decisions. This review is a significant undertaking by the Treasury Board Secretariat to ensure that documented policy and procedures are serving their intended purposes throughout Government. Subsection 1.01 states that it is the responsibility of every reporting entity to be aware of the contents of the Manual. Considering this, the Manual is a vital resource for Government employees. Treasury Board Secretariat should continue to review and update the Manual regularly to ensure it aligns with current Acts and regulations.

Implementation of Enterprise Customer Relationship Management Software Systems

10.49 The Province continues to streamline its digital services and modernize existing software through the development and implementation of enterprise customer relationship management software systems (ECRM systems). These ECRM systems will allow the Province to manage its relationships with individuals, businesses, and other government departments and agencies. It is our understanding that this project is currently in progress. To safeguard confidential information and ensure the ECRM systems work as intended, the Province should be proactive in ensuring that adequate controls and safeguards are in place and functioning properly before the systems go live.

Canadian Public Sector Accounting Board Update

New or Amended Accounting Standards Effective April 1, 2026

10.50 The Canadian Public Sector Accounting Board has issued new or amended standards for entities in the public sector that are effective for fiscal years beginning on or after April 1, 2026. These standards include *The Conceptual Framework for Financial Reporting in the Public Sector* and *PS 1202 Financial Statement Presentation*. These standards should be reviewed to assess the potential impacts of adoption on the Province. The Province's current accounting policies will also need to be assessed to ensure consistency with the new conceptual framework. We encourage the Office of the Comptroller to be proactive in these assessments and in preparing for any possible changes. Our office has published an Accounting and Assurance Standards Update on our website, which will be an informative and helpful resource when preparing for these new standards.

Management Responses

10.51 We have communicated our findings and recommendations to the Minister of Finance, Comptroller and Secretary to Treasury Board. Management responses to our recommendations are included in **Appendix A**, at the end of this chapter.

10.52 As part of our audit of the Province’s consolidated financial statements, we follow-up on the issues included in our previous management letters to determine if those issues have been addressed. We acknowledge that management is working to address the noted issues and some progress is being made. However, sufficient work had not been completed by the Province at the time of our audit to warrant removal of certain issues from our management letters. We encourage the Province to implement our recommendations.

OTHER REPORTING

Amounts Cancelled and Written Off

10.53 Section 16 of the *Audit Act* requires the Auditor General to report the total amount of any claims, obligations, debts, or moneys due to the Province that have been cancelled under section 26 of the *Financial Administration Act*. For the year ended March 31, 2025, the amounts cancelled under subsection 26(1) are detailed in **Exhibit 10.1**. Also included are amounts written off under subsection 26.1(1).

EXHIBIT 10.1
AMOUNTS CANCELLED AND WRITTEN OFF
YEAR ENDED MARCH 31, 2025

	Cancellations subsection 26(1)	Write-offs subsection 26.1(1)
PEI Grain Elevators Corporation	52,524	-
<i>Real Property Tax Act</i>	29,545	-
Department of Social Development and Seniors	872,391	2,657,901
Various Departments	80,654	31,627
Total	\$1,035,114	\$2,689,528

Source: Orders-In-Council April 1, 2024 - March 31, 2025.

Surplus (Deficit) Crown Corporations, Agencies and Funds

10.54 Consistent with our prior reports, we continue to include information on surpluses/deficits of the Province’s Crown corporations, agencies and funds. **Exhibit 10.2** includes the surplus or deficit of each entity for the year ended March 31, 2025.

EXHIBIT 10.2
SURPLUS (DEFICIT)
CROWN CORPORATIONS, AGENCIES AND FUNDS
YEAR ENDED MARCH 31, 2025

	Annual Surplus (Deficit) \$
Charlottetown Area Development Corporation*	892,102
Employment Development Agency	387,750
Finance PEI	741,549
Health PEI	(5,582,261)
Innovation PEI	(27,607)
Island Investment Development Inc.	13,846,837
Island Waste Management Corporation	67,286
La Commission scolaire de langue française	(54,442)
PEI Advisory Council on the Status of Women (December 31, 2024)	30,910
PEI Agricultural Insurance Corporation	2,411,421
PEI Cannabis Management Corporation	2,454,995
PEI Crown Building Corporation	237,485
PEI Energy Corporation	2,041,862
PEI Grain Elevators Corporation (July 31, 2024)	(1,257,377)
PEI Housing Corporation	69,125,709
PEI Human Rights Commission	84,156
PEI Liquor Control Commission	23,540,576
PEI Lotteries Commission	18,296,148
PEI Marine Science Organization	(37,684)
PEI Museum and Heritage Foundation	90,280
PEI Regulatory and Appeals Commission	673,264
PEI Self-Insurance and Risk Management Fund	3,184,214
PEI Student Financial Assistance Corporation	400,000
Public Schools Branch	6,337
Summerside Regional Development Corporation	70,867
Tourism PEI	-

Source: *The Province's Volume III (Part A and B) Public Accounts March 31, 2025.*

*Includes the Province's portion only

RECOMMENDATIONS*	MANAGEMENT RESPONSE
<p>Recommendation 10.12 The Department of Finance should establish an internal audit function to help support the Province’s operations.</p>	<p>Efforts are underway to implement the internal audit function. The consultant report was received, which provided expert guidance on establishing an appropriately sized internal audit function for P.E.I. Approval was subsequently received from Cabinet to begin the process of staffing the function, establishing the Audit & Risk Committee, and begin auditing based on risk assessments. The Department of Finance is committed to its successful implementation.</p>
<p>Recommendation 10.15 The Department of Social Development and Seniors and the Office of the Comptroller should work together to implement more robust controls that prevent payments from being issued to fraudulent parties.</p>	<p>Ensuring strong financial controls is essential to protecting public funds and maintaining trust in government processes.</p> <p>As soon as the Department of Social Development and Seniors became aware of the issue, the Office of the Comptroller was immediately notified and the Office of the Comptroller updated their procedures to strengthen oversight and to reduce the risk of fraudulent transactions. These changes resulted in more robust verification steps.</p> <p>We are committed to continuous improvement and will continue to monitor the enhanced controls and industry trends to ensure effectiveness.</p>
<p>Recommendation 10.18 Departments and reporting entities of the Province should regularly monitor vacation time usage and promote the timely use of vacation by employees.</p>	<p>The Office of the Comptroller agrees with this recommendation.</p>
<p>Recommendation 10.21 The Department of Social Development and Seniors should have funding agreements in place, prior to funding being provided, that have been approved in accordance with Treasury Board policy.</p>	<p>The Department of Social Development and Seniors agrees with this recommendation.</p>
<p>Recommendation 10.25 The Office of the Comptroller should provide additional support to assist staff with the preparation of contractual obligations and contractual rights disclosures to ensure that the information presented in the consolidated financial statements is complete and accurate.</p>	<p>The Office of the Comptroller continues working with Departments to educate on requirements for Contractual Rights and Contractual Obligations.</p> <p>The Office of the Comptroller is working towards implementing a contract management application to track contracts in one central system. The result is expected to reduce contractual rights and obligation disclosure issues in Public Accounts.</p>

RECOMMENDATIONS*	MANAGEMENT RESPONSE
<p>Recommendation 10.28 The Department of Finance should perform a thorough review of its income tax revenue calculations to ensure they are complete and accurate prior to providing them for audit.</p>	<p>The Department of Finance agrees with this recommendation.</p>
<p>Recommendation 10.31 The Department of Finance should report accurate and up-to-date values for alternative investments within the pension plans in the consolidated financial statements.</p>	<p>The Department of Finance acknowledges the challenges associated with the timing of information received on alternative investments and the audit of the Public Accounts. The Department of Finance is committed to improving the process to ensure the most recent information is included in the future.</p>
<p>Recommendation 10.34 The Department of Social Development and Seniors should improve processes and controls around social programs payments, specifically those related to the verification of client income levels and living arrangements.</p>	<p>The Department of Social Development and Seniors agrees with this recommendation.</p>
<p>Recommendation 10.38 The Department of Finance should document and approve its methodology for calculating the assessed market values of utility transmission and distribution systems to support that they are appropriately assessed in accordance with the <i>Real Property Assessment Act</i>.</p>	<p>The Department of Finance will document and approve its methodology for calculating the assessed market values of utility transmission and distribution systems to support that they are being appropriately assessed in accordance with the <i>Real Property Assessment Act</i>.</p>
<p>Recommendation 10.39 Revenue figures submitted by utility corporations should be verified by the Department of Finance to ensure they are fair and accurate.</p>	<p>The Department of Finance agrees with this recommendation. The Department will implement within its utility billing procedure a process that requires a sign off by a corporate officer of the utility that the revenue figures provided are fair and accurate.</p>
<p>Recommendation 10.42 The Office of the Comptroller should expand the accounting records available for interim audit testing.</p>	<p>The Office of the Comptroller agrees with assessing additional areas for interim audit. The Office of the Comptroller has suggested several areas to work towards and is confident both offices will find value in them.</p>
<p>Recommendation 10.45 The Office of the Comptroller should review the Province's Tangible Capital Asset Policy to ensure that the estimated useful life of buildings reflects the best estimate of expected useful life for this class of tangible capital assets.</p>	<p>The Office of the Comptroller annually reviews the Tangible Capital Asset Policy for estimated useful life and considers it to be current.</p>

*Recommendation numbers refer to the paragraph numbers.

Key Findings from Other Financial Audits

Chapter 11

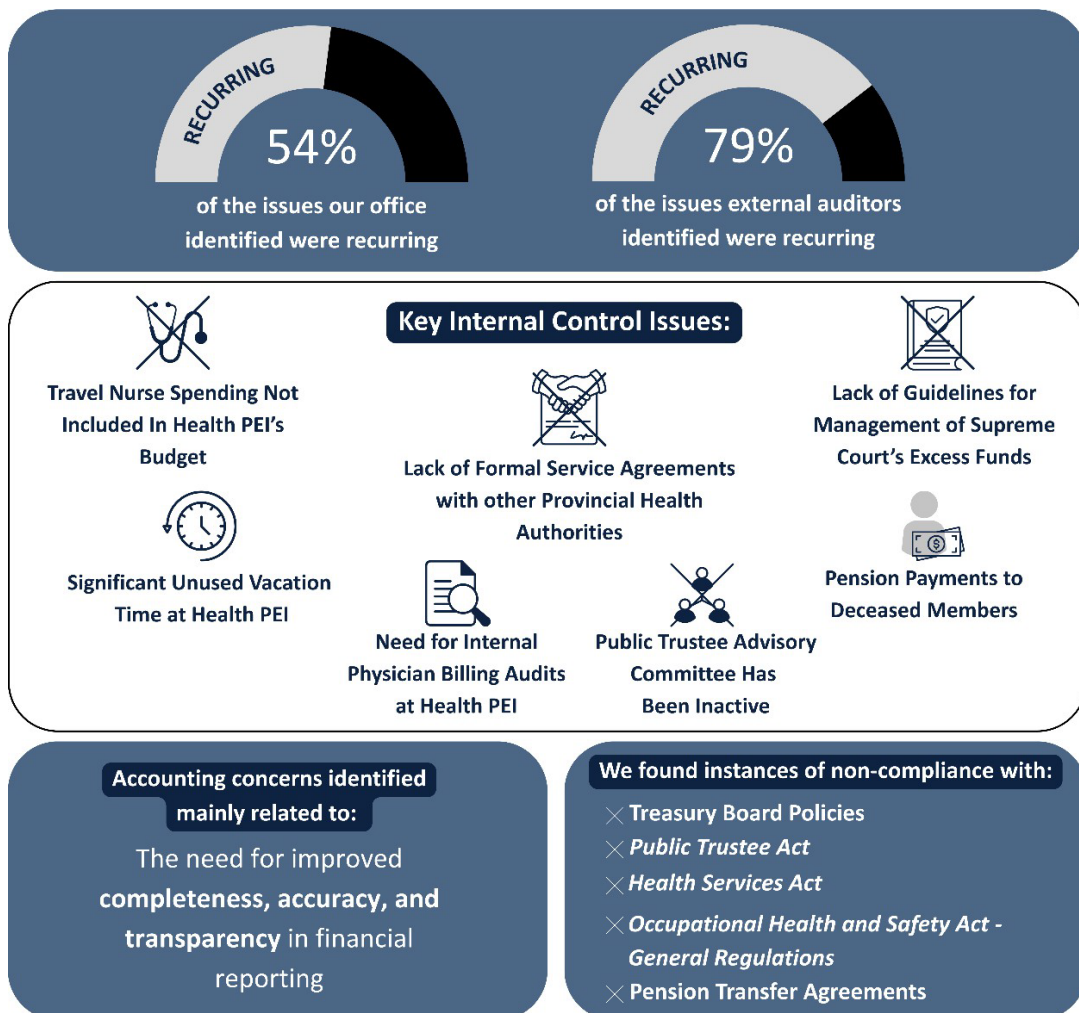
11. Key Findings from Other Financial Audits – Highlights

What We Did:

This year, our office completed annual financial statement audits for nine government entities. As part of completing an audit, we communicate to management any significant issues and recommendations arising from our audit work through a management letter.

In this chapter, we summarized key findings from the management letters we issued and those that were issued by external auditors of government entities. We also provide information on the number of issues that are recurring. These observations provide opportunities to strengthen internal controls and improve management and accounting processes.

What We Found:



11. Key Findings from Other Financial Audits

BACKGROUND

- 11.1 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.
- 11.2 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, fraud, irregularities, and/or other areas which may be of interest to management.
- 11.3 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 us to communicate to management, and those charged with governance, any significant issues or matters identified during an audit.
- 11.4 At the completion of an audit, any issues identified as significant are communicated through a management letter. A 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 we conclude 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.
- 11.5 Prior to finalizing a management letter, we communicate our findings and recommendations to management for feedback. We also request written responses 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 AND APPROACH

- 11.6 In this chapter, we summarize the key findings noted in the management letters arising from the financial statement audits conducted by our office, except for the findings and recommendations related to our audit of the Province's consolidated financial statements, as they are discussed in Chapter 10.
- 11.7 We have completed the financial statement audits of nine reporting entities since our last annual report in March 2025. These reporting entities are Health PEI, the Supreme Court of PEI Trust

Accounts, the Public Trustee, the PEI Public Sector Pension Plan, the PEI Teachers' Pension Plan, the PEI Self-Insurance and Risk Management Fund, the PEI Lotteries Commission, the PEI Crown Building Corporation, and the PEI Advisory Council on the Status of Women. We issued management letters for eight of the nine financial statement audits, as summarized in **Appendix A**.

11.8 We also present the key findings noted in the management letters issued by external auditors related to the financial audits of 22 entities included in the Province's consolidated financial statements. External auditors issued management letters for 12 of the 22 financial statement audits as summarized in **Appendix B**.

11.9 The issues identified and detailed in our management letters, and the management letters of external auditors, can be categorized into three areas:

- **Internal control weaknesses** – 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.
- **Compliance issues** – Governments have objectives and establish regulations, policies and procedures to clearly communicate expectations. A compliance issue occurs when a government department, Crown corporation, agency or fund fails to follow these established expectations.
- **Accounting concerns** – Financial statements are prepared in accordance with accounting standards. An objective of these standards is to enable users of financial statements to understand the information and for the information to be fairly presented. Accounting concerns relate to the need for improved completeness, accuracy, and transparency in financial reporting.

11.10 This chapter will present our key findings in each of these categories by summarizing the most significant issues identified in our financial statement audits and those completed by external auditors.

SUMMARY OBSERVATIONS AND RECOMMENDATIONS

11.11 Our management letters included several recurring issues as 54 percent of all issues were previously reported in a management letter and have not yet been addressed through the implementation of our recommendations. Issues classified as "new" are those included in a management letter for the first time, even if they existed in prior years but were not previously reported.

Internal Control Weaknesses

Health PEI

11.12 Health PEI's 2024-25 budget did not include a budgeted amount for travel nurse spending even though the spending was anticipated.

11.13 Health PEI spent approximately \$28.5 million on travel nurses during the 2024-25 fiscal year. When we inquired as to why such a significant expenditure was not included in the budget, Health PEI's response was that travel nurse spending was intended to be offset by budget savings resulting from vacant salaried positions. However, since the cost of a travel nurse exceeds that of a salaried nurse due to their high salary rate and associated agency and travel costs, savings from budgeted vacant positions were not enough to cover the growing cost of travel nurses.

11.14 It is concerning that such a significant expenditure by Health PEI, which tripled since the previous year, was not properly budgeted for and therefore contributed to Health PEI's need for special warrants.

Recommendation (New):

11.15 Health PEI should include the anticipated cost of travel nurses in its annual budget to ensure these expenditures are properly planned for and appropriately approved.

11.16 Significant balance of unused vacation time was noted.

11.17 During our audit, we noted many Health PEI employees carrying over significant amounts of accrued vacation time in combination with minimal vacation usage during the 2024-25 fiscal year. This issue indicates that either regular vacation is not being taken by these employees or vacation time is not being reported. While we acknowledge that significant position vacancies and unexpected work requirements can limit vacation time usage in some circumstances, not taking vacation time could negatively impact the performance, retention and future recruitment of Health PEI employees.

11.18 Taking regular vacation time is essential for employee well-being from both a mental and physical health perspective. It is associated with benefits including increased productivity and job satisfaction, reduced stress, and the maintenance of a healthy work-life balance. It is also an important internal control that promotes operational transparency and reduces fraud risk. To encourage the use of vacation time earned, Health PEI employees generally have a limit on the amount of vacation time they are entitled to carry over each fiscal year, and any carryover in excess of this limit requires an appropriate level of approval. Unused vacation balances at year-end represent an accrued liability for Health PEI that can only be reduced through employees using their vacation time or Health PEI paying it out.

Recommendation (New):

11.19 Health PEI should ensure vacation time usage is monitored on a regular basis and that employees are encouraged to take regular vacation time.

11.20 Lack of formal services agreements with other provincial health authorities.

11.21 Health PEI and the residents of Prince Edward Island are dependent on other provincial health authorities, especially those in neighboring provinces, for the provision of some health care services. This relationship is essential to meeting the health care needs of many Islanders as some health care services are only accessible out of province.

11.22 As noted in the prior year, Health PEI has no formal agreements in place with out-of-province health authorities to ensure Islanders have guaranteed access to necessary health care services. We were informed in October 2025 that Health PEI and relevant stakeholders were working toward the implementation of a Maritime Inter-Provincial Health Services Agreement.

Recommendation (Recurring):

11.23 Health PEI should implement formal service agreements with other provincial health authorities to ensure Islanders have guaranteed access to necessary health care services.

11.24 Health PEI has not been completing regular internal physician billings audits.

11.25 As noted in previous years, significant increases in after-hours premiums for emergency services were identified for a particular physician group. It was determined that some of these increases resulted from an update to the physician group's billing system that caused the above-noted emergency premiums to be applied to after-hours claims regardless of whether they were emergency in nature. We recommended that the Senior Claims Auditor position, which is responsible for analysis and auditing of physician billings, be filled to perform a physician claims audit into the potential overpayments. However, this position has not yet been filled, and it remains unclear as to what extent possible overpayments may still be occurring.

11.26 An audit plan to examine possible overpayments of emergency premiums among this physician group was approved by Health PEI's Audit Advisory Committee in January 2022. However, due to the delay in filling the vacant Senior Claims Auditor position, the audit has not yet taken place. We have been informed that Health PEI has since engaged an external consultant, but the audit work has yet to be carried out.

Recommendation (Recurring):

11.27 Health PEI should carry out the audit plan approved by Health PEI's Audit Advisory Committee in January 2022 and ensure that physician billings audits are completed on a regular basis and in a timely manner.

Prince Edward Island Advisory Council on the Status of Women

11.28 None of the present members of the Prince Edward Island Advisory Council on the Status of Women have financial expertise.

11.29 It is considered best practice for the Board of Directors of an organization to have at least one member with financial expertise. Having a council member with financial expertise would help with financial oversight and monitoring, strategic decision making and increase board effectiveness. This expertise can also help detect improper accounting treatments and provide guidance for non-routine transactions. Engage PEI is responsible for the recruitment of applicants to serve on the boards of government agencies.

Recommendation (New)

11.30 Members of the Prince Edward Island Advisory Council on the Status of Women should advise Engage PEI to recruit a member with financial expertise to join the Council.

Prince Edward Island Public Sector Pension Plan

11.31 Several pension payments were made to a deceased member.

11.32 During our audit of the Prince Edward Island Public Sector Pension Plan, we noted that pension payments continued to be paid to a deceased member for almost two years after the date of death. Per discussion with management, the overpayment was identified after the Plan was contacted by the surviving spouse and they are gradually returning the overpayment. An overpayment to a different deceased member was also noted in our previous audit.

Recommendation (Recurring):

11.33 Management of the Prince Edward Island Public Sector Pension Plan should improve processes to identify deceased members and discontinue payments in a timely manner.

Public Trustee

11.34 The Advisory Committee to the Public Trustee has been inactive.

11.35 The Advisory Committee to the Public Trustee (Committee) has not held a governance meeting since October 2022. In addition, an annual report has not been presented by the Committee to the Lieutenant Governor in Council for the most recent fiscal year. The Committee is required to present an annual report to the Lieutenant Governor in Council respecting the performance of its duties and exercise of its powers in accordance with the *Public Trustee Act*. The Act also states that the Committee shall be appointed by the Lieutenant Governor in Council and may make recommendations with regard to the general policy respecting the management and conduct of the Office of the Public Trustee, as it considers advisable.

Recommendations (Recurring):

11.36 The Advisory Committee to the Public Trustee should hold regular meetings to provide advice on general policies, conduct, administration, direction and other matters relating to the Office of the Public Trustee. Documentation, such as minutes, should be maintained for all meetings.

11.37 The Advisory Committee to the Public Trustee should present an annual report to the Lieutenant Governor in Council in accordance with the Act.

Supreme Court of Prince Edward Island Trust Accounts

11.38 Management of the Supreme Court has not established specific guidelines for the investment of money paid into court and held in trust.

11.39 The Supreme Court of Prince Edward Island maintains trust accounts for money paid into the Court as a result of a court order or in anticipation of settlement of a litigious matter. Funds are also held in trust for money paid into the Court for minor beneficiaries on behalf of life insurance companies until they reach the age of majority. Funds held in trust earn interest through bank accounts and investments with the Province. There are no specific policies in place for how to invest these funds, which would set clear expectations on how to maximize earnings.

Recommendation (Recurring):

11.40 Management of the Supreme Court should develop investment guidelines for funds paid into court and ensure agreements are in place for funds deposited with other parties.

11.41 Management of the Supreme Court has not established guidelines to specify the intended use of the growing accumulated surplus funds.

11.42 As of March 31, 2025, interest earned by the Supreme Court of Prince Edward Island trust accounts through bank accounts and investments with the Province has grown to approximately \$527,000. This amount is included with the cash balance and reported as accumulated surplus of the Supreme Court of Prince Edward Island trust accounts. No guidelines have been established by management to specify the intended use of the growing accumulated surplus funds.

Recommendation (Recurring):

11.43 Management of the Supreme Court should develop guidelines that outline the intended use of the growing accumulated surplus funds.

Compliance Issues

Health PEI

11.44 Health PEI paid a travel nurse agency over \$1.3 million more than the approved contract amount without obtaining Treasury Board approval.

11.45 Health PEI has an existing contract in place with an agency for the provision of nursing and allied healthcare travel agency services for a two-year period ending February 25, 2026. This contract was approved by Treasury Board up to a maximum amount of \$6 million. However, we noted that over \$7.3 million was paid to the agency during the 2024-25 fiscal year, and Treasury Board approval was not obtained for spending over the approved amount. Section 13.02 of the *Treasury Board Policy and Procedures Manual* specifies that amendments which cumulatively increase the initially authorized contract or agreement value by greater than 10%, and for which the amended contract or agreement value exceeds \$250,000, must be approved by Treasury Board.

Recommendation (New):

11.46 Health PEI should obtain Treasury Board approval for any contract or agreement amendments exceeding the authorized threshold in section 13.02 of the *Treasury Board Policy and Procedures Manual*.

11.47 Business and strategic plans were not submitted for approval on a timely basis.

11.48 We continue to note that Health PEI's business and strategic plans are not being submitted to the Minister of Health and Wellness for approval on a timely basis, as required by the *Health Services Act*. The 2025-2026 business plan and the 2025-28 strategic plan were not available to the public until October 2025. These plans should have been completed and approved prior to April 1, 2025. These documents are important as they set out strategic objectives, performance measures, targets, and key tactical actions for Health PEI.

11.49 Section 15 of the Act requires Health PEI's business and strategic plans for the following fiscal year(s) to be submitted to the Minister for approval. The Act also requires the strategic plan to be updated every three years. Health PEI's Board of Directors is responsible for approving the business and strategic plans prior to submission to the Minister. To ensure operations are in line with the approved plans, the plans should be completed and approved prior to the year(s) to which they relate.

Recommendation (Recurring):

11.50 Health PEI should submit its business and strategic plans to the Minister prior to the year(s) they relate to in order to comply with the timelines specified in the *Health Services Act* and these plans should be made available to the public on a timely basis.

11.51 Health PEI lacks asbestos management plans for all Health PEI buildings with asbestos-containing materials.

11.52 Health PEI does not have an up-to-date asbestos management plan in place for all buildings with asbestos-containing materials (ACMs). Section 49.6 of the *Occupational Health and Safety Act* General Regulations requires that an asbestos management plan be developed to prevent ACMs from becoming airborne in the workplace. The plan also protects the health and safety of workers if ACMs become airborne in the workplace. This plan should be reviewed and updated at least annually and provide a complete summary of ACMs in the workplace, as required by the legislated regulations.

11.53 During our audit, we noted that Health PEI is working to finalize an asbestos management plan for the Kings County Memorial Hospital. We were informed that asbestos management plans for the remaining buildings with ACMs are currently under development.

Recommendation (Recurring):

11.54 Health PEI should ensure that complete and up-to-date asbestos management plans are developed for buildings with asbestos-containing materials as required by the *Occupational Health and Safety Act* General Regulations. The plans should be reviewed and updated annually.

Prince Edward Island Public Sector Pension Plan and Prince Edward Island Teachers' Pension Plan

11.55 Pension transfers were not completed within agreement timelines.

11.56 As per the agreement between the Province and the Government of Canada, the Prince Edward Island Public Sector Pension Plan is required to complete transfer forms and forward them to the Federal Minister within three months from the date that a transfer request is received. During our audit, we noted an example where a pension transfer request took over a year to process from the date it was received.

11.57 As outlined in the Reciprocal Transfer Agreement between the Teachers' Pension Plan Authorities, an exporting plan is required to complete transfer forms and forward them to the importing plan within 60 days from the date that a transfer application is received. During our audit, we noted an example where it took almost a year for a transfer application to be processed from the date it was received.

Recommendation (New):

11.58 Management of the Prince Edward Island Public Sector Pension Plan and the Prince Edward Island Teachers' Pension Plan should ensure that pension transfers to other plans are completed within agreement timelines.

Public Trustee

11.59 The Public Trustee requires legislative direction on the treatment of interest earned from client funds.

11.60 During 2024, the Public Trustee held between \$3 million and \$5 million of funds on behalf of clients in its master trust bank account. The interest earned on this account totaled approximately \$200,000 and was transferred to the Province. The *Public Trustee Act* does not address the treatment of interest earned on clients' assets being held in trust. The Office of the Public Trustee has developed and approved a policy to facilitate the transfer of interest revenue earned in the master trust bank account to the Province. As noted in our past reports, it is our opinion that the Public Trustee should obtain authority from the Lieutenant Governor in Council to set such a policy to comply with section 13 of the *Public Trustee Act*.

Recommendation (Recurring):

11.61 The Public Trustee should seek approval from the Lieutenant Governor in Council regarding the treatment of the interest earned in the master trust bank account.

11.62 The Public Trustee is carrying trust balances for deceased clients beyond the legislated five years.

11.63 The *Public Trustee Act* states that all property held by the Public Trustee, and not claimed within five years after the death of a client, should be converted to cash and paid to the Province. As of December 31, 2024, the Public Trustee was carrying trust balances for 39 clients who had been deceased for more than five years. These trust balances totaled approximately \$409,000, which is an increase from \$255,000 reported last year. The heirs for these deceased clients have not been identified. These balances had not been paid to the Province, at the time of our audit, as is required by the *Public Trustee Act*.

Recommendation (Recurring):

11.64 The Public Trustee should identify heirs of deceased clients in a timely manner and adhere to the *Public Trustee Act* by paying out unclaimed balances older than five years to the Province. If additional time is required to identify heirs, the *Public Trustee Act* should be revised accordingly.

Accounting Concerns

Prince Edward Island Public Sector Pension Plan and Prince Edward Island Teachers' Pension Plan

11.65 Inaccurate reporting of pension plan investments.

11.66 During our audits of these pension plans, we noted a significant difference between the market values reported in the financial statements for some pension plan investments compared to the

market values reported on the individual investment statements. The difference resulted from transactions not being reported for the last three months of the fiscal year for some alternative investments. This resulted in a difference of approximately \$9.6 million for the Prince Edward Island Public Sector Pension Plan and a difference of approximately \$3.1 million for the Prince Edward Island Teachers' Pension Plan. Audit adjustments were recommended by our office to correct the errors, but they were not made by the pension plans.

11.67 The investments of these pension plans are held within the Prince Edward Island Master Trust. Alternative investments are financial assets within the Master Trust that do not belong to conventional asset categories such as stocks, bonds or cash and can include things such as infrastructure, private equity, debt and global real estate. Determination of their market value requires considerable judgment and/or estimation. The issue noted above occurs annually, as it stems from timing lags in receiving final investment statements for certain investments. The size of the errors have been increasing over the past three years and could continue to grow as the Master Trust continues to adjust its investment asset mix.

Recommendation (New):

11.68 Management of the Prince Edward Island Public Sector Pension Plan and the Prince Edward Island Teachers' Pension Plan should report accurate and up-to-date values for alternative investments in the Pension Plans' financial statements.

Prince Edward Island Self-Insurance and Risk Management Fund (SIRMF)

11.69 The SIRMF did not record some claims-related transactions in accordance with Canadian Public Sector Accounting Standards.

11.70 We identified two claims within the SIRMF that were closed or settled after year-end and required reductions to the reserve for unsettled claims balance by a total of \$413,000. These adjustments that we proposed are a result of the SIRMF not complying with the Canadian Public Sector Accounting Standard *PS 2400 – Subsequent Events*. This standard requires that financial information be adjusted for subsequent events, which provide additional evidence relating to conditions that existed at year end.

11.71 The SIRMF manages risk by purchasing excess insurance to provide additional coverage on individual claims. During the audit, we noted a situation where excess insurance claims totaling \$781,000 were paid directly to the SIRMF as opposed to the claimant. In this type of an arrangement, Canadian Public Sector Accounting Standard *PS 3400 – Revenue* requires the SIRMF to assess if it is acting as an agent or principal in a transaction. The gross amounts received and paid were reported in the financial statements as claim recovery and claim expense. However, based on the guidance from *PS 3400*, the SIRMF was acting as an agent in this arrangement and an audit adjustment to remove these transactions was proposed by our office. The SIRMF agreed to record the audit adjustments proposed by our office.

Recommendation (New):

11.72 Management of the Prince Edward Island Self-Insurance and Risk Management Fund should ensure that financial statements are prepared in accordance with Canadian Public Sector Accounting Standards, specifically *PS 2400 – Subsequent Events* and *PS 3400 – Revenue*, to ensure accurate recognition and presentation of subsequent events and excess insurance transactions.

Public Trustee

11.73 Issues with the quality of information provided for audit led to audit inefficiencies and delays.

11.74 During our audit of the Public Trustee, we noted errors in various working papers provided for audit, inconsistencies in the application of accounting policies and inconsistencies in the financial statement presentation of current and prior year amounts. This resulted in our office having to complete additional audit procedures to satisfy audit requirements, resulting in audit inefficiencies and delays in the completion of the audit. Our office identified nine audit adjustments during the audit totaling over \$1.7 million.

Recommendation (Recurring):

11.75 The Public Trustee should improve its financial reporting processes to ensure that information provided for audit is complete and accurate in order to limit delays with the issuance of the audited financial statements.

Annual Reporting

11.76 During our audits, we continued to identify a common issue among reporting entities and government departments related to the timeliness of annual report publishing. This issue is now discussed in detail in Chapter 1 of our annual report.

External Audits

11.77 We reviewed all management letters issued to the 22 externally audited government reporting entities during the reporting period and discussed certain items with the external auditors to obtain further clarification. We have summarized the management letters issued by external auditors in **Appendix B**. We reviewed a total of 28 management letter issues, 79 percent of which were recurring issues from previous years. The overall number of issues decreased from 39 in the previous year, while the percentage of recurring issues increased from 54 percent reported last year. Based on this review, we selected three key findings to highlight in this chapter.

Prince Edward Island Museum and Heritage Foundation

Accounting Concern:

11.78 The Prince Edward Island Museum and Heritage Foundation's bank reconciliation contains several stale-dated cheques and deposits leading to increased risk of fraud.

11.79 During the audit of the Prince Edward Island Museum and Heritage Foundation, it was noted that approximately \$34,000 of the outstanding deposits and \$86,000 of the outstanding cheques included in the year-end bank reconciliation were more than 6 months old. This could result in cash being significantly misstated, which would affect the entity's cash and expenses presentation on the financial statements. In our opinion, significant amounts of stale-dated cheques and deposits being carried forward on a bank reconciliation represents an increased fraud risk and should be investigated in a timely manner.

Recommendation (Recurring):

11.80 The PEI Museum and Heritage Foundation should review outstanding deposits and cheques in the bank reconciliation on a monthly basis.

Prince Edward Island Housing Corporation

Accounting Concern:

11.81 Tenant accounts receivable balances have grown significantly since 2022.

11.82 During the audit of the Prince Edward Island Housing Corporation, it was noted that the balance of tenant account receivables exceeding 90 days continues to grow. The balance has grown from approximately \$116,000 at the end of fiscal 2021-22 to \$877,000 at the end of fiscal 2024-25. It is recognized that these balances relate to active tenants who have entered into payment plans.

Recommendation (New):

11.83 Management of the Prince Edward Island Housing Corporation should conduct a year-over-year receivable analysis for each tenant to validate the receivable balances and assess the effectiveness of payment arrangements in place.

La Commission scolaire de langue française

Internal Control Weakness:

11.84 Management is not presenting financial information to the board of directors on a regular basis.

11.85 The review and approval of financial information is a key element of an organization's internal control process. Management should present financial information, such as Commission's internal financial statements, to the Board of Directors for review and approval at least quarterly.

Recommendation (Recurring):

11.86 Management of La Commission scolaire de langue française should present internal financial information to the board of directors on a regular basis.

Follow-up

11.87 As part of our financial audits, we follow-up on the issues included in our previous management letters to determine if those issues have been addressed. We acknowledge that management is working to address the noted issues and some progress is being made. However, sufficient work had not been completed by the audited entities at the time of our audits to warrant removal of certain issues from our management letters. We encourage auditees to implement our recommendations.

SUMMARY OF MANAGEMENT LETTERS ISSUED BY OUR OFFICE

Entity	Management Letter Issued	Number of Issues	Number of Recurring Issues	Percentage of Recurring Issues
Health PEI	Yes	11	6	55%
PEI Advisory Council on the Status of Women	Yes	4	0	0%
PEI Crown Building Corporation	No	-	-	-
PEI Lotteries Commission	Yes	2	2	100%
PEI Public Sector Pension Plan*	Yes	4	2	50%
PEI Self-Insurance and Risk Management Fund	Yes	3	1	33%
PEI Teachers' Pension Plan	Yes	3	0	0%
Public Trustee	Yes	8	7	88%
Supreme Court of PEI Trust Accounts	Yes	2	2	100%
Total		37	20	54%

*The audit of PEI Public Sector Pension Plan for the year ended March 31, 2024, was completed by our office since our last annual report in March 2025. Starting in fiscal 2024-25, the Plan is now externally audited.

SUMMARY OF MANAGEMENT LETTERS ISSUED BY EXTERNAL AUDITORS

Entity	Management Letter Issued	Number of Issues	Number of Recurring Issues	Percentage of Recurring Issues
Charlottetown Area Development Corporation	No	-	-	-
Employment Development Agency	No	-	-	-
Finance PEI	Yes	1	1	100%
Innovation PEI	Yes	2	2	100%
Island Investment Development Inc.	No	-	-	-
Island Waste Management Corporation	Yes	1	0	0%
La Commission scolaire de langue française	Yes	3	3	100%
PEI Agricultural Insurance Corporation	No	-	-	-
PEI Cannabis Management Corporation	Yes	1	1	100%
PEI Energy Corporation	Yes	1	1	100%
PEI Grain Elevators Corporation	No	-	-	-
PEI Housing Corporation	Yes	4	3	75%
PEI Human Rights Commission	No	-	-	-
PEI Liquor Control Commission	Yes	4	4	100%
PEI Marine Science Organization	No	-	-	-
PEI Museum and Heritage Foundation	Yes	4	4	100%
PEI Public Sector Pension Plan	No	-	-	-
PEI Regulatory and Appeals Commission	Yes	3	0	0%
PEI Student Financial Assistance Corporation	Yes	2	1	50%
Public Schools Branch	Yes	2	2	100%
Summerside Regional Development Corporation Ltd.	No	-	-	-
Tourism PEI	No	-	-	-
Total		28	22	79%

Appropriations and Special Warrants



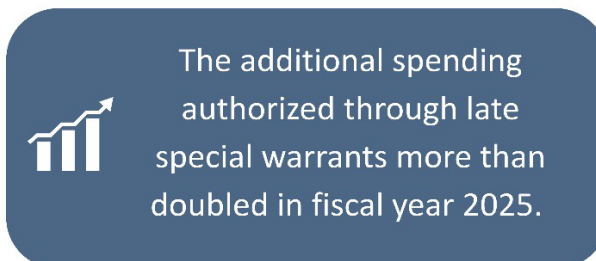
Chapter 12

12. Appropriations and Special Warrants - Highlights

What We Did:

We examined processes around current and capital appropriations, special warrants, appropriation transfers and sequestrations. We also compared appropriations to actual expenditures and listed in detail the appropriations made by special warrant and their purpose. We provide assurance that special warrants, transfers and sequestrations, for the fiscal year ended March 31, 2025, comply with applicable legislation and Treasury Board policies.

What We Found:



12. Appropriations and Special Warrants

BACKGROUND

- 12.1 The amount of money that government is authorized to spend annually is approved by Members of the Legislative Assembly through an Appropriation Act. Each year, Appropriation Acts are passed to authorize current and capital spending.
- 12.2 The *Appropriation Act (Current Expenditures) 2024* authorized \$3.2 billion in current expenditures for the fiscal year ended March 31, 2025. The *Appropriation Act (Capital Expenditures) 2024* authorized capital spending of \$368.8 million for the fiscal year ended March 31, 2025.
- 12.3 To exceed the initial amount set by an Appropriation Act, a department or entity requires a special warrant, the transfer of a previously appropriated amount, or an additional Appropriation Act.
- 12.4 When the Legislative Assembly is not in session, special warrants are used to authorize government spending that exceeds the amounts approved in Appropriation Acts. Unlike Appropriation Acts, a special warrant must only be approved by the Lieutenant Governor in Council through an Order-in-Council.
- 12.5 **Exhibit 12.1** provides a summary of the four types of special warrants:

EXHIBIT 12.1 TYPES OF SPECIAL WARRANTS

Spending Warrants	Special Warrants with Offsets	Accounting Warrants	Reorganization Warrants
Warrants that are not offset by revenue. These warrants will increase expenditures and net debt.	Warrants that have full or partial revenue offsets, or sequestration transfers which have varying degrees of effect on revenues, expenditures, and net debt.	Warrants related to expenditures that happen as a result of a financial adjustment required during the preparation of the Province's consolidated financial statements.	Warrants related to departmental reorganization and/or realignment of program responsibility that occurs during the fiscal year and changes funding requirements from one department's/entity's budget to another.

- 12.6 During our audit, we examined the processes for recording current and capital appropriations for the fiscal year ended March 31, 2025. We also examined the approvals, processing, and recording of special warrants, appropriation transfers, and sequestrations made related to the fiscal year.

- 12.7 This chapter provides comments and recommendations resulting from our audit work, a comparison of current and capital appropriations to actual expenditures, and a list of the appropriations made by special warrants and their purpose. 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.
- 12.8 For definitions of financial terms used in this chapter, please refer to the **Glossary** at the end of this report.

OBSERVATIONS AND RECOMMENDATIONS

Special Warrants

- 12.9 **Appendix A** of this chapter provides a comparison of current and capital appropriations to actual expenditures for the fiscal year ended March 31, 2025. Our report includes all appropriations, special warrants and sequestrations authorized for the fiscal year ended March 31, 2025.
- 12.10 For the fiscal year ended March 31, 2025, special warrants in the amount of \$161.2 million were issued for current expenditures; however, \$4.6 million of the current special warrants were related to sequestrations. This resulted in a net increase in authorized current expenditures of \$156.6 million, or an additional 4.8 percent of the approved appropriation.
- 12.11 Special warrants in the amount of \$31.3 million were issued for capital expenditures; however, \$2.9 million of the capital special warrants were related to sequestrations. This resulted in a net increase in authorized capital expenditures of \$28.4 million, or an additional 7.7 percent of the approved appropriation.
- 12.12 Sequestrations are transfers of appropriated funds into special accounts for the purpose of “freezing” funds. Treasury Board approval is required for transfers out of sequestration accounts. This year a sequestration of \$2.9 million was required from the Department of Transportation and Infrastructure’s capital appropriations so that extra funding could be utilized by the PEI Housing Corporation to increase the energy efficiency of Provincially-owned social housing inventory. Also, sequestrations in the amount of \$4.6 million were required and the majority of this came from the Department of Health and Wellness, as funding to support private nursing home wage parity was originally budgeted within the Department, but later authorized to be funded by Health PEI.
- 12.13 **Exhibit 12.2** provides a summary of the special warrants by Department/Entity and **Exhibit 12.3** provides a breakdown of the 24 special warrants by type. 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.

EXHIBIT 12.3
SUMMARY OF SPECIAL WARRANTS BY TYPE
YEAR ENDED MARCH 31, 2025

	Number of Warrants	Dollar Value of Warrants
Spending Warrants	11	\$ 84,061,500
Special Warrants with Offsets	13	\$ 108,471,600
Accounting Warrants	-	-
Reorganization Warrants	-	-
Total Special Warrants	24	\$192,533,100

Source: Orders in Council

12.14 Special warrants were partially offset by \$31.3 million in additional revenue and \$7.5 million in sequestrations. Total authorized special warrants, special warrants net of revenue and sequestrations and the number of special warrants for each of the last ten years are presented in **Exhibit 12.4**.

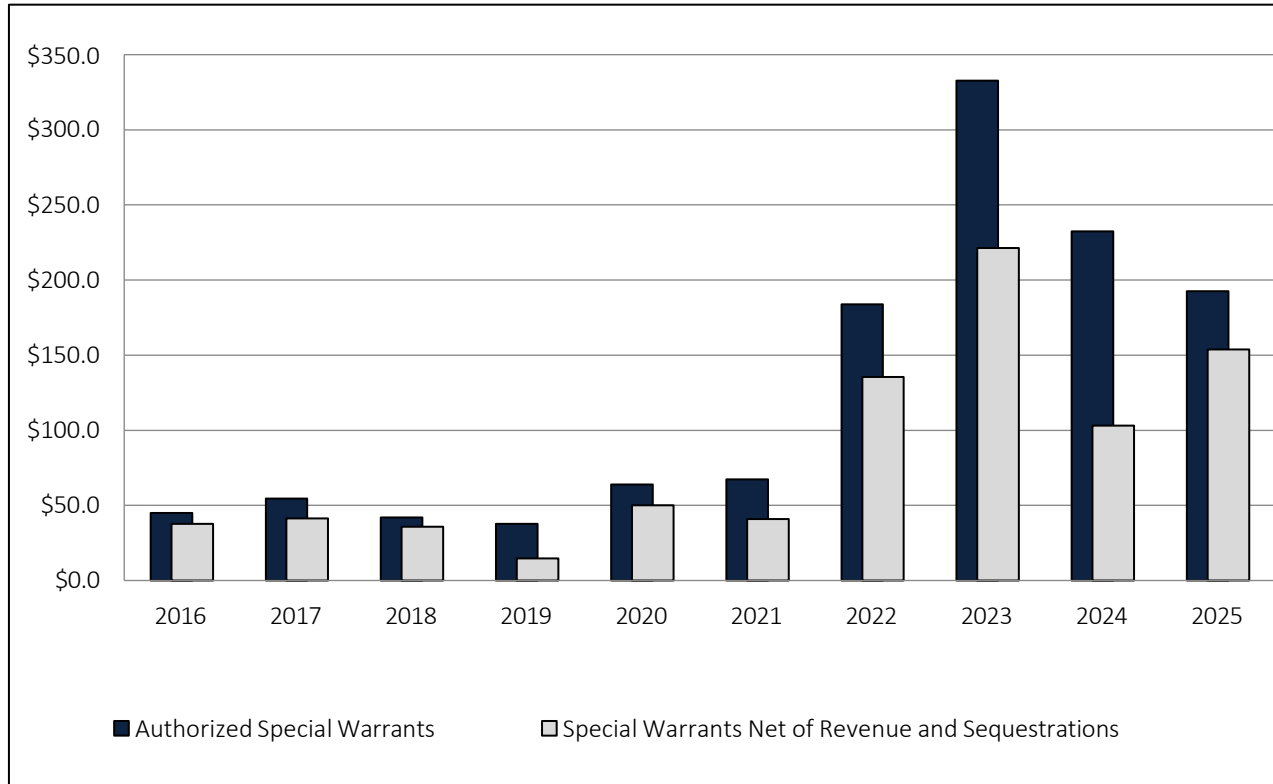
12.15 Between 2016 and 2021, special warrants net of revenue and sequestrations ranged from \$14.8 million to \$50.1 million. Between 2022 and 2024, net special warrants ranged from \$103 million to \$221.4 million. For fiscal year 2025, special warrants net of revenues and sequestrations totalled \$153.7 million, the second highest level, exceeded only in fiscal year 2023, which was impacted by post-tropical storm Fiona.

12.16 This remains a concerning trend and still a sign of weakness in the appropriations process. As a result, we are again recommending that Government consider tabling an additional Appropriation Act when there is a large amount of additional spending to ensure the process is transparent and the additional spending is debated in the legislature.

Recommendation:

12.17 Government should consider tabling additional Appropriations Acts when unexpected events occur, requiring a significant financial outlay, in order to promote debate in the Legislative Assembly and reduce the use of special warrants.

**EXHIBIT 12.4
SPECIAL WARRANTS
YEAR ENDED MARCH 31
(\$ Millions)**



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Authorized Special Warrants	\$44.9	\$54.5	\$41.9	\$37.7	\$63.9	\$67.4	\$183.9	\$332.8	\$232.4	\$192.5
Revenue and Sequestrations	(7.2)	(13.2)	(6.1)	(22.9)	(13.8)	(26.4)	(48.5)	(111.4)	(129.4)	(38.8)
Special Warrants Net of Revenue and Sequestrations	<u>\$37.7</u>	<u>\$41.3</u>	<u>\$35.8</u>	<u>\$14.8</u>	<u>\$50.1</u>	<u>\$41.0</u>	<u>\$135.4</u>	<u>\$221.4</u>	<u>\$103.0</u>	<u>\$153.7</u>
Total Number of Special Warrants	11	14	16	17	14	9	22	35	22	24

Source: Orders-In-Council

Delay in Issuing Special Warrants

12.18 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. Based on our findings, there is a disregard for the process around special warrants. Expenditures continue to be incurred without authorized appropriation in place, as required by the *Financial Administration Act*.

12.19 Consistent with prior years, our audit identified instances where special warrants were not authorized prior to the expenditure being incurred. There was a total of 14 late special warrants required to cover overspending for the March 31, 2025 fiscal year. The 14 late special warrants, issued subsequent to the related expenditures already being incurred, totalled approximately \$55.6 million net of sequestrations, and were authorized by Orders-In-Council between July 8, 2025 and October 14, 2025. Late special warrants represented 58% of all special warrants issued and 30% of their total value, net of sequestrations. Eight of the late special warrants were spending warrants and six were special warrants with offset.

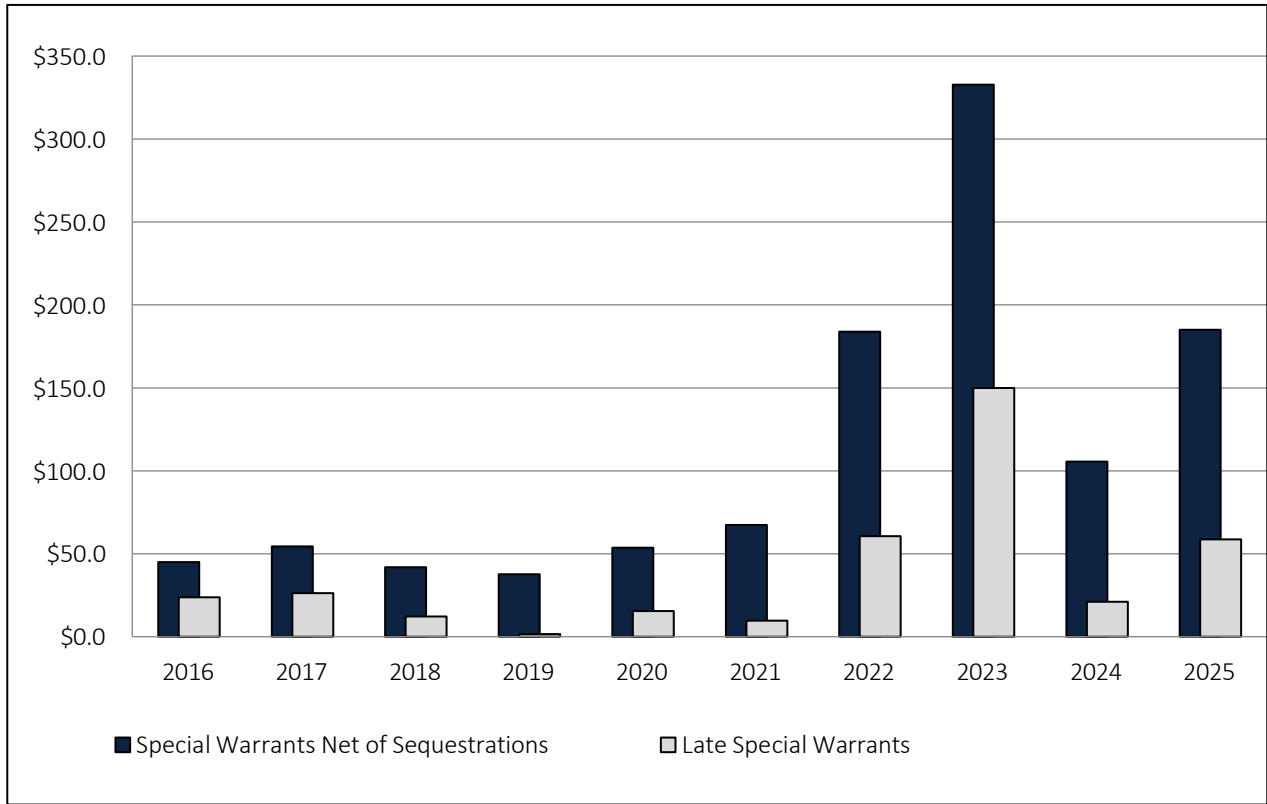
12.20 We have reported on this issue for a number of years. In the prior year, we reported that there were 13 late special warrants authorized after the expenditures were incurred, totalling approximately \$21 million. While the number of late special warrants only increased by one in 2025, the value more than doubled to \$55.6 million. **Exhibit 12.5** presents total special warrants and late special warrants net of sequestrations over the past ten years.

Recommendation:

12.21 In accordance with the *Financial Administration Act*, special warrants should be obtained before expenditures are incurred, when the authorized appropriations are expected to be exceeded.

12.22 We have discussed our findings and recommendations with the Treasury Board Secretariat, whose responses can be seen in **Appendix C**.

**EXHIBIT 12.5
LATE SPECIAL WARRANTS
YEAR ENDED MARCH 31
(\$ Millions)**



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Special Warrants Net of Sequestrations	\$44.9	\$54.4	\$41.9	\$37.7	\$53.7	\$67.4	\$183.9	\$332.8	\$105.6	\$185
Late Special Warrants Net of Sequestrations	\$23.8	\$26.3	\$12.1	\$1.6	\$15.5	\$9.6	\$60.6	\$149.9	\$21.0	\$55.6
Number of Late Special Warrants	7	10	6	6	7	4	8	25	13	14

Source: Orders-In-Council

CURRENT APPROPRIATIONS

	APPROPRIATION ACT 2024	SPECIAL WARRANTS	SEQUESTRATIONS	TOTAL APPROPRIATIONS	EXPENDITURES 2025	UNDER EXPENDITURES 2025
AGRICULTURE	\$ 22,675,800	\$ -	\$ -	\$ 22,675,800	\$ 19,185,530	\$ 3,490,270
CONSOLIDATED AGENCIES	67,811,100	1,093,000	-	68,904,100	68,800,534	103,566
ECONOMIC DEVELOPMENT, INNOVATION AND TRADE	3,088,800	-	-	3,088,800	1,779,524	1,309,276
EDUCATION AND EARLY YEARS	110,348,900	13,770,000	-	124,118,900	124,116,208	2,692
EMPLOYEE BENEFITS	41,226,500	-	-	41,226,500	27,787,726	13,438,774
EMPLOYMENT DEVELOPMENT AGENCY	7,155,500	-	-	7,155,500	6,767,750	387,750
ENVIRONMENT, ENERGY AND CLIMATE ACTION	123,278,200	11,192,700	-	134,470,900	134,470,876	24
EXECUTIVE COUNCIL	12,571,300	-	-	12,571,300	11,753,506	817,794
FINANCE	82,340,900	-	-	82,340,900	80,586,746	1,754,154
FISHERIES, TOURISM, SPORT AND CULTURE	23,784,000	-	-	23,784,000	22,536,190	1,247,810
GENERAL GOVERNMENT	18,587,900	2,066,700	-	20,654,600	20,654,540	60
HEALTH AND WELLNESS	162,087,000	-	(4,500,000)	157,587,000	146,412,070	11,174,930
HEALTH PEI	963,811,900	57,675,000	-	1,021,486,900	1,021,486,874	26
HOUSING, LAND AND COMMUNITIES	49,438,300	-	-	49,438,300	49,359,709	78,591
INNOVATION PEI	66,185,300	12,234,100	-	78,419,400	78,419,392	8
JUSTICE AND PUBLIC SAFETY	88,184,400	-	-	88,184,400	85,567,952	2,616,448
LA COMMISSION SCOLAIRE DE LANGUE FRANÇAISE	25,360,700	1,565,000	-	26,925,700	26,922,939	2,761
LEGISLATIVE ASSEMBLY	14,027,400	-	-	14,027,400	13,048,490	978,910
PEI AGRICULTURAL INSURANCE CORPORATION	53,718,100	10,605,000	-	64,323,100	61,217,751	3,105,349
PEI HOUSING CORPORATION	72,736,200	-	-	72,736,200	71,098,796	1,637,404
PEI PUBLIC SERVICE COMMISSION	12,813,500	-	(82,400)	12,731,100	11,803,617	927,483
PEI STUDENT FINANCIAL ASSISTANCE CORPORATION	15,004,600	130,300	-	15,134,900	15,134,868	32
PUBLIC SCHOOLS BRANCH	297,200,500	13,855,000	-	311,055,500	311,051,303	4,197
SOCIAL DEVELOPMENT AND SENIORS	176,745,900	35,429,900	-	212,175,800	212,175,731	69
TOURISM PEI	30,713,200	1,623,000	-	32,336,200	32,336,080	120
TRANSPORTATION AND INFRASTRUCTURE	240,750,200	-	-	240,750,200	224,413,447	16,336,753
WORKFORCE, ADVANCED LEARNING AND POPULATION	151,622,800	-	-	151,622,800	151,342,313	280,487
AMORTIZATION OF TANGIBLE CAPITAL ASSETS	131,158,800	-	-	131,158,800	127,507,934	3,650,866
INTEREST CHARGES ON DEBT	<u>167,956,700</u>	<u>-</u>	<u>-</u>	<u>167,956,700</u>	<u>162,405,243</u>	<u>5,551,457</u>
TOTAL CURRENT	<u>\$3,232,384,400</u>	<u>\$161,239,700</u>	<u>\$(4,582,400)</u>	<u>\$3,389,041,700</u>	<u>\$3,320,143,639</u>	<u>\$68,898,061</u>

Expenditures are presented in accordance with the classifications in the Appropriation Acts 2024 and approved special warrants for the 2024/25 fiscal year. This format differs from the Province's Operating Fund financial statements.

CAPITAL APPROPRIATIONS

	APPROPRIATION ACT 2024	SPECIAL WARRANTS	SEQUESTRATIONS	TOTAL APPROPRIATIONS	EXPENDITURES 2025	UNDER EXPENDITURES 2025
AGRICULTURE	\$ 128,100	\$ -	\$ -	\$ 128,100	\$ 18,607	\$ 109,493
EDUCATION AND EARLY YEARS	66,240,000	-	-	66,240,000	61,672,316	4,567,684
ENVIRONMENT, ENERGY AND CLIMATE ACTION	4,841,800	-	-	4,841,800	2,061,385	2,780,415
FINANCE	11,876,500	-	-	11,876,500	11,424,398	452,102
FISHERIES, TOURISM, SPORT AND CULTURE	3,275,000	7,227,700	-	10,502,700	7,021,176	3,481,524
HEALTH AND WELLNESS	53,016,000	-	-	53,016,000	35,265,008	17,750,992
HEALTH PEI	66,664,700	-	-	66,664,700	46,459,590	20,205,110
HOUSING, LAND AND COMMUNITIES	120,000	-	-	120,000	-	120,000
INNOVATION PEI	850,000	-	-	850,000	-	850,000
JUSTICE AND PUBLIC SAFETY	4,936,300	-	-	4,936,300	4,226,710	709,590
PEI HOUSING CORPORATION	69,671,600	2,918,300	-	72,589,900	72,589,811	89
PEI PUBLIC SERVICE COMMISSION	500,000	82,400	-	582,400	582,361	39
SOCIAL DEVELOPMENT AND SENIORS	2,000,000	-	-	2,000,000	1,502,465	497,535
TRANSPORTATION AND INFRASTRUCTURE	84,701,800	20,930,000	(2,918,300)	102,713,500	101,581,650	1,131,850
WORKFORCE, ADVANCED LEARNING AND POPULATION	-	135,000	-	135,000	135,000	-
TOTAL CAPITAL	\$ 368,821,800	\$ 31,293,400	\$(2,918,300)	\$ 397,196,900	\$ 344,540,477	\$ 52,656,423
TOTAL CURRENT AND CAPITAL	\$3,601,206,200	\$192,533,100	\$(7,500,700)	\$3,786,238,600	\$3,664,684,116	\$121,554,484

Expenditures are presented in accordance with the classifications in the Appropriation Acts 2024 and approved special warrants for the 2024/25 fiscal year. This format differs from the Province's Operating Fund financial statements.

ORDER-IN-
COUNCIL

SPECIAL WARRANTS FOR CURRENT EXPENDITURES 2025 FISCAL YEAR

CONSOLIDATED AGENCIES

EC2025-946	PEI SELF-INSURANCE AND RISK MANAGEMENT FUND		
Oct. 14, 2025	Claim Payments		<u>\$1,093,000</u>

Spending Warrant: To fund expenditures related to other consolidated agencies, primarily the PEI Self-Insurance and Risk Management Fund.

EDUCATION AND EARLY YEARS

EC2025-139	EARLY CHILDHOOD DEVELOPMENT		
Feb. 19, 2025	Grants – Day Care Centres Special Needs	\$ 1,450,000	
	Grants – Early Years Operational Requirements	<u>8,950,000</u>	\$10,400,000

Special Warrant with Offset: To fund grants to support early years programs and services as well as new childcare spaces, partially offset by \$4,478,000 in Federal funding.

EC2025-938	EARLY CHILDHOOD DEVELOPMENT		
Oct. 14, 2025	Grants – Early Years Operational Requirements	2,435,000	
	EARLY CHILDHOOD DEVELOPMENT – AUSTISM SERVICES		
	Grants – Day Care Centres Special Needs	285,000	
	FINANCE AND ADMINISTRATION – PROVINCIAL LEARNING MATERIALS DISTRIBUTION CENTRE		
	Materials, Supplies and Services – Books and Subscriptions	<u>650,000</u>	<u>3,370,000</u>

Spending Warrant: To fund grants to support classroom materials, early years autism grants, as well as support for new childcare spaces.

Total Education and Early Years			<u>\$ 13,770,000</u>
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ENVIRONMENT, ENERGY AND CLIMATE ACTION

EC2025-141 SUSTAINABILITY – ENERGY AND EFFICIENCY

Feb. 19, 2025

Grants – Electricity Rebate Program \$2,007,800

SUSTAINABILITY – OFFICE OF NET ZERO

Grants – Free Heat Pump Program 3,363,200 \$ 5,371,000

Spending Warrant: To fund program utilization for rebate programs including solar energy, free heat pumps, and insulation programs.

EC2025-937 SUSTAINABILITY – ENERGY AND EFFICIENCY

Oct. 14, 2025

Grants – Electricity Rebate Program 159,400

SUSTAINABILITY – OFFICE OF NET ZERO

Grants – Office of Net Zero 5,662,300 5,821,700

Spending Warrant: To fund program utilization for rebate programs including the electricity rebate program, oil to heat pump affordability program, and Provincial free insulation program.

Total Department of Environment, Energy and Climate Action \$ 11,192,700

GENERAL GOVERNMENT

EC2025-939 GENERAL GOVERNMENT – CONTINGENCY FUND AND SALARY NEGOTIATIONS

Oct. 14, 2025

Professional Services – Legal \$2,066,700

Special Warrant with Offset: To fund expenditures related to legal fees for the tobacco health care recovery costs litigation settlement, fully offset by tobacco settlement revenue.

ORDER-IN-
COUNCIL

SPECIAL WARRANTS FOR CURRENT EXPENDITURES 2025 FISCAL YEAR

HEALTH PEI

EC2025-143 COMMUNITY HEALTH AND SENIORS CARE – GRANTS TO PRIVATE NURSING HOMES

Feb. 19, 2025

Grants – Private Nursing Homes	\$22,719,700
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HOSPITAL SERVICES – ACUTE CARE HOSPITALS

Salaries	<u>4,480,000</u>	\$ 27,199,700
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Special Warrant with Offset: To fund grants to private long-term care homes to support opening of new beds and negotiated rate increases, and to fund increases in salaries from the ratification of the new Collective Agreement with UPSE Health. Appropriation is partially offset by \$4,500,000 in sequestered funds from the Department of Health and Wellness.

EC2025-649 ACUTE CARE HOSPITALS

July 8, 2025

Materials, Supplies and Services – Food	4,900,000
Materials, Supplies and Services – Repairs and Maintenance	3,900,000
Professional Services	5,400,000
Salaries	<u>4,275,300</u>
	18,475,300

OUT-OF-PROVINCE HEALTH SERVICES

Professional Services – Doctors and Nurses Fees	<u>12,000,000</u>	<u>30,475,300</u>
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Spending Warrant: To fund expenditures related to out-of-province health service provision, along with staffing, maintenance, and supplies for acute care facilities.

Total Health PEI		<u>\$ 57,675,000</u>
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ORDER-IN-
COUNCIL

SPECIAL WARRANTS FOR CURRENT EXPENDITURES 2025 FISCAL YEAR

INNOVATION PEI

EC2025-144 Feb. 19, 2025	BUSINESS DEVELOPMENT - PROGRAMS	
	Aerospace Tax Incentives	\$ 12,000,000
	Special Warrant with Offset: To fund expenditures related to the PEI Aerospace Tax Incentive Program, partially offset by \$9,920,000 in corporate income tax revenue.	
EC2025-940 Oct. 14, 2025	BUSINESS DEVELOPMENT – PROGRAMS	
	Aerospace Tax Incentives	<u>234,100</u>
	Special Warrant with Offset: To fund expenditures related to the PEI Aerospace Tax Incentive Program, fully offset by corporate income tax revenue.	
	Total Innovation PEI	<u>\$ 12,234,100</u>

LA COMMISSION SCOLAIRE DE LANGUE FRANÇAISE

EC2025-941 Oct. 14, 2025	LA COMMISSION SCOLAIRE DE LANGUE FRANÇAISE – GENERAL	
	Equipment and Repairs	\$ 11,000
	Salaries – School Units – Instructional	<u>1,554,000</u>
	Total La Commission scolaire de langue française	<u>\$1,565,000</u>
	Spending Warrant: To fund expenditures related to classroom equipment and salaries at La Commission scolaire de langue française.	

ORDER-IN-
COUNCIL

SPECIAL WARRANTS FOR CURRENT EXPENDITURES 2025 FISCAL YEAR

PEI AGRICULTURAL INSURANCE CORPORATION

EC2025-180 PEI AGRICULTURAL INSURANCE CORPORATION - GENERAL

Feb. 19, 2025

Administration – Insurance	\$ 843,500
Grants – Agri Insurance Program	9,060,500
Grants – AgriStability Program	<u>701,000</u>
Total PEI Agricultural Insurance Corporation	<u>\$10,605,000</u>

Special Warrant with Offset: To fund expenditures related to AgriInsurance Program claims, AgriStability Program claims, and reinsurance premium costs, partially offset by \$2,747,100 in Federal funding.

PEI STUDENT FINANCIAL ASSISTANCE CORPORATION

EC2025-945 PEI STUDENT FINANCIAL ASSISTANCE CORPORATION - GENERAL

Oct. 14, 2025

Grants – Student Assistance	<u>\$130,300</u>
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Special Warrant with Offset: To fund additional expenditures related to the delivery of the Canada Student Financial Assistance Program, fully offset by Federal funding.

ORDER-IN-COUNCIL SPECIAL WARRANTS FOR CURRENT EXPENDITURES 2025 FISCAL YEAR

PUBLIC SCHOOLS BRANCH

EC2025-140 PUBLIC SCHOOLS BRANCH – GENERAL
Feb. 19, 2025

Grants – School Transportation	\$ 1,500,000	
Salaries – Instructional	<u>5,900,000</u>	\$7,400,000

Spending Warrant: To fund expenditures related to staffing and operations of the Public Schools Branch.

EC2025-943 PUBLIC SCHOOLS BRANCH – GENERAL
Oct. 14, 2025

Equipment and Repairs	115,000	
Program Material	80,000	
Salaries – Instructional	<u>6,260,000</u>	<u>6,455,000</u>

Spending Warrant: To fund expenditures related to materials for additional kindergarten classes and salaries at the Public Schools Branch.

Total Public Schools Branch \$ 13,855,000

SOCIAL DEVELOPMENT AND SENIORS

EC2024-954 SOCIAL PROGRAMS
Oct. 25, 2024

Grants – AccessAbility Supports	\$ 13,486,100	
Grants – Social Assistance Benefits	<u>6,307,700</u>	\$19,793,800

Spending Warrant: To fund additional grants for Social Assistance and AccessAbility Support clients.

ORDER-IN-COUNCIL SPECIAL WARRANTS FOR CURRENT EXPENDITURES 2025 FISCAL YEAR

EC2025-145 Feb. 19, 2025	CHILD AND FAMILY SERVICES		
	Grants – Supports for Children	1,295,500	
	Salaries	1,126,400	
	SOCIAL PROGRAMS		
	Uncollectable Amounts	1,141,800	
	Grants – AccessAbility Supports	1,993,100	
	Grants – Seniors Independence Initiative	1,352,300	
	Grants – Social Assistance Benefits	4,230,000	
	STRATEGY, POLICY AND SENIORS		
	Grants – Food Security	<u>1,915,300</u>	13,054,400
	Special Warrant with Offset: To fund grants to support increased caseloads in the AccessAbility Supports and Social Assistance Programs, as well as the Seniors Independence Initiative, overages in food security programs, additional salaries for UPSE Health employees, and supports for children grants, partially offset by \$2,181,700 in Federal funding.		
EC2025-944 Oct. 14, 2025	SOCIAL PROGRAMS		
	Uncollectable Amounts	535,000	
	Grants – AccessAbility Supports	1,640,900	
	Grants – Social Assistance Benefits	<u>405,800</u>	<u>2,581,700</u>
	Spending Warrant: To fund grants to Social Assistance and AccessAbility Supports program clients and related uncollectable amounts.		
	Total Department of Social Development and Seniors		<u>\$ 35,429,900</u>

ORDER-IN-
COUNCIL SPECIAL WARRANTS FOR CURRENT EXPENDITURES 2025 FISCAL YEAR

TOURISM PEI

EC2025-651	OPERATIONS AND INDUSTRY INVESTMENT – FRENCH SERVICES	
July 8, 2025	Grants – Tourism Product Development	\$ 32,500
	OPERATIONS AND INDUSTRY INVESTMENT – GOLF COURSES	
	Debt – Financial Activity Fees	13,300
	Materials, Supplies and Services	240,700
	Salaries – Wages – Casual Payroll	225,000
	OPERATIONS AND INDUSTRY INVESTMENT – MARK ARENDZ PROVINCIAL SKI PARK AT BROOKVALE	
	Materials, Supplies and Services	227,000
	Salaries – Wages – Casual Payroll	190,400
	OPERATIONS AND INDUSTRY INVESTMENT – PARKS OPERATIONS	
	Materials, Supplies and Services	131,000
	Salaries – Wages – Casual Payroll	190,400
	TOURISM INTELLIGENCE AND STAKEHOLDER INVESTMENT – REGULATION AND COMPLIANCE	
	Professional Services – Consultant	314,000
	Salaries	19,000
	TOURISM INTELLIGENCE AND STAKEHOLDER INVESTMENT – STRATEGY AND EVALUATION	
	Professional Services – Consultant	<u>39,700</u>
	Total Tourism PEI	<u>\$ 1,623,000</u>

Special Warrant with Offset: To fund additional expenditures related to Tourism PEI operations, fully offset by additional revenues from golf and park operations and Federal funding.

TOTAL SPECIAL WARRANTS FOR CURRENT EXPENDITURES	<u>\$161,239,700</u>
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ORDER-IN-
COUNCIL

SPECIAL WARRANTS FOR CAPITAL EXPENDITURES 2025 FISCAL YEAR

FISHERIES, TOURISM, SPORT AND CULTURE

EC2025-142 EQUIPMENT AND OTHER CAPITAL ASSETS – AQUACULTURE ACCESS POINTS REPAIRS

Feb. 19, 2025

Capital Improvements – Buildings \$ 7,227,700

Special Warrant with Offset: To fund capital expenditures for repairs and upgrades to aquaculture access points, partially offset by \$3,525,000 in Federal funding.

PEI HOUSING CORPORATION

EC2025-942 CAPITAL IMPROVEMENTS – BUILDINGS

Oct. 14, 2025

Capital Repairs \$ 2,918,300

Special Warrant with Offset: To fund expenditures related to energy efficiency improvements for social housing buildings, fully offset by sequestration of funds from the capital budget of the Department of Transportation and Infrastructure.

PEI PUBLIC SERVICE COMMISSION

EC2025-650 EQUIPMENT AND OTHER CAPITAL ASSETS

July 8, 2025

IT System Modernization \$ 82,400

Special Warrant with Offset: To fund capital expenditures related to the implementation of the Applicant Tracking System, fully offset by sequestration of funds from the current budget of the Public Service Commission.

**ORDER-IN-
COUNCIL** **SPECIAL WARRANTS FOR CAPITAL EXPENDITURES 2025 FISCAL YEAR**

TRANSPORTATION AND INFRASTRUCTURE

EC2024-725 CAPITAL IMPROVEMENTS – HIGHWAYS

July 30, 2024

Bridges	\$ 4,450,000
National and Collector Highways	12,480,000
Provincial Paving	<u>4,000,000</u>
 Total Department of Transportation and Infrastructure	 <u>\$20,930,000</u>

Special Warrant with Offset: To fund additional capital expenditures to support government infrastructure, partially offset by \$4,321,500 in Federal funding.

WORKFORCE, ADVANCED LEARNING AND POPULATION

EC2025-947 EQUIPMENT AND OTHER CAPITAL ASSETS

Oct. 14, 2025

IT System Modernization	<u>\$ 135,000</u>
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Spending Warrant: To fund expenditures related to the implementation of a long-term financial data modeling system.

TOTAL SPECIAL WARRANTS FOR CAPITAL EXPENDITURES	<u>\$31,293,400</u>
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TOTAL SPECIAL WARRANTS ISSUED FOR THE 2025 FISCAL YEAR	<u>\$192,533,100</u>
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RECOMMENDATIONS*	MANAGEMENT RESPONSE
<p>Recommendation 12.17 Government should consider tabling additional Appropriations Acts when unexpected events occur, requiring a significant financial outlay, in order to promote debate in the Legislative Assembly and reduce the use of special warrants.</p>	<ul style="list-style-type: none"> • Treasury Board Secretariat remains committed to following all the provisions of the <i>Financial Administration Act</i> (the Act). Per section 37(3) of the Act, all Special Warrants authorized since the last sitting of the Legislative Assembly are required to be presented through a Supplementary Appropriation Act at the next sitting of the Legislative Assembly where it is tabled and debated by members. Special Warrants are also displayed publicly through Orders-in-Council when they are authorized. These processes are important for transparency and accountability and continue to be followed by Treasury Board Secretariat. • Treasury Board Secretariat would note that, when unexpected events occur, they may require an urgent response with timing not permitting for the tabling of additional Appropriation Acts during a sitting of the Legislative Assembly. • There may also be instances when additional spending is required to continue to operate essential programs and services (for example: Social Assistance Program and AccessAbility Supports Program, education resources, etc.). In these cases, timing may not align to the sitting times of the Legislature. • Treasury Board Secretariat agrees that the appropriation process should be used to limit the use of Special Warrants, where possible.
<p>Recommendation 12.21 In accordance with the <i>Financial Administration Act</i>, special warrants should be obtained before expenditures are incurred, when the authorized appropriations are expected to be exceeded.</p>	<ul style="list-style-type: none"> • The Treasury Board Secretariat continues to work with all entities to identify situations where there may be changes to the approved expenditure plan that may cause an entity to exceed their approved appropriation vote. For these situations, departments are encouraged to submit a request for Special Warrant. • There may be situations that can lead to a subsequent Special Warrant, such as expenditures that are accrued or paid with respect to one fiscal year that are later determined to belong in another fiscal year. There are other situations where the Office of the Comptroller, through discussion with the Auditor General’s office, decides a particular accounting treatment for a transaction and records an adjustment to departmental expenses. This in turn may also cause expenses to exceed the approved appropriation prior to a Special Warrant being authorized. • Treasury Board Secretariat respects the requirements of the Financial Administration Act and continues to make best efforts to ensure that supplementary authority is provided prior to payments being authorized that would cause a department to exceed their approved appropriation vote.

*Recommendation numbers refer to the paragraph numbers.

Indicators of Financial Condition



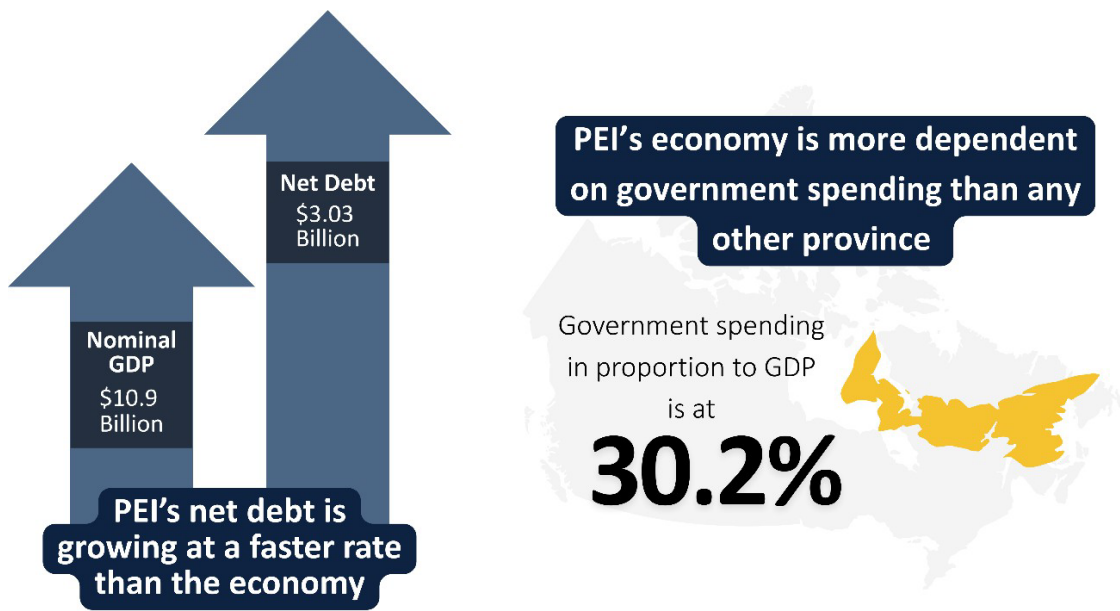
Chapter 13

13. Indicators of Financial Condition – Highlights

What We Did:

We present information on key financial indicators for the last five fiscal years. These indicators help to assess the Province’s sustainability, flexibility, and vulnerability, and can assist legislators and the public in better understanding its financial condition. The condition of the Province’s finances is important. It affects all residents through levels of taxation, government spending, services provided, and economic impact.

What We Found:



Net debt per Islander has increased

March 31, 2024



\$14,873



March 31, 2025



\$16,702

PEI's dependence on federal funding is highest of all provinces



39%

of total revenues were from federal transfers

13. Indicators of Financial Condition

BACKGROUND

13.1 Consolidated financial statements provide an overview of the financial condition of a province at its fiscal year end, comparing current year results to the budget and prior year. 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 several indicators of financial condition in this chapter.

13.2 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 are grouped into three categories:

- Sustainability: A government's ability to maintain its programs and services.
- Flexibility: A government's ability to respond to economic changes.
- Vulnerability: A government's dependency on external sources of funding.

13.3 This chapter presents financial indicators for the last five fiscal years. The most recent estimates of nominal gross domestic product (GDP) and population were used in the determination of various indicators. Nominal GDP is presented on a calendar year basis.

OVERVIEW

13.4 In this chapter, we provide information on several indicators of financial condition that help assess the Province's sustainability, flexibility, and vulnerability. **Exhibit 13.1** provides a summary of these indicators for the past five years.



EXHIBIT 13.1
SUMMARY OF FINANCIAL INDICATORS
YEAR ENDED MARCH 31

	2021	2022	2023	2024	2025
Sustainability					
Net Debt to GDP (Exhibit 13.3)	30.8%	27.4%	25.7%	26.1%	27.8%
Net Debt per Capita (Exhibit 13.5)	\$14,340	\$14,190	\$14,218	\$14,873	\$16,702
Net Debt to Total Revenues (Exhibit 13.7)	97.2%	88.5%	84.9%	87.8%	96.9%
Expenses to GDP (Exhibit 13.8)	31.8%	30.0%	30.1%	29.9%	30.2%
Flexibility					
Interest Charges to Total Revenues (Exhibit 13.10)	5.1%	4.6%	5.0%	5.5%	5.2%
Own Source Revenues to GDP (Exhibit 13.12)	18.7%	18.9%	18.8%	18.2%	17.5%
Vulnerability					
Federal Revenues to Total Revenues (Exhibit 13.13)	40.9%	39.0%	37.9%	38.7%	39.0%

Source: Compiled by the Office of the Auditor General of Prince Edward Island.

13.5 Nominal GDP and population amounts are used to calculate a few of the financial indicators presented in this chapter. **Exhibit 13.2** presents the nominal GDP and population amounts for the past five years.

EXHIBIT 13.2
NOMINAL GDP AND POPULATION

Year	Nominal GDP (\$ Millions) 	Population 
2021	7,461	160,334
2022	8,567	165,396
2023	9,499	171,736
2024	10,134	178,022
2025	10,889	181,289

Source: Statistics Canada, nominal GDP published November 6, 2025, and population published September 24, 2025.

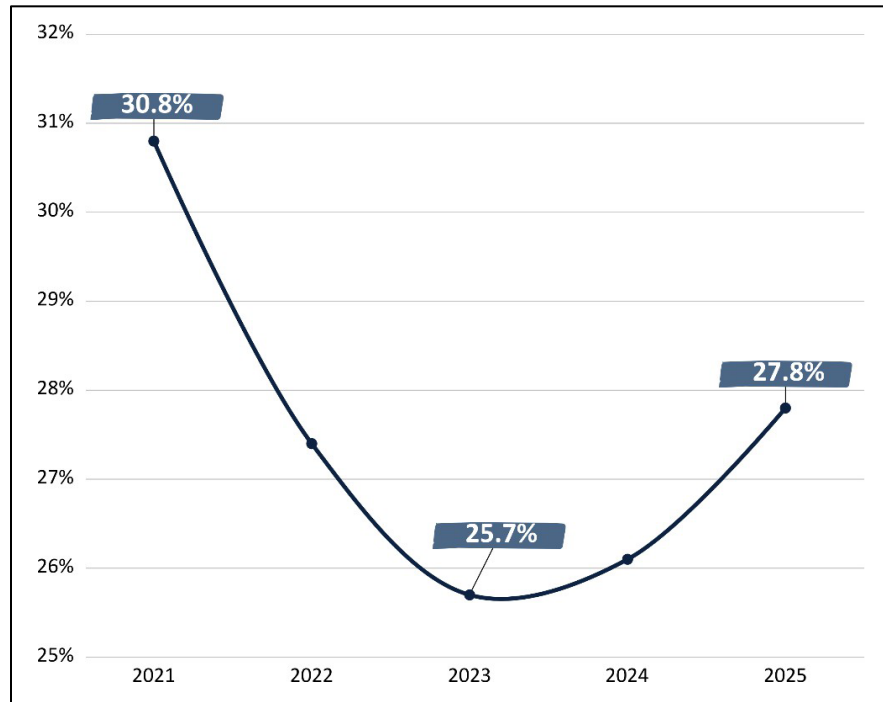
SUSTAINABILITY

13.6 Sustainability shows the extent to which programs and services can be maintained, and existing creditor, employee and other 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 of Islanders.

Net Debt to GDP

13.7 Net debt to GDP provides a measure of the financial demands placed on the economy by the Province's spending and taxation policies. An increasing ratio indicates net debt is growing at a rate faster than the economy, which is unfavourable. The Province's net debt to GDP ratio has increased over the past two years, as the Province's increasing net debt has outpaced growth of the provincial economy. **Exhibit 13.3** shows the ratio of net debt to GDP for the last five years.

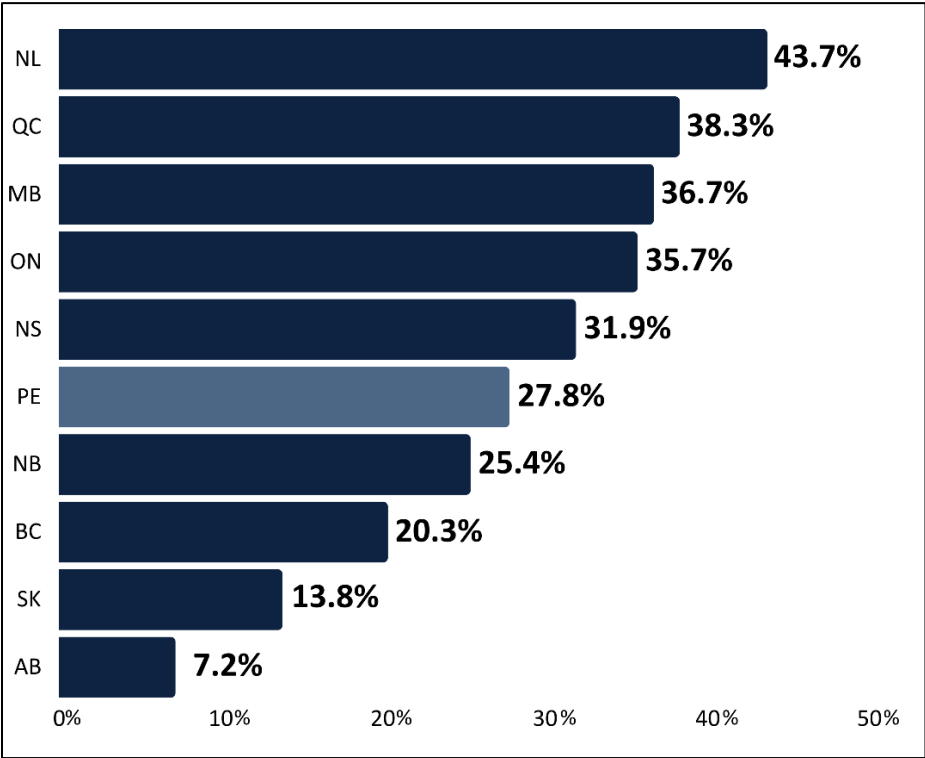
EXHIBIT 13.3
NET DEBT TO GDP
YEAR ENDED MARCH 31



Source: Derived from the Province's consolidated financial statements and GDP data from Statistics Canada published November 6, 2025.

13.8 **Exhibit 13.4** compares the Province’s net debt to GDP with the other Canadian provinces. As of March 31, 2025, PEI’s net debt to GDP ratio is close to the average of all Canadian provinces, making it more favourable than five provinces and less favourable than four provinces.

EXHIBIT 13.4
NET DEBT TO GDP FOR CANADIAN PROVINCES
MARCH 31, 2025

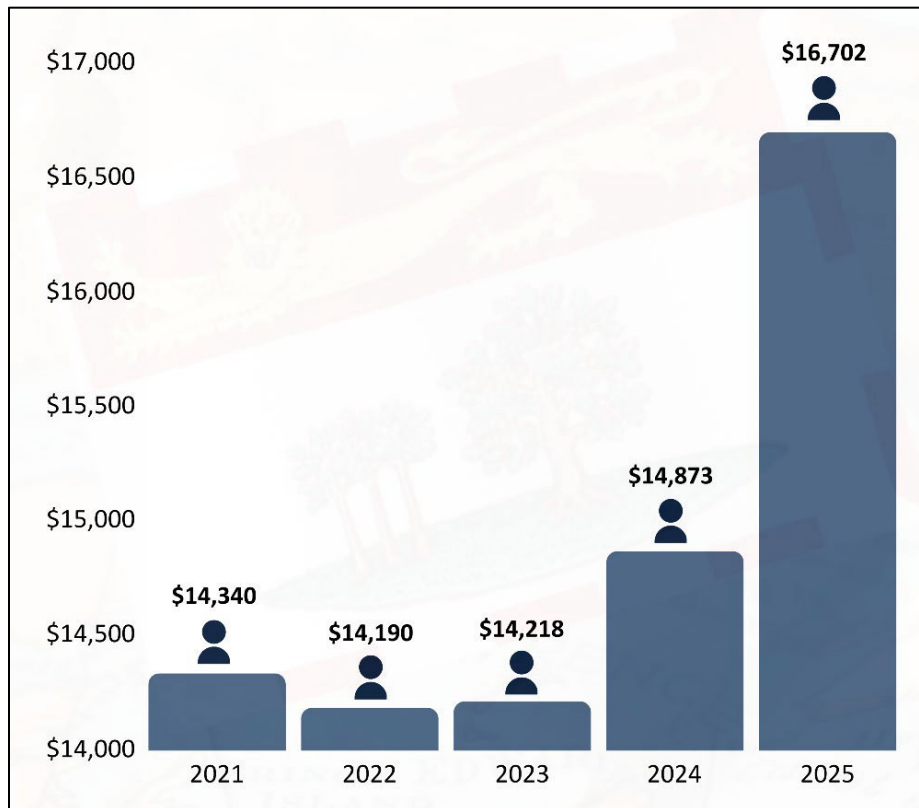


Source: Net debt derived from each province’s consolidated financial statements as of March 31, 2025, and GDP data from Statistics Canada published November 6, 2025.

Net Debt per Capita

13.9 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 \$1,829 over last fiscal year to \$16,702 per person as of March 31, 2025, as shown in **Exhibit 13.5**. Overall, net debt per capita has increased over the last five years. This is a negative trend, particularly given the Province's strong population growth which would normally be expected to reduce net debt on a per person basis.

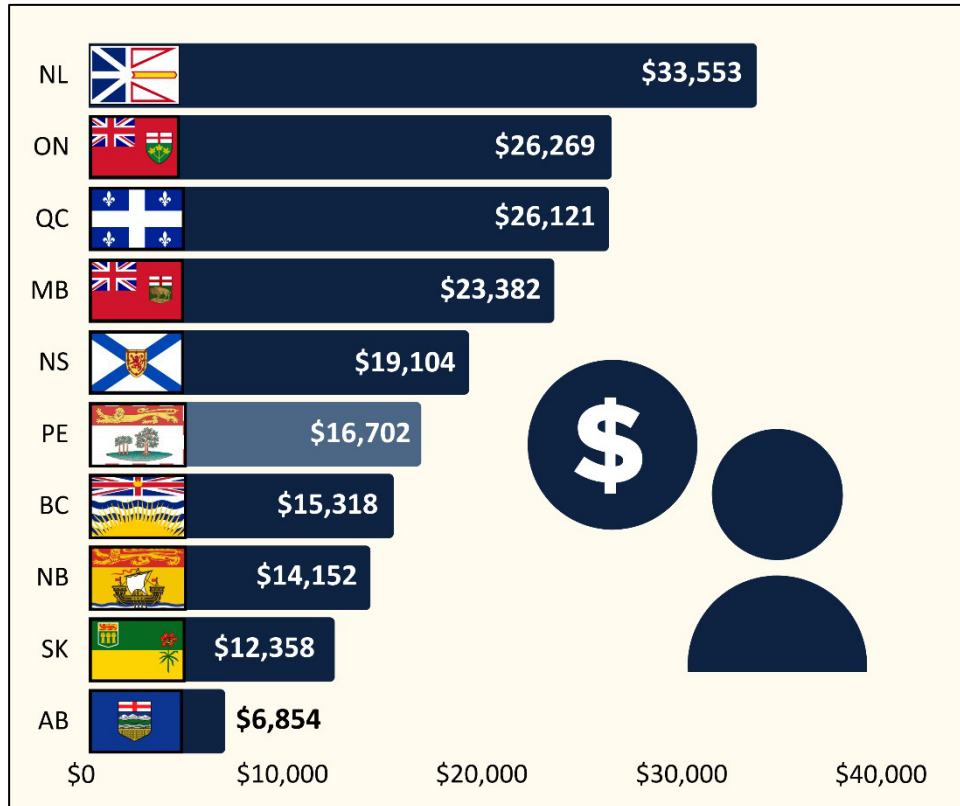
EXHIBIT 13.5
NET DEBT PER CAPITA
YEAR ENDED MARCH 31



Source: Derived from the Province's consolidated financial statements and population data from Statistics Canada published September 24, 2025.

13.10 A comparison of PEI’s net debt per capita to the other Canadian provinces is provided in **Exhibit 13.6**. PEI’s net debt per capita ratio is more favourable than five provinces and less favourable than four provinces, which is consistent with the prior year.

EXHIBIT 13.6
NET DEBT PER CAPITA FOR CANADIAN PROVINCES
MARCH 31, 2025

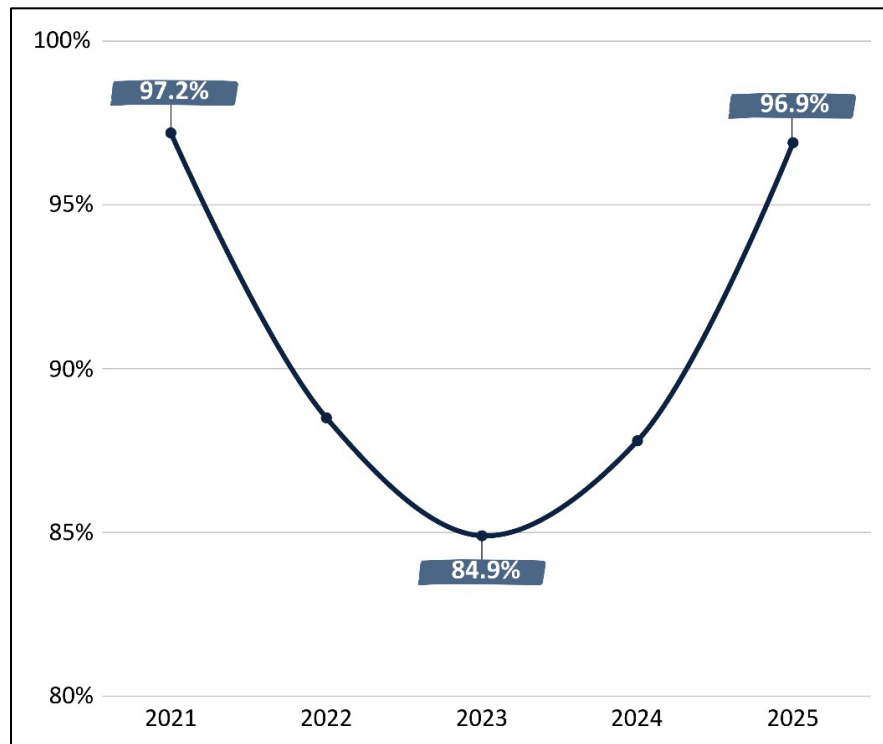


Source: Net debt derived from each province’s consolidated financial statements and population data from Statistics Canada published September 24, 2025.

Net Debt to Total Revenues

13.11 **Exhibit 13.7** 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 increased over the past two years, as the increasing net debt has grown at a rate higher than revenues. An increasing net debt to total revenues ratio indicates more time and resources will be needed to repay the debt, which is unfavourable.

EXHIBIT 13.7
NET DEBT TO TOTAL REVENUES
YEAR ENDED MARCH 31

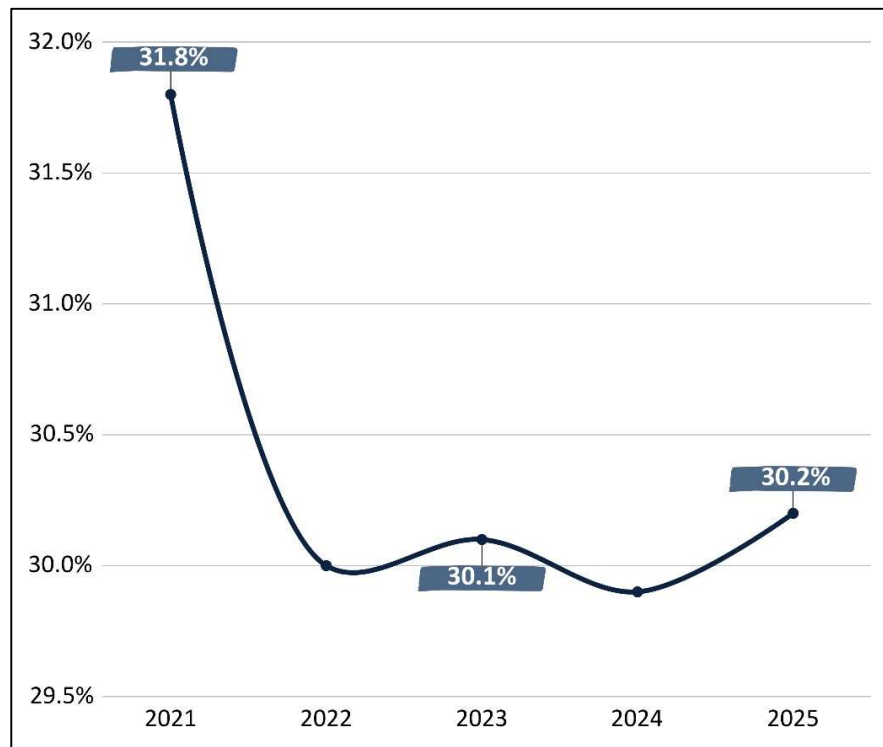


Source: Derived from the Province's consolidated financial statements.

Expenses to GDP

13.12 During the 2025 fiscal year, government expenses increased to \$3.3 billion. Comparing expenses to GDP provides the trend of government spending in relation to the growth in the economy. An increasing ratio indicates government spending is growing at a faster rate than the growth in the economy. **Exhibit 13.8** shows the Province's expenses to GDP over the last five years. Expenses as a percentage of GDP have remained relatively stable since 2022. In 2021, the COVID-19 pandemic was the main reason for the higher ratio, as it contributed to low GDP growth and increased government spending to provide supports to individuals and businesses.

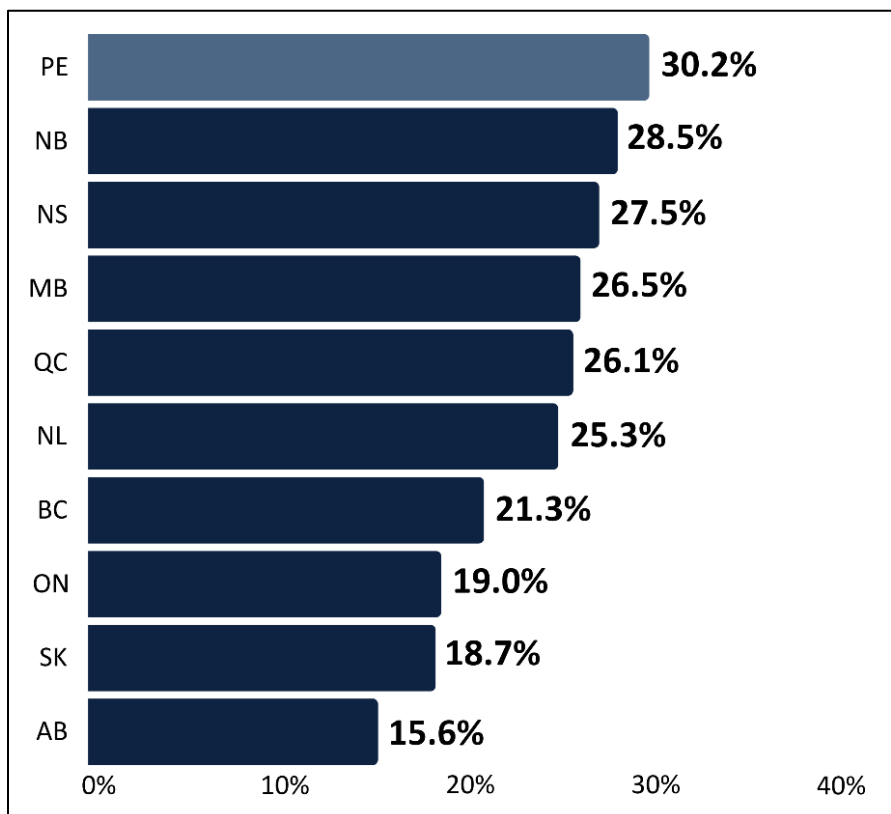
EXHIBIT 13.8
EXPENSES TO GDP
YEAR ENDED MARCH 31



Source: Derived from the Province's consolidated financial statements and GDP data from Statistics Canada published November 6, 2025.

13.13 **Exhibit 13.9** shows a comparison of PEI’s expenses to GDP ratio to the other Canadian provinces. For the year ended March 31, 2025, PEI’s expenses to GDP ratio was the highest of all Canadian provinces. This is an unfavourable statistic, as it means that PEI’s economy is more dependent on government spending than any other Canadian province, which is consistent with the prior year.

EXHIBIT 13.9
EXPENSES TO GDP FOR CANADIAN PROVINCES
MARCH 31, 2025



Source: Expenses derived from each province’s consolidated financial statements and GDP data from Statistics Canada published November 6, 2025.

FLEXIBILITY

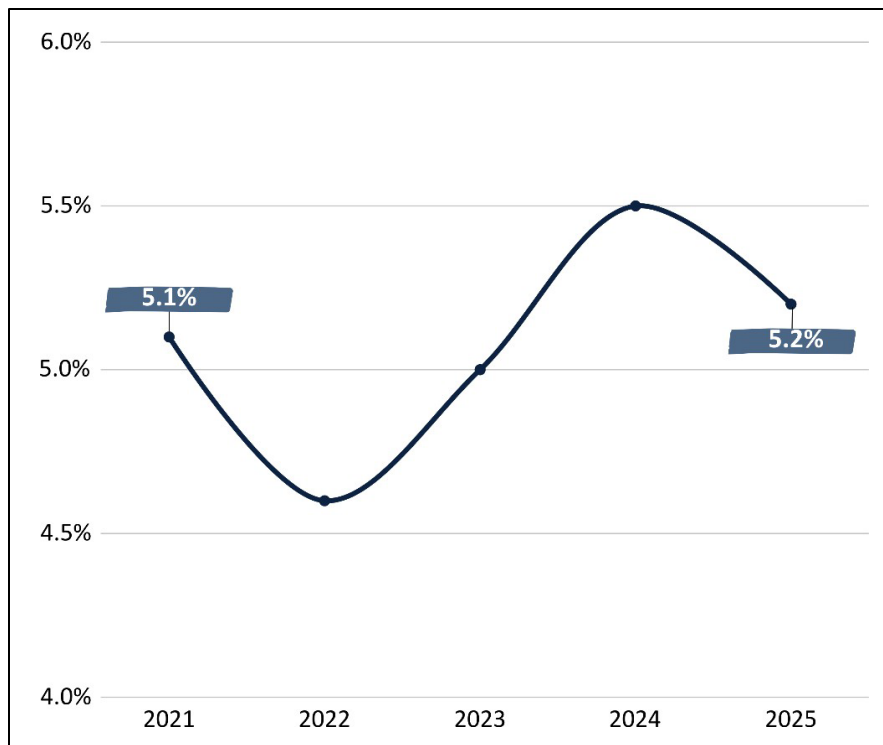
13.14 Flexibility is the degree to which a government can increase its financial resources to respond to rising commitments, by either incurring debt or raising additional revenue. A government meets the test of flexibility when it can respond to changing economic conditions, such as a recession or higher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

13.15 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 raise them further in the future, as citizens and businesses have a limit to how much they can, or are willing, to bear.

Interest Bite and Interest Charges

13.16 One measure of a government’s flexibility is what is known as the interest bite. This is the amount of annual interest charge as a percentage of total revenues as shown in **Exhibit 13.10**. This indicator illustrates the extent to which past borrowing decisions constrain a government’s ability to provide programs and services in the future. Despite the increase in net debt, the interest charges to total revenues ratio have decreased slightly over the prior year due to lower interest rates.

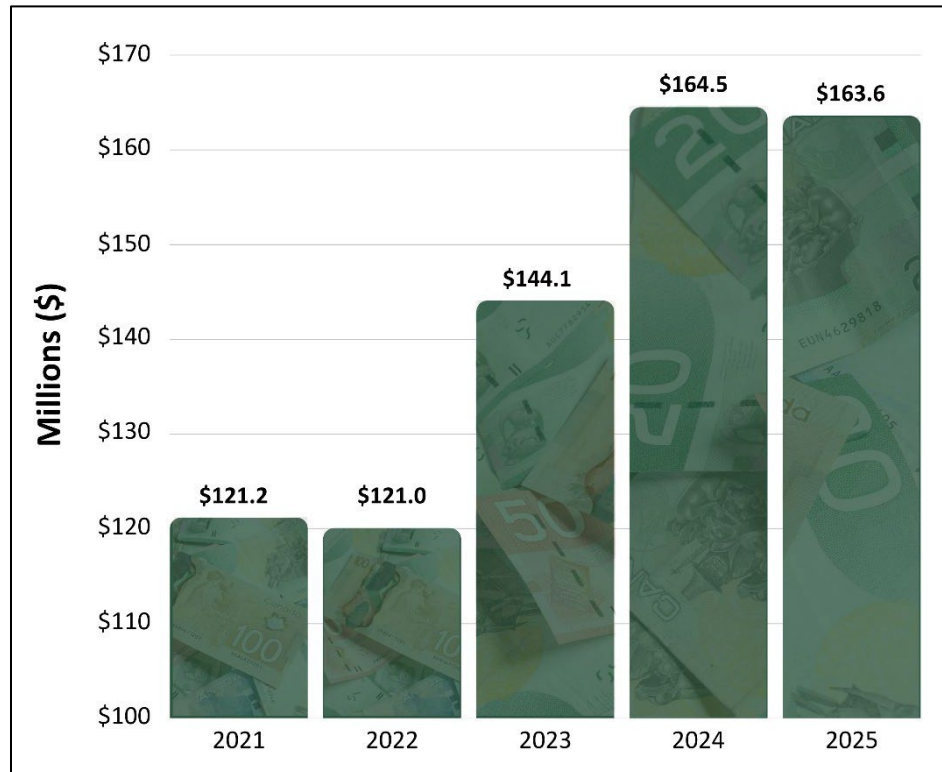
EXHIBIT 13.10
INTEREST CHARGES TO TOTAL REVENUES
YEAR ENDED MARCH 31



Source: Derived from the Province’s consolidated financial statements.

13.17 As shown in **Exhibit 13.11**, interest charges totaled \$163.6 million for the 2024-25 fiscal year. This means that the first \$163.6 million of revenue must be used to pay interest charges and is not available for government programs and services. Interest charges have increased \$42.4 million, or 35 percent, over the past 5 years. Given the Province's high and growing debt levels, interest charges will continue to constrain future spending.

EXHIBIT 13.11
INTEREST CHARGES
YEAR ENDED MARCH 31

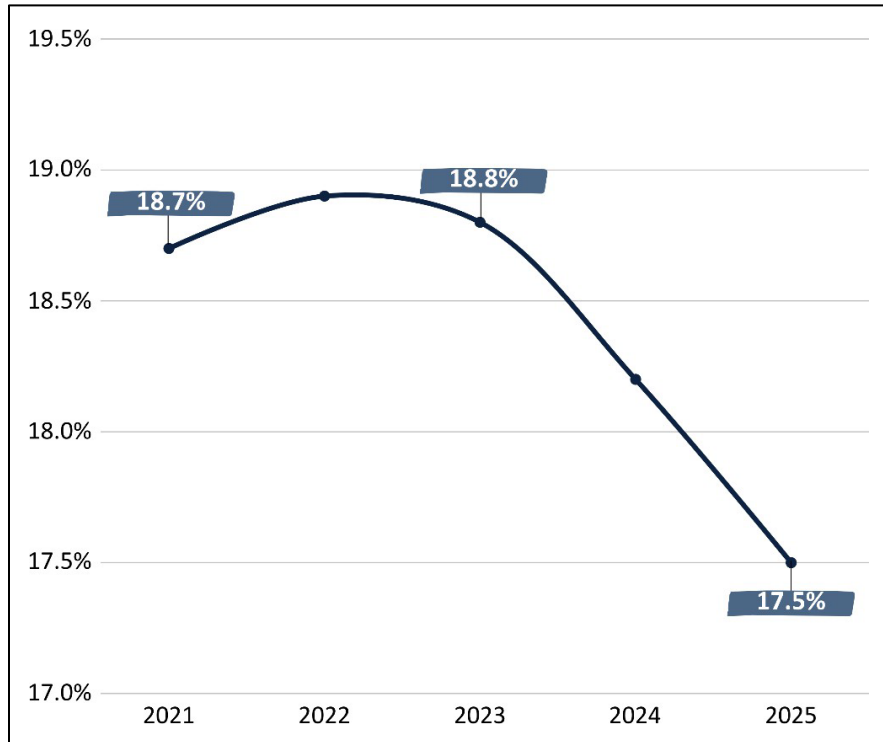


Source: Derived from the Province's consolidated financial statements.

Own Source Revenues to GDP

13.18 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 13.12** shows that this percentage has decreased over the last few years, which is a favourable trend.

EXHIBIT 13.12
OWN SOURCE REVENUES TO GDP
YEAR ENDED MARCH 31



Source: Derived from the Province's consolidated financial statements and GDP data from Statistics Canada published November 6, 2025.

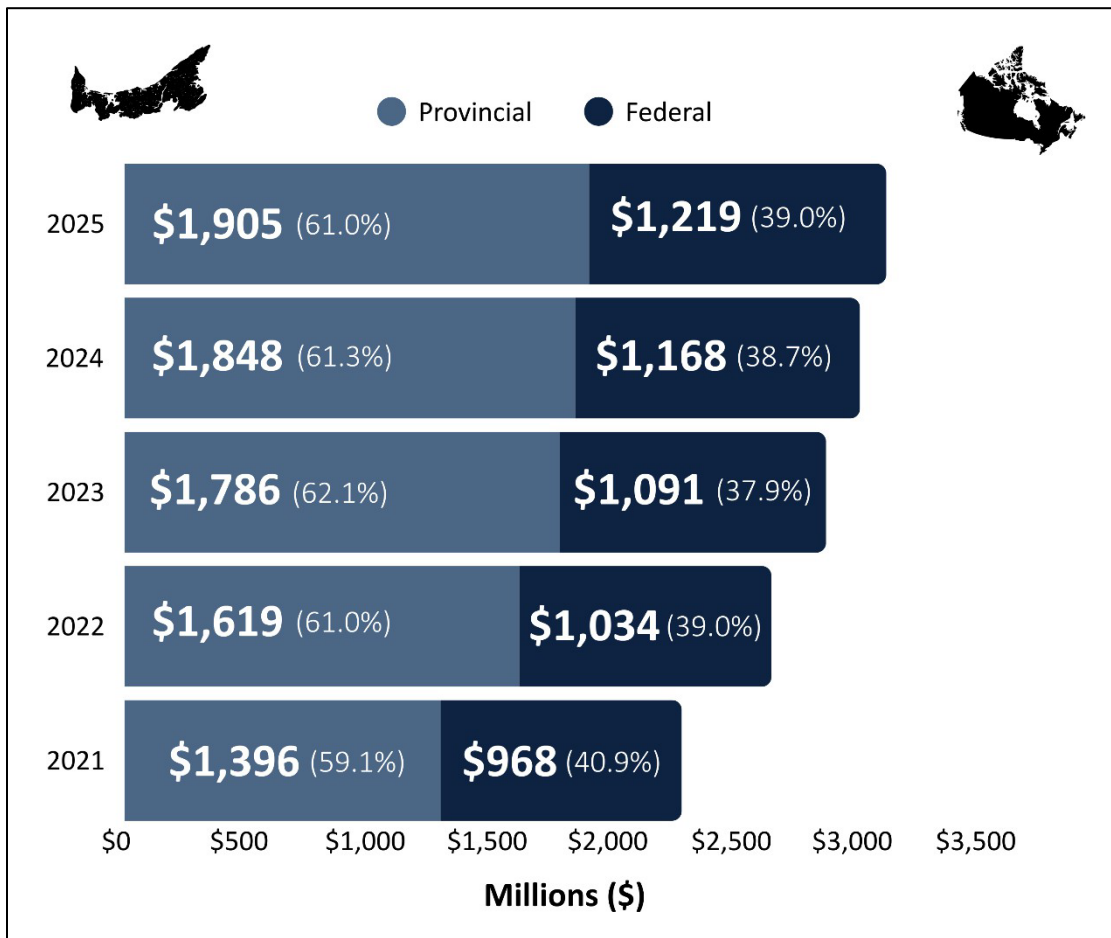
VULNERABILITY

13.19 Vulnerability is the degree to which a government depends on sources of funding outside of 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.

Federal Revenues to Total Revenues

13.20 As shown in **Exhibit 13.13**, federal revenues as a percentage of total revenues increased over the prior year from 38.7 percent to 39.0 percent. An increasing federal revenue ratio indicates higher vulnerability, as the Province is more dependent on this source of revenue. The increase in the ratio was driven by higher growth in federal revenues compared to the growth in provincial revenues.

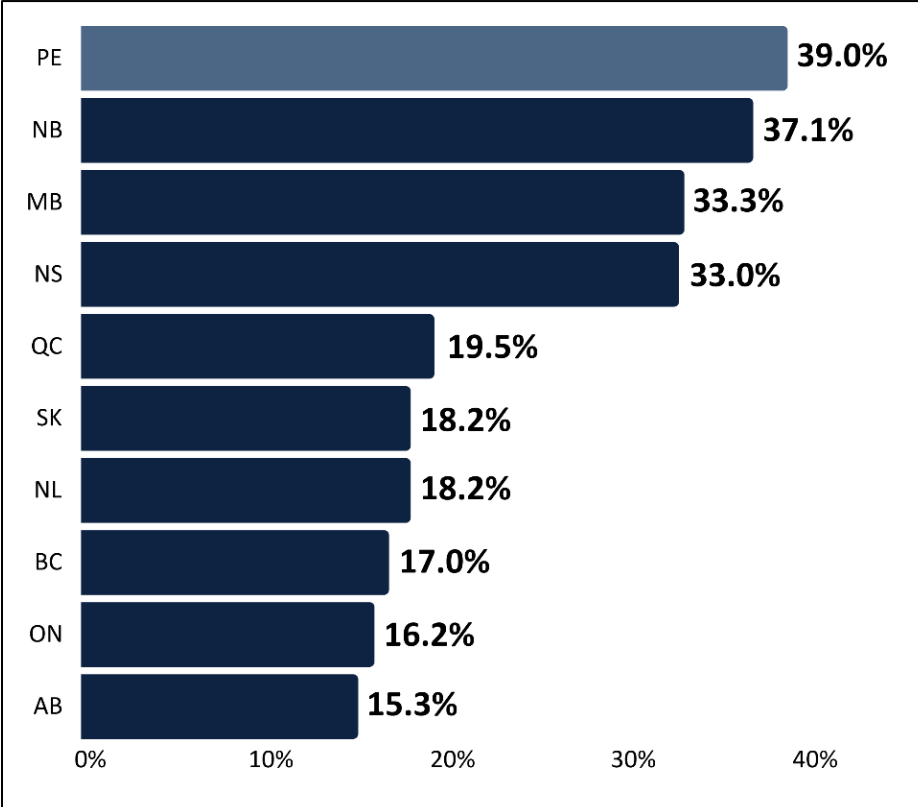
EXHIBIT 13.13
FEDERAL REVENUES TO TOTAL REVENUES
YEAR ENDED MARCH 31



Source: Derived from the Province's consolidated financial statements.

13.21 The Province’s federal revenues to total revenues ratio have been compared to other Canadian provinces in **Exhibit 13.14**. For the year ended March 31, 2025, PEI’s ratio of federal revenues to total revenues was the highest of all Canadian provinces. This indicates that PEI has the highest level of vulnerability in terms of being the most dependent Canadian province on federal funding, which is consistent with the prior year.

**EXHIBIT 13.14
FEDERAL REVENUES TO TOTAL REVENUES FOR CANADIAN PROVINCES
YEAR ENDED MARCH 31, 2025**



Source: Federal revenues and total revenues derived from each province’s consolidated financial statements as of March 31, 2025.

CONCLUSION

13.22 All four sustainability indicators have increased over the prior year, which means it may be harder for the province to maintain its current level of programs and services. The two flexibility indicators have decreased over the prior year, which is favourable. Of all Canadian provinces, PEI has the highest level of vulnerability in terms of being the most dependent on federal funding.

PEI's Finances from 2025 Public Accounts



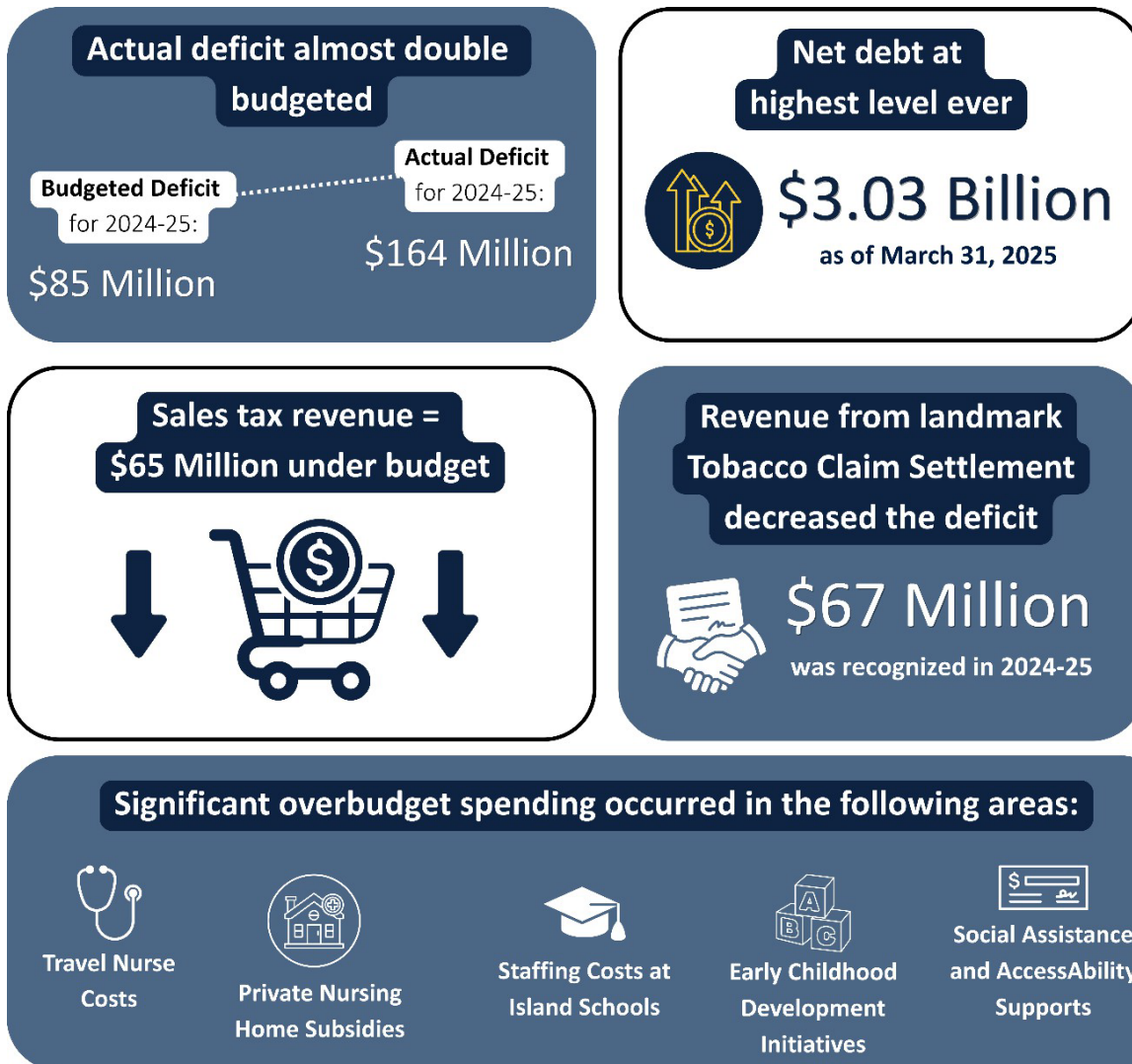
Chapter 14

14. PEI's Finances from the 2025 Public Accounts – Highlights

What We Did:

We provide objective and independent observations on the Province's finances based on the 2025 audited consolidated financial results. The Province's audited consolidated financial statements provide an overview of government's current financial position and financial activities for the fiscal year. They are a public record of the Province's revenues and expenses and include comparisons to the approved budget and results of the prior year. This information is essential for understanding the Province's financial position and how taxpayer dollars are being managed.

What We Found:



14. PEI's Finances from the 2025 Public Accounts

OVERVIEW

14.1 In this chapter, we provide commentary on the Province's 2025 audited consolidated financial position and results in comparison to budgeted amounts and the results of prior years. For definitions of financial terms used in this chapter, please refer to the **Glossary** at the end of this report.

STATEMENT OF FINANCIAL POSITION

14.2 **Exhibit 14.1** summarizes the Province's financial position for the last five fiscal years.

EXHIBIT 14.1
STATEMENT OF FINANCIAL POSITION
YEAR ENDED MARCH 31
(\$ Millions)

	2021	2022	2023	2024	2025
Financial Assets	\$1,687.4	\$1,935.7	\$2,027.7	\$1,853.6	\$1,943.5
Liabilities	<u>3,986.7</u>	<u>4,282.7</u>	<u>4,469.5</u>	<u>4,501.3</u>	<u>4,971.3</u>
Net Debt	(2,299.3)	(2,347.0)	(2,441.8)	(2,647.7)	(3,027.8)
Non-Financial Assets	<u>1,308.9</u>	<u>1,418.4</u>	<u>1,542.4</u>	<u>1,731.9</u>	<u>1,957.4</u>
Accumulated Deficit	<u>(\$ 990.4)</u>	<u>(\$ 928.6)</u>	<u>(\$ 899.4)</u>	<u>(\$ 915.8)</u>	<u>(\$1,070.4)</u>

Source: Derived from the Province's consolidated financial statements.

Financial Assets and Liabilities

14.3 Financial assets increased \$89.9 million since March 31, 2024. The following are areas where significant variances from the prior year were identified:

- Cash and short-term investments increased by \$32.9 million, portfolio investments increased by \$21.5 million and the sinking fund increased by \$38.7 million.
- Loans receivable increased by \$84.3 million mainly due to a new \$17 million loan to the PEI Energy Corporation and a \$70.9 million increase to Finance PEI's loans receivable balance.
- Accounts and taxes receivable decreased by \$98.1 million mainly due to a decrease in receivables from the Government of Canada of \$170.7 million which was partially offset by the tobacco settlement receivable of \$67.3 million.

14.4 Total liabilities increased by \$470 million since March 31, 2024. The following are areas where significant variances from the prior year were identified:

- Accounts payable and accrued liabilities increased by \$124.7 million and debentures increased by \$392.5 million.

- New debentures were used to fund the Province’s operational spending and investments in tangible capital assets.
- These increases were partially offset by a \$59.9 million decrease in loans payable, resulting from scheduled loan payments.

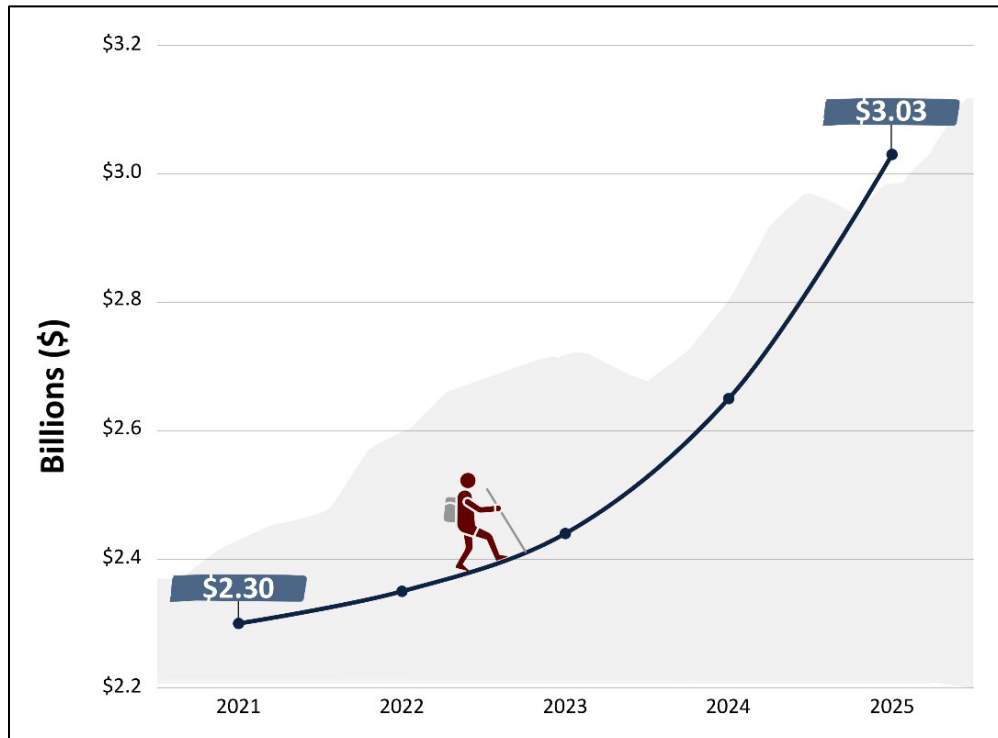
14.5 As of March 31, 2025, the Province had outstanding short-term loans payable, long-term loans payable, and debentures totaling \$4.19 billion. These government borrowings are partially offset by sinking fund assets of \$357.9 million.

Net Debt

14.6 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.

14.7 **Exhibit 14.2** shows that net debt increased during the year by \$380.1 million, and was \$3.03 billion as of March 31, 2025. The increase in net debt was mainly due to an increase in the net investment in tangible capital assets of \$225.8 million and this year’s deficit of \$163.9 million.

EXHIBIT 14.2
NET DEBT
YEAR ENDED MARCH 31



Source: Derived from the Province’s consolidated financial statements.

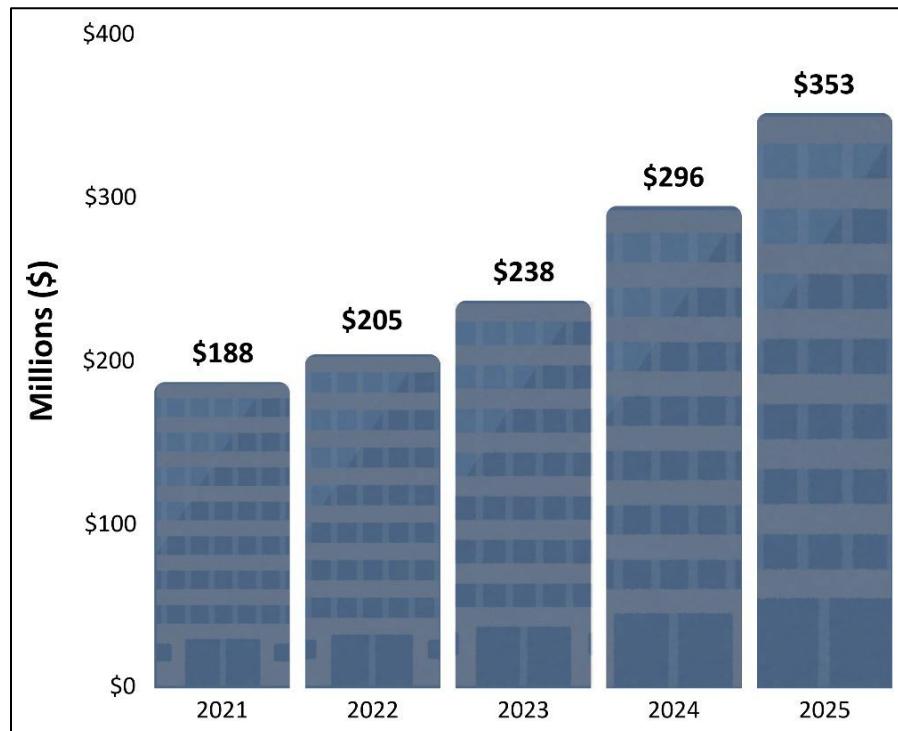
14.8 Net debt continues to rise and sits at its highest level ever. The tabled Estimates of Revenue and Expenditures for 2025-26 is forecasting net debt to reach \$4.24 billion by March 31, 2028. This represents an increase of approximately \$1.21 billion, or 40 percent, over the next 3 years. Escalating net debt puts a tremendous burden on future generations to repay the debt. In addition, interest costs will increase with the rising debt levels, taking money away from programs and services that could be offered by the Province.

Non-Financial Assets

14.9 Non-Financial assets increased by \$225.5 million since March 31, 2024. The increase is driven by investments in tangible capital assets, which includes equipment purchases, and upgrades to and new construction of buildings, roads and bridges.

14.10 Tangible capital assets include land and improvements, buildings and improvements, leasehold improvements, roads and bridges, equipment, motor vehicles and other assets. The increase in tangible capital assets for the year ended March 31, 2025, was due to tangible capital asset additions of \$352.6 million, which was partially offset by \$126.2 million of amortization expense for the tangible capital assets. **Exhibit 14.3** shows the Province's total tangible capital asset additions from 2021 to 2025.

EXHIBIT 14.3
TOTAL TANGIBLE CAPITAL ASSET ADDITIONS
YEAR ENDED MARCH 31

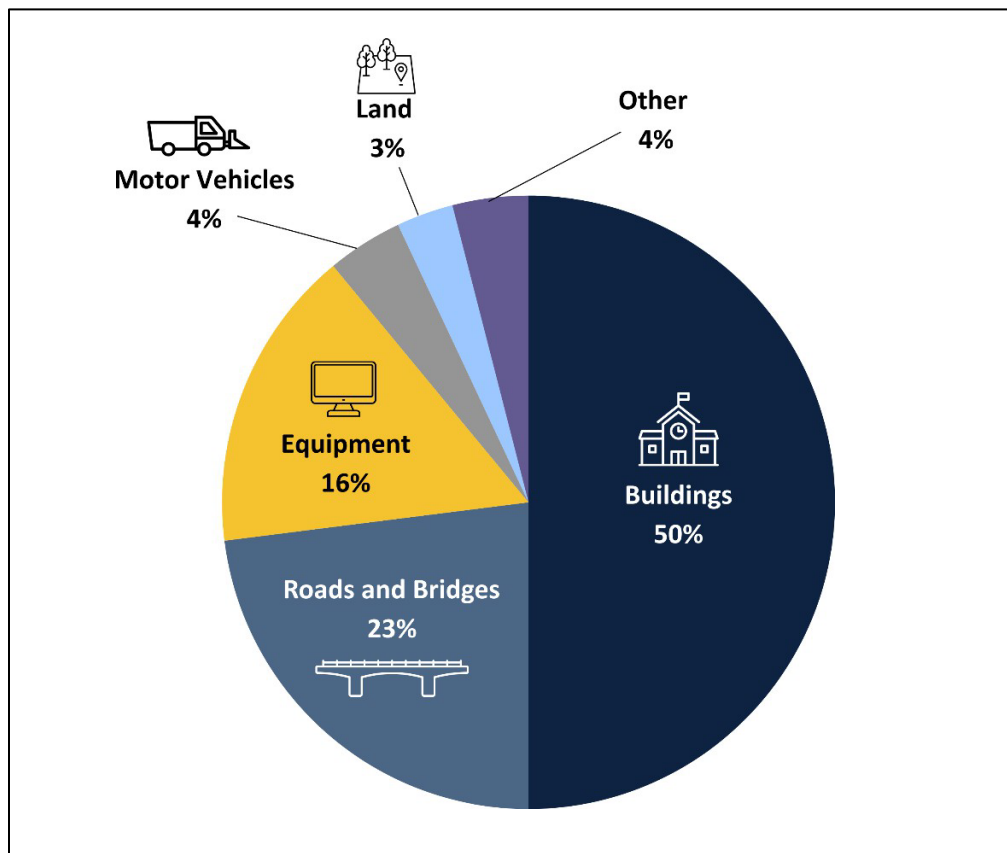


Source: Derived from the Province's consolidated financial statements.

14.11 Tangible capital asset additions have continued to grow, and they are a key contributor to the increasing net debt levels. Tangible capital asset additions were budgeted at \$368.8 million. Actual additions totaled \$352.6 million and were \$16.2 million lower than budget. While being under budget is favourable, it is important to note that several capital projects included in the budget are behind schedule and the costs to complete these projects will be incurred in future years.

14.12 **Exhibit 14.4** shows a breakdown of the tangible capital asset additions by category for fiscal year 2025.

EXHIBIT 14.4
TANGIBLE CAPITAL ASSET ADDITIONS BY CATEGORY
YEAR ENDED MARCH 31, 2025



Source: Derived from the Province's consolidated financial statements.

STATEMENT OF OPERATIONS

14.13 **Exhibit 14.5** summarizes the Province's operating results for the last five fiscal years.

EXHIBIT 14.5 STATEMENT OF OPERATIONS YEAR ENDED MARCH 31 (\$ Millions)

	2021	2022	2023	2024	2025
Revenues	\$2,364.6	\$2,652.7	\$2,876.9	\$3,015.9	\$3,123.5
Expenses	<u>2,370.2</u>	<u>2,570.5</u>	<u>2,862.8</u>	<u>3,030.7</u>	<u>3,287.4</u>
Annual Surplus (Deficit)	<u>(\$ 5.6)</u>	<u>\$ 82.2</u>	<u>\$ 14.1</u>	<u>(\$ 14.8)</u>	<u>(\$ 163.9)</u>

Source: Derived from the Province's consolidated financial statements.

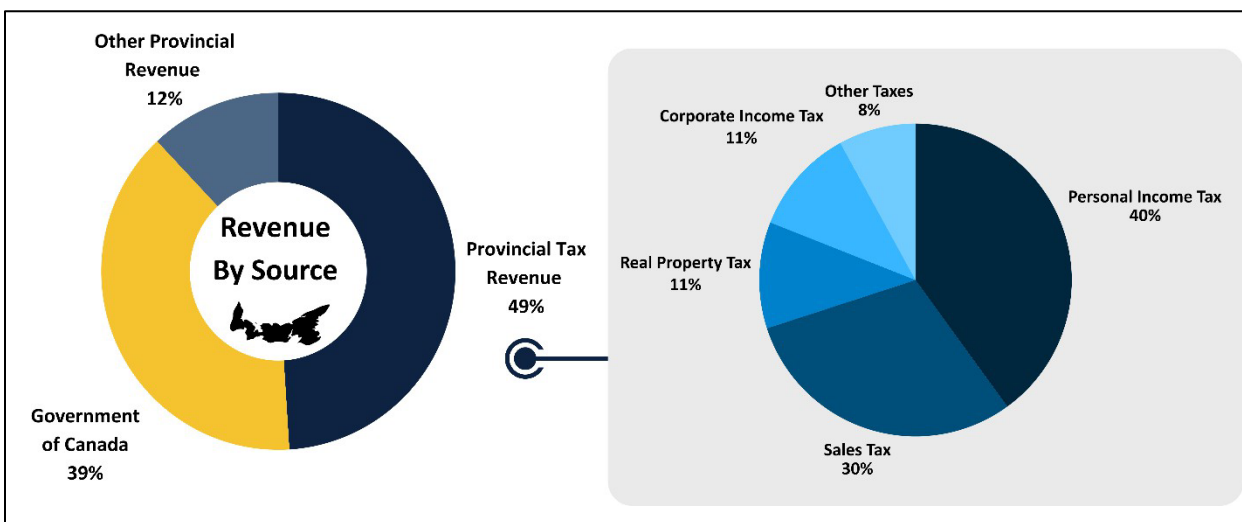
Annual Surplus/Deficit

14.14 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. For the year ended March 31, 2025, the Province had a deficit of \$163.9 million, even with the \$67.3 million tobacco settlement. Explanations for variances between current and prior year revenues and expenses are provided in the following sections.

Revenues

14.15 For the year ended March 31, 2025, revenues totaled \$3.12 billion. **Exhibit 14.6** shows revenues by the three major sources: provincial tax revenue, Government of Canada transfers, and other provincial revenue. Provincial tax revenues are the largest source of revenue for the Province and are further broken out by the various sources in **Exhibit 14.6**.

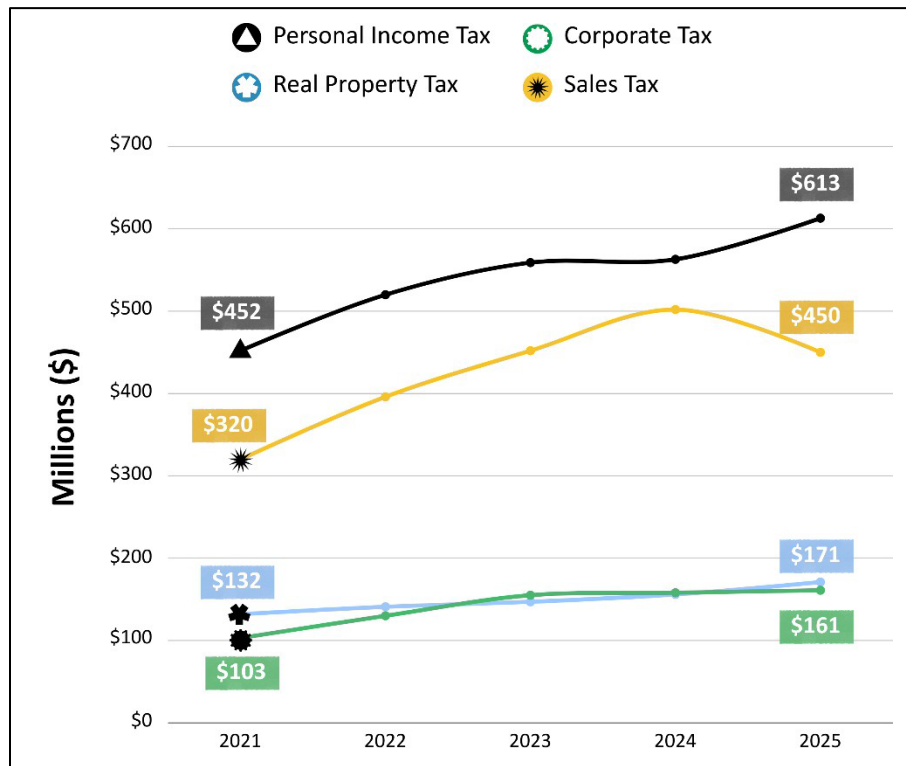
EXHIBIT 14.6 REVENUE BY SOURCE MARCH 31, 2025



Source: Derived from the Province's consolidated financial statements.

- 14.16 Revenues increased by \$107.6 million from the prior year. The increase was largely due to higher federal revenues of \$51.7 million and revenue from the tobacco settlement of \$67.3 million.
- 14.17 The increase in federal revenues was mainly driven by higher Equalization Program payments of \$48.3 million. Equalization Program payments are based on a three-year moving average of national GDP growth and the fiscal capacity of the Province.
- 14.18 On March 6, 2025, the Ontario Superior Court of Justice approved a \$32.5 billion settlement in Canada under the *Companies' Creditors Arrangement Act* in relation to historic lawsuits filed against three major tobacco companies. As part of the court-approved resolution, the Province of Prince Edward Island is entitled to receive compensation of approximately \$163.3 million to recover a portion of smoking-related health care costs. The Province is entitled to receive the compensation in the form of an upfront payment in fiscal 2025-26, along with future annual payments based on set percentages of the tobacco companies' net after-tax income from the sale of tobacco products.
- 14.19 For fiscal year 2024-25, the Province recognized \$67.3 million of revenue for the tobacco settlement. This represents the upfront payment of \$42.3 million received after year end and \$25 million for estimated future payments to be received over the term of the agreement. The Province's remaining share of the total settlement has not yet been recognized as there is significant uncertainty over the amount and timing of the future payments. Revenue estimates will be updated annually to reflect actual payments and any other new information that becomes available.
- 14.20 Provincial tax revenues are the largest source of revenue for the Province and totaled \$1.52 billion for the year ended March 31, 2025. **Exhibit 14.7** shows tax revenues from the four largest sources from 2021 to 2025. All of these sources experienced an upward trend over the past five years.

**EXHIBIT 14.7
FOUR LARGEST SOURCES OF TAX REVENUES
YEAR ENDED MARCH 31**



Source: Derived from the Province's consolidated financial statements.

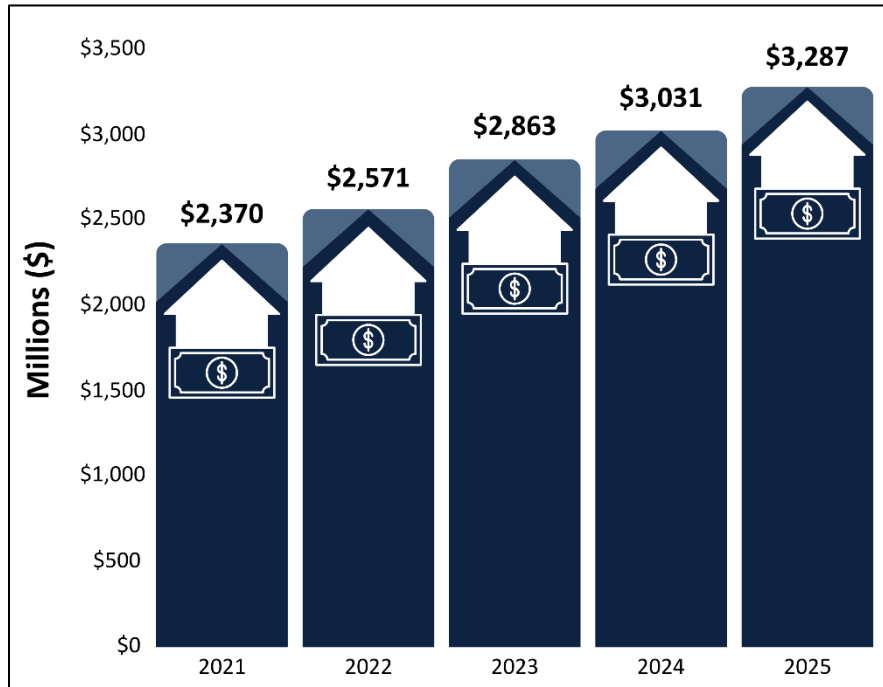
Expenses

14.21 Expenses increased \$256.7 million from the prior year due to additional spending by various departments. The following are areas where significant increases from the prior year were identified:

- The Department of Health and Wellness contributed \$146.2 million to the increase, which was largely due to higher compensation costs (\$61.7 million), and increases to acute care costs (\$20.7 million) and private nursing home subsidies (\$17.9 million) at Health PEI.
- The Department of Education and Early Years contributed \$51.7 million to the increase, which was mainly due to additional spending on early childhood development initiatives (\$19.7 million) and rising staffing costs at Island schools (\$29.4 million).
- The Department of Social Development and Seniors contributed \$35.2 million to the increase, which was mainly due to increased payments for Social Assistance (\$11.4 million) and AccessAbility Supports (\$7.8 million).

14.22 Total expenses for the Province have risen by \$917.2 million since 2021 as more demands are being placed on government programs and services. **Exhibit 14.8** shows total expenses from 2021 to 2025.

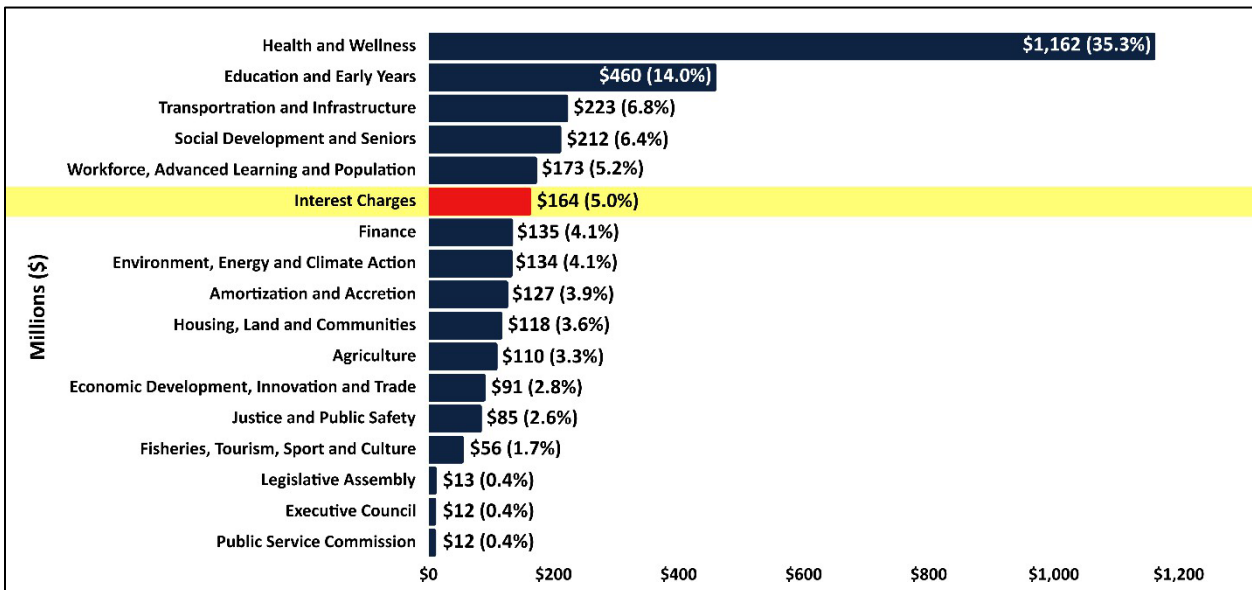
**EXHIBIT 14.8
TOTAL EXPENSES
YEAR ENDED MARCH 31**



Source: Derived from the Province's consolidated financial statements.

14.23 Exhibit 14.9 shows expenses by ministry for the year ended March 31, 2025. Interest charges are the sixth highest area of spending and are higher than various ministries, including Finance, Environment, Energy and Climate Action and Housing, Land and Communities.

**EXHIBIT 14.9
EXPENSES BY MINISTRY
YEAR ENDED MARCH 31, 2025**

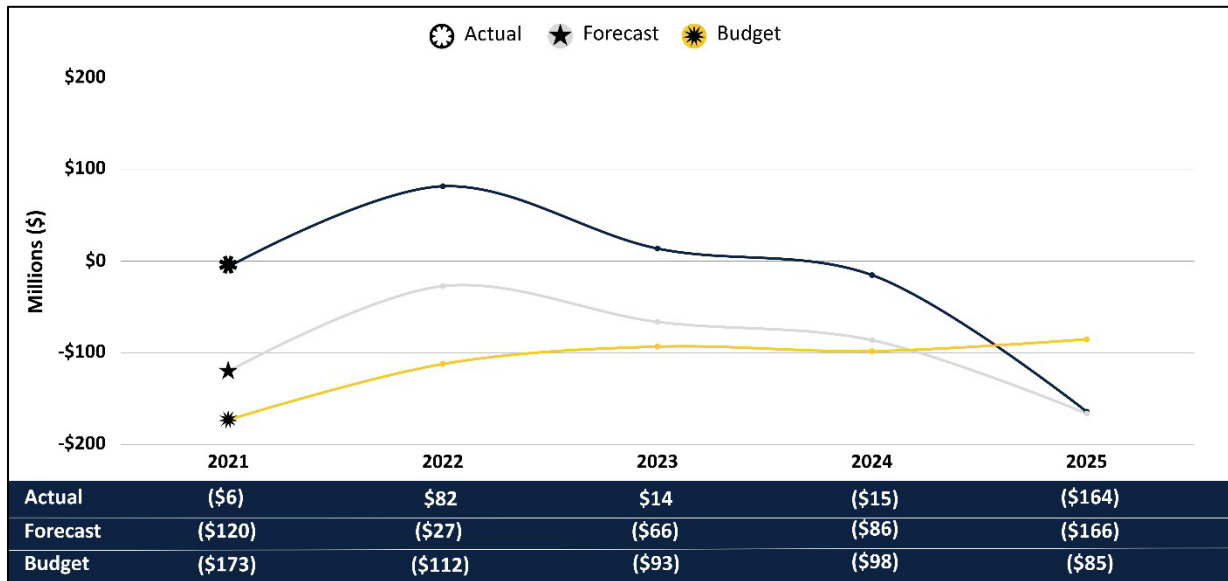


Source: Derived from the Province's consolidated financial statements.

Budget to Actual

14.24 For the year ended March 31, 2025, the Province incurred a deficit of \$163.9 million. This was a significant variance from the original budgeted deficit of \$85 million, but slightly lower than the forecasted deficit of \$166.3 million that was published by the Province in April 2025. **Exhibit 14.10** shows the annual surplus (deficit), forecast, and budget for the past five years. This year, the annual deficit came in close to the forecast; however, it is worth noting that the forecast did not include any revenue for the tobacco settlement. Without the tobacco settlement revenue in the current year, the annual deficit would have been \$231.2 million.

EXHIBIT 14.10
ANNUAL SURPLUS (DEFICIT)
YEAR ENDED MARCH 31



Source: Derived from the Province's consolidated financial statements.

14.25 **Exhibit 14.11** provides a summary breakdown of the changes between the amounts originally budgeted and actual results of operations for revenues, expenses, and the annual deficit for the year ended March 31, 2025.

EXHIBIT 14.11
SUMMARIZED STATEMENT OF OPERATIONS
BUDGET TO ACTUAL
YEAR ENDED MARCH 31, 2025

\$ Millions	Budget	Actual	Change
Revenues			
Tax Revenues	\$1,557.3	\$1,517.2	(\$40.1)
Government of Canada	1,250.7	1,219.2	(31.5)
Other Provincial Source Revenue	304.7	387.1	82.4
Total Revenues	3,112.7	3,123.5	10.8
Expenses			
Education and Early Years	431.2	459.6	28.4
Environment, Energy and Climate Action	122.8	134.5	11.7
Finance	145.5	135.3	(10.2)
Health and Wellness	1,119.9	1,162.0	42.1
Social Development and Seniors	176.7	212.2	35.5
Transportation and Infrastructure	239.2	223.0	(16.2)
Other Program Expenses	663.3	669.9	6.6
Interest, Amortization and Accretion	299.1	290.9	(8.2)
Total Expenses	3,197.7	3,287.4	89.7
Annual Deficit	(\$85.0)	(\$163.9)	(\$78.9)

Source: Derived from the Province's consolidated financial statements.

Budget to Actual Revenues

14.26 Total revenues were \$10.8 million higher than the amount originally budgeted. As mentioned previously, the tobacco settlement revenue of \$67.3 million was unbudgeted. This was partially offset by lower than budgeted tax revenues and federal revenues.

14.27 Tax revenues were \$40.1 million lower than the amount originally budgeted. Sales tax revenues were \$64.7 million under budget mainly due to the federal government's Harmonized Sales Tax holiday (between December 2024 and February 2025) along with negative adjustments to previous years' estimates (obtained from CRA). This was partially offset by an increase in personal income tax which was over budget by \$18.6 million.

14.28 Government of Canada transfers were \$31.5 million lower than the amount originally budgeted. Investing in Canada Infrastructure Program was under budget by \$19.3 million, Working Together to Improve Health Care for Canadians was under budget by \$10.6 million, and Climate Change and Energy Efficiency Programs were \$11.7 million under budget.

Budget to Actual Expenses

14.29 Overall, expenses were \$89.7 million higher than the amount originally budgeted. The following are areas where significant increases from budget were identified:

- Expenses were \$42.1 million higher than budgeted for the Department of Health and Wellness. This was mainly due to higher costs for travel nurses and private nursing home subsidies at Health PEI.

- Expenses were \$35.5 million higher than budgeted for the Department of Social Development and Seniors. This was mainly due to increased payments for Social Assistance and AccessAbility Supports.
- Expenses were \$28.4 million higher than budgeted for the Department of Education and Early Years. This was mainly due to higher spending on early childhood development initiatives and rising staffing costs at Island schools.

CONCLUSION

14.30 For fiscal 2025, the actual deficit of \$164 million was almost double the budgeted deficit of \$85 million. Total expenses for the Province have grown 39 percent over the past 5 years as more demands are being placed on government programs and services. Net debt at the end of the fiscal year reached \$3.03 billion, its highest level ever. Future forecasts project these trends to continue over the next few years.

Glossary of Terms

GLOSSARY

Accounting warrant is a warrant relating to an expenditure which is the result of a financial adjustment required during the preparation of the financial statements in accordance with Generally Accepted Accounting Principles. These could include entries for pension/benefit adjustments, amortization of capital assets, and provisions regarding guarantee of debt and write-offs.

Accretion expense is the increase in the carrying amount of a liability for asset retirement obligations.

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

Amortization is an accounting method for spreading out the costs of tangible capital assets over their estimated useful lives.

Annual surplus means a government's revenues were greater than its expenses.

Annual deficit means a government's expenses for the year exceeded its revenues.

Appropriation is the government's authorized budget of each department/entity for the year. This is sometimes referred to as an appropriation vote for each department/entity.

Appropriation Act is the budget approval by the Legislative Assembly.

Appropriation transfers are transfers of appropriated funds either within a department/entity or from one department/entity to another.

Capital expenditures are expenditures incurred through the purchase or improvement of tangible capital assets owned by the Province. This can include items such as land, buildings, roads, bridges, equipment, motor vehicles, and computer hardware and software.

Current expenditures are non-capital expenditures of the Province within the fiscal period. This can include salaries and benefits, transfer payments, professional services, materials, supplies, and debt costs.

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

Gross domestic product (GDP) is the value of all goods and services that have been produced in a region in a given period. The Province's GDP is measured and reported by Statistics Canada.

Interest charge is the cost to borrow money. This must be taken from revenues before any spending can be made on government programs and services.

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

GLOSSARY

Net remeasurement gain (loss) includes unrealized gains and losses arising from portfolio investments, derivative financial instruments, foreign currency transactions, and other comprehensive income from government business enterprises.

Net zero is the difference between the amount of greenhouse gas emissions produced by human activity and the amount removed from the atmosphere through natural and technical methods.

Nominal gross domestic product is gross domestic product given in current market prices, which includes the impact of inflation.

Non-financial assets are tangible capital assets, like land, buildings, roads, and equipment, as well as prepaid expenses and inventories. The book value of these capital assets increases as they are acquired and is reduced over a period of time through amortization. These assets do not normally contribute to a government's ability to discharge liabilities.

Order-in-Council is a public document issued by the Lieutenant Governor on the advice of the Executive Council. It directs that an action be taken under the authority of legislation.

Reorganization warrant is a warrant relating to departmental reorganization and/or realignment of program responsibility that occurs during the fiscal year. This will change funding requirements from one department or Crown corporation's budget (appropriation vote) to another.

Sequestrations are transfers of appropriated funds into special accounts for the purpose of "freezing" funds. Treasury Board approval is required for transfers out of sequestration accounts.

Special warrants represent authorized spending above the original appropriation for a department/entity related to the fiscal period.

Special warrants with offset are full or partial revenue offset or sequestration transfers which have varying degrees of effect on revenues, expenditures, and net debt.

Spending warrant is a warrant which is not offset by revenue and is made throughout the year for the public good. These warrants will increase expenditures and net debt.

Total liabilities are the amounts owed by government. This includes accounts payable, debentures, and other amounts that must be paid.