



**Office of the Auditor General
Prince Edward Island**

Independent Assurance Report

Health PEI Excluded Employee Compensation

January 2026



Prince Edward Island

Office of the
Auditor General

PO Box 2000, Charlottetown PE
Canada C1A 7N8

Île-du-Prince-Édouard

Bureau du
vérificateur général

C.P. 2000, Charlottetown PE
Canada C1A 7N8

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

I have the honour of presenting this Report – **Health PEI Excluded Employee Compensation**
to the Legislative Assembly.

Respectfully submitted,

Darren Noonan, CPA, CA
Auditor General

Charlottetown, Prince Edward Island
January 5, 2026

Health PEI Excluded Employee Compensation – Highlights

Why we did this audit

- In October 2024, our office published *Health PEI Executive Leadership Team Compensation*, a report on our audit of compensation practices for Health PEI's Executive Leadership Team. The report identified issues with classification of employees and employment contracts.
- As a result of our audit findings in the *Health PEI Executive Leadership Team Compensation* report, Health PEI's Chief Executive Officer noted areas of concern regarding other compensation practices, specifically relating to excluded employees.
- Health PEI's compensation expenses are significant. In fiscal 2025 Health PEI paid approximately \$42 million in compensation to excluded employees.
- Legislation and policies are in place to establish the compensation provided to civil servants in the province.
- As a Crown corporation, it is important that Health PEI establishes and follows policies and procedures related to compensation. Doing this ensures a fair and transparent process that aims to achieve the best possible use of public money.

Objectives

To determine whether:

- Compensation practices for Health PEI's excluded employees are consistent with legislation and policies;
- Vacation hours paid out to Health PEI's excluded employees were appropriately approved; and
- Time-in-lieu hours earned and paid out to Health PEI's excluded employees were appropriately approved.

Conclusion

- Compensation practices of Health PEI's excluded employees were not always consistent with legislation and policies.
- Vacation hours paid out to Health PEI's excluded employees were not always appropriately approved.
- Time-in-lieu hours earned and paid out to Health PEI's excluded employees were not always appropriately approved.

What We Found

Classification of Employees	○ Four positions were created and filled by Health PEI without being submitted to the Public Service Commission for classification.
	○ Health PEI backdated the reclassification of some positions beyond the effective dates of the classification decision.
	○ Excluded employees were not always paid the correct hourly rate for the classification level assigned to their position.
	○ New positions were not always reported to Treasury Board as required.
RECOMMENDATIONS 1, 2, 3, 4, 5 & 6	
Vacation Paid Out	○ The terms and conditions do not include a provision, and there were no documented policies and procedures for the payout of vacation time.
	○ Documentation was not maintained to show that when vacation was paid out to active employees, they had previously been denied taking their vacation time.
	○ Not all vacation payouts were approved by the employee's supervisor.
RECOMMENDATIONS 7, 8 & 9	
Time-in-Lieu Earned and Paid Out	○ The terms and conditions do not include a provision, and there were no documented policies and procedures for the payout of time-in-lieu.
	○ There was no consistent method used for tracking time-in-lieu earned by excluded employees.
	○ There was a lack of documentation to show time-in-lieu was approved to be paid out rather than taken as time off.
	○ In two instances time-in-lieu was paid out at a higher rate than earned, resulting in higher compensation being paid.
RECOMMENDATIONS 10, 11 & 12	

Health PEI Excluded Employee Compensation

Why it's Important

Health PEI paid approximately \$37 million in compensation to its excluded employees in fiscal 2024 and \$42 million in fiscal 2025.

Employees in excluded positions are those that perform managerial functions or deal with confidential matters related to labour relations. There were approximately 440 permanent excluded positions at Health PEI as at March 31, 2025.

Health PEI's excluded positions are subject to the *Civil Service Act* (the Act), and therefore the classification and salary ranges of these positions are determined by the Public Service Commission (the Commission). The *Terms & Conditions of Employment for Excluded Supervisory and Confidential Employees of the Province of Prince Edward Island* (the terms and conditions) define the rights, privileges and procedures of employment for excluded employees.

The terms and conditions do not include provisions for paying out vacation or time-in-lieu hours to excluded employees. It is important that these terms and conditions are followed to ensure an equitable and consistent process for all excluded employees throughout government.





BACKGROUND

Health PEI Structure

1. Health PEI's Executive Leadership Team oversees the operations of Health PEI. The Chief Human Resources Officer, reporting to the CEO, is responsible for the oversight of the corporation's human resource functions, including payroll. **Appendix C** outlines the organizational structure of Health PEI's Human Resources Division as of June 2024, the end of our scope period.
2. Health PEI is responsible for submitting all of its excluded positions to the Commission to be classified. According to the Act, the Commission is responsible for establishing and maintaining a classification plan which outlines the framework for compensation in the civil service. The classification plan provides the basis for the uniform treatment of employees performing the same kind or level of work, and provides a systematic basis for organization and administration. See **Appendix D** for more details on the legislative requirements of the classification plan.

3. The terms and conditions define the rights, privileges and procedures related to excluded employees' employment, including their entitlement to vacation and overtime. **Exhibit 1** outlines legislation, terms and conditions, and policies referenced throughout this audit report.

EXHIBIT 1 RELEVANT DOCUMENTS

	<i>Civil Service Act</i>
	The <i>Civil Service Act</i> governs the province's public service. We refer to it as "the Act."
	<i>Civil Service Act Regulations</i>
	This document outlines the rules within the <i>Civil Service Act</i> . We refer to it as "the Regulations."
	<i>Terms and Conditions of Employment for Excluded Supervisory and Confidential Employees of the Province of Prince Edward Island</i>
	This document outlines the rights, privileges, and procedures related to excluded employees' employment. We refer to it as "the terms and conditions."
	<i>Public Service Commission's Human Resource Policy and Procedures Manual – Section 6.01: Classification</i>
	This document outlines the policies and procedures regarding the classification of positions. We refer to it as "the classification policy."

OBJECTIVES AND SCOPE

4. The objectives of this audit were to determine whether:
 - compensation practices for Health PEI's excluded employees are consistent with legislation and policies;
 - vacation hours paid out to Health PEI's excluded employees were appropriately approved; and
 - time-in-lieu hours earned and paid out to Health PEI's excluded employees were appropriately approved.
5. The scope of our audit included all full-time and part-time excluded employees of Health PEI between April 1, 2023 and June 30, 2024. It also included payouts of vacation hours and time-in-lieu hours earned and paid out to excluded employees between April 1, 2021 and June 30, 2024. Where necessary, testing was extended beyond the scope period.
6. This report includes 12 recommendations which are listed in **Appendix A**. Details on the audit standards, objectives, criteria and scope are included in **Appendix B**. The following sections of our report provide information on the observations, related recommendations, and conclusions from our audit.

Classification of Excluded Positions

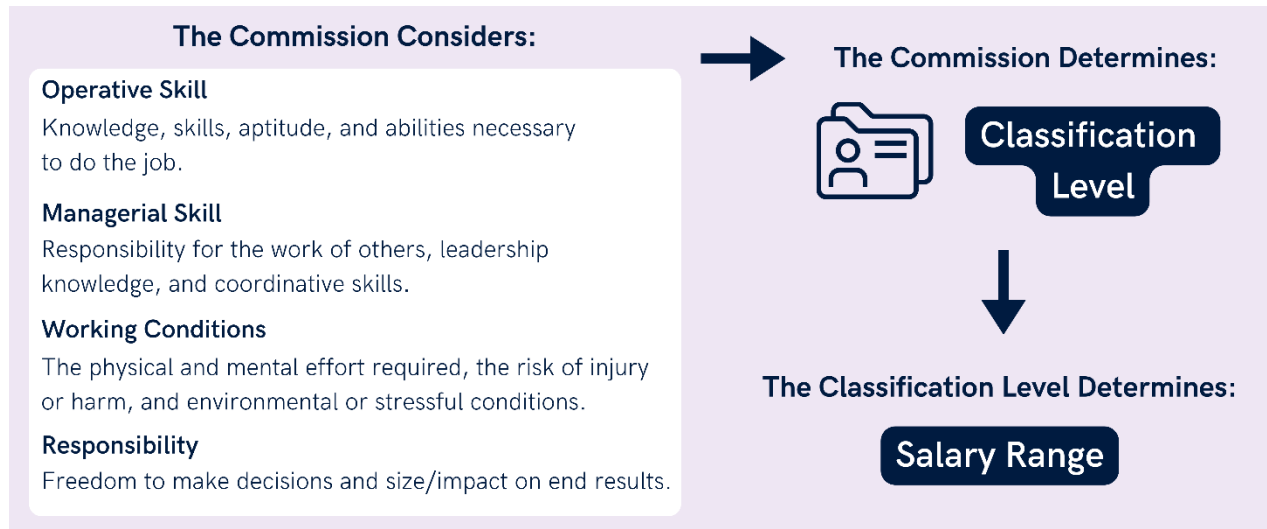
Key Findings

7. Four positions were created and filled by Health PEI without being submitted to the Commission for classification.
 8. Health PEI backdated the reclassification of some positions beyond the effective dates of the classification decision.
 9. Excluded employees were not always paid the correct hourly rate for the classification level assigned to their position.
 10. New positions were not always reported to Treasury Board as required.
-

Classification

11. A Department or agency is required to submit a classification request to the Commission when creating new classified positions or requesting the classification of an existing position be reviewed. Employees of the Commission are trained to evaluate job positions (including excluded positions) submitted for classification to help ensure employees receive appropriate compensation. The components used to evaluate positions are outlined in **Exhibit 2** below.
12. After its evaluation, the Commission will send a decision to the Department or agency — in this case Health PEI — on the classification level for the position. The classification level determines the salary range assigned to the position. Per the Act, any changes to remuneration must be authorized by the Chief Executive Officer of the Commission. See **Appendix E** for more information on the process to classify positions.

EXHIBIT 2 COMPONENTS CONSIDERED IN CLASSIFYING POSITIONS



Source: Information obtained from the Public Service Commission Classification Review Process

13. The Commission is responsible for maintaining the classification system and approving the classification of all positions in accordance with the Act. Therefore, we expected Health PEI to submit all new positions to the Commission to be classified. This helps to ensure that employees are being fairly and consistently compensated.
14. We selected 40 excluded employees of Health PEI and requested documentation to support the most recent classification decision for their positions. We looked to determine if the positions were classified in accordance with the Act and Regulations, and the classification policy of the Commission. Specifically, we assessed whether:
 - Each employee in our sample was in a position which was classified by the Commission;
 - The details of the position including the classification level, salary range and effective date agreed to the Commission's decision; and
 - The position was reported to Treasury Board.

Four New Positions Were Filled Without Being Classified

15. We noted four positions, or 10% of our sample, were created and filled by Health PEI without being submitted to the Commission for classification.
16. Health PEI created one of the positions in 2019, but did not inform the Commission of the new position or request it to be classified until 2021, approximately two years after the position had been filled. When the Commission classified the position in 2021, the classification level of the position warranted more compensation than Health PEI had been providing to the employee.

17. Another position was created by Health PEI in February 2023. As of the date of our audit report, Health PEI still had not informed the Commission of this position or submitted the position to be classified. Therefore, Health PEI would not know if they were properly compensating the employee in this position.
18. The two remaining positions were created by Health PEI in 2023 and 2024, but the positions were not submitted to the Commission to be classified. In these instances, similar positions existed within the organization which had been previously classified by the Commission. Health PEI used these previous classifications to determine the salary for the new positions. However, based on the Act, the Commission is required to approve the classification of each excluded position.

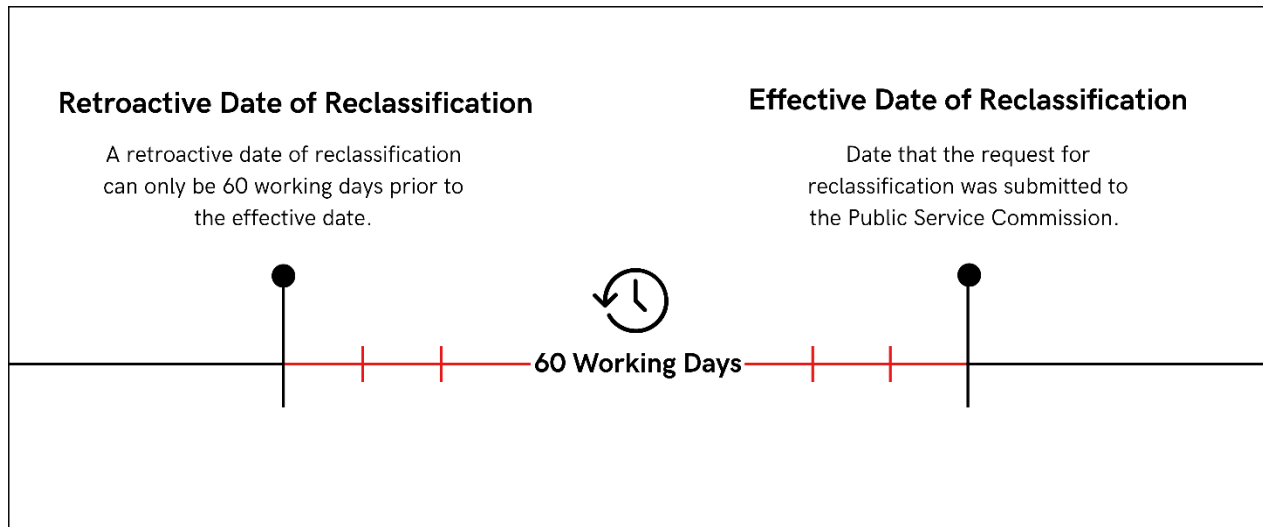
Recommendation

- 1. Health PEI should ensure all excluded positions are classified using the Public Service Commission's classification plan, in accordance with the *Civil Service Act*.**

Reclassifying Positions

19. When there have been significant changes to a role, a classification review may be necessary. In these situations, Health PEI should submit a request for a classification review to the Commission to determine if the current classification and rate of pay reflects the responsibilities now associated with the position.
20. Once the request for classification review is received by the Commission, a classification consultant will analyze the request using a standard classification system. If the Commission determines the position should be reclassified, it will assign an effective date to the new classification level. This date is based on when the request was completed and submitted to the Commission.
21. The Commission's classification policy states that if the employer feels the employee has been performing the duties prior to the effective date assigned by the Commission, the employer may request an earlier effective date. The Regulations state that the effective date of a reclassification shall not be more than 60 working days retroactive from the date the request was submitted to the Commission. See **Exhibit 3**.

EXHIBIT 3



Source: Information obtained from the *Civil Service Act* Regulations.

22. For the positions in our sample that were reclassified, we expected the effective date to be based on the classification decision and that any retroactive effective dates were approved by the Commission. We also expected that this date would not be more than 60 working days before the request was submitted to the Commission, in accordance with the Regulations.

Health PEI Backdated Reclassification Beyond Approved Effective Dates

23. We noted five instances where Health PEI applied a new classification level prior to the effective date approved by the Commission. In two instances, the effective date was backdated more than the 60 working days from the date the classification request was made to the Commission. In the remaining three instances, Health PEI backdated 60 working days or less, but did not send a request to the Commission to have the effective date applied retroactively.
24. **Exhibit 4** shows the number of days Health PEI backdated the reclassification of each of these five positions, beyond the effective dates approved by the Commission. As shown, the reclassification for one employee's position was backdated 935 working days, resulting in the employee receiving approximately \$34,500 in retroactive pay. If Health PEI had requested this reclassification to be backdated 60 working days, the employee would have only received approximately \$2,300.

EXHIBIT 4 POSITIONS BACKDATED PRIOR TO EFFECTIVE DATE



Source: Audit testing results derived from information provided by Health PEI

25. It is important that the effective date of a classification reflects when the employee took on the duties and responsibilities of the position. Health PEI, as the employer, is responsible to ensure they monitor the duties and responsibilities of its employees. If the duties and responsibilities of a position change, a request for a classification review should be submitted in a timely manner to ensure the employee is being compensated appropriately and to maintain a fair, relevant, and current classification system within the organization.

Recommendations

2. **Health PEI should use the effective date of classification decisions for excluded employees in accordance with the Public Service Commission's policy.**
3. **Health PEI should not adjust the effective date of a reclassification decision more than 60 working days retroactive from the date the request was submitted to the Public Service Commission, in accordance with the *Civil Service Act* Regulations.**

Hourly Rates Paid to Excluded Employees

26. As part of our testing, we checked to ensure the hourly rates paid to excluded employees agreed with the salary assigned to their classified position.

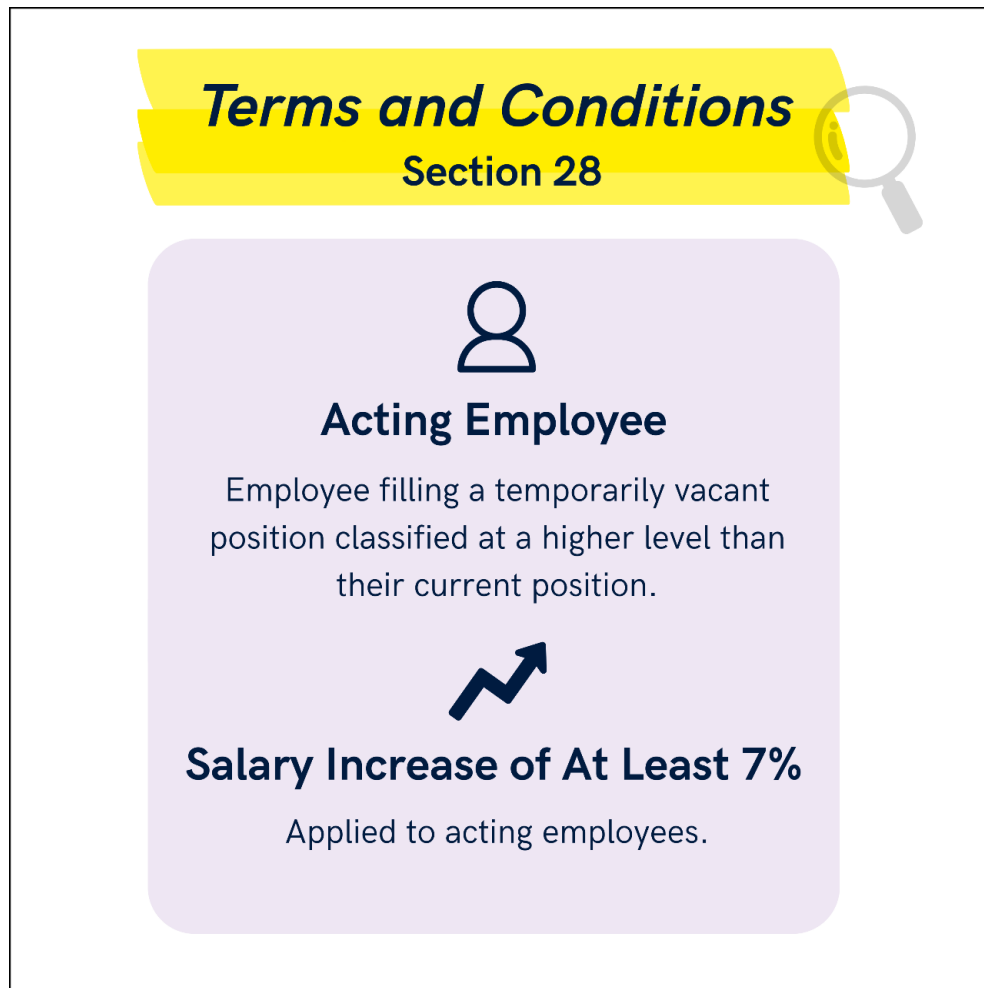
Hourly Rate Paid to Excluded Employees Did Not Always Agree to the Position's Classification Level

27. We found instances where hourly rates paid to excluded employees did not agree with the classification level assigned to their position. In some cases, Health PEI incorrectly applied acting pay, resulting in an increase in pay. In others, hourly rates were incorrectly entered into the payroll system.

Acting Pay Was Incorrectly Used Instead of Requesting a Classification Review of Positions in a Timely Manner

28. As shown in **Exhibit 5**, the terms and conditions allow for salary increases of at least seven percent when an employee fills a temporarily vacant position at a higher classification level than their current position.

EXHIBIT 5

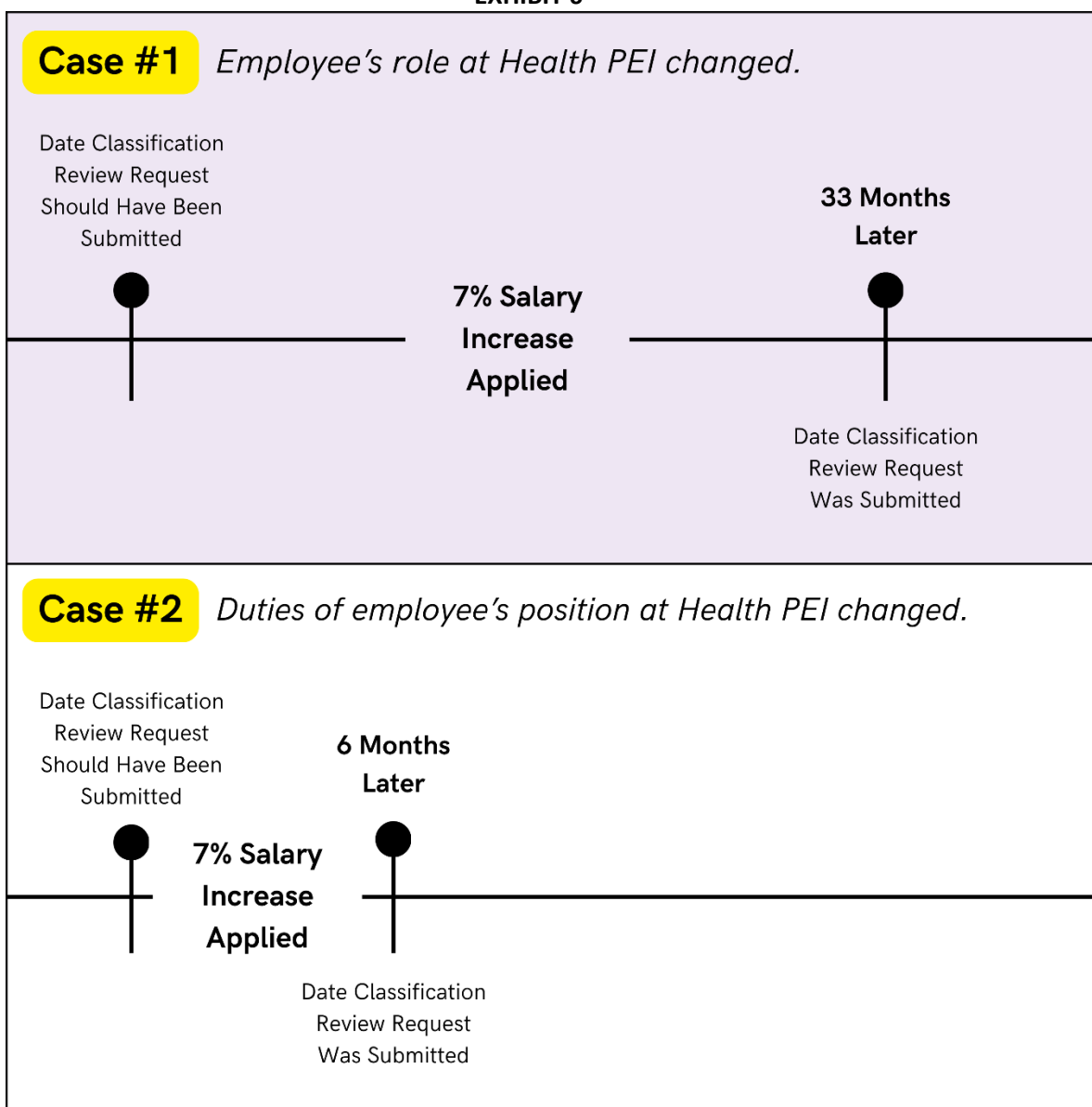


Source: Information obtained from Section 28 of the *Terms and Conditions of Employment for Excluded Supervisory and Confidential Employees of the Province of Prince Edward Island*

29. When testing the rates of pay in our sample, we noted two employees received seven percent increases in pay when their role or the duties of their position changed. However, we noted the employees were not acting in other positions in either of these instances. There was no evidence that these employees were filling positions which were temporarily vacant. In one of the instances, the employee's role at Health PEI changed, and in the other instance, the employee's role expanded to include additional duties.

30. In both instances, Health PEI applied the seven percent acting pay incorrectly. As shown in **Exhibit 6**, the positions were eventually reclassified. However, the two employees received seven percent increases for 33 and 6 months respectively, before the classification review requests were submitted to the Commission.
31. The seven percent increases ended for both employees when the positions were reclassified by the Commission. However, Health PEI should have requested these positions to be reclassified as soon as the roles and responsibilities of the positions changed to ensure the employees were paid appropriately and in accordance with the terms and conditions. Health PEI should not be using acting pay to compensate employees as a result of untimely submissions to the Commission.

EXHIBIT 6



Source: Audit testing results derived from information provided by Health PEI

Incorrect Application of Acting Pay When Assigning Additional Duties

32. Through other work completed during the audit, we noted another employee had received seven percent acting pay retroactively for additional duties performed from December 2019 to October 2022. In July 2022, the employee requested acting pay for the duties they had been performing. In October 2022, Health PEI provided retroactive pay and reassigned these duties to another position.
33. When the duties of a position change, it is important that Health PEI consider whether a classification review is warranted or if an employee should be temporarily assigned an acting role. Doing so in a timely manner ensures that employees are appropriately compensated.

Recommendation

- 4. Health PEI should only provide acting pay to excluded employees in accordance with Section 28 of the *Terms & Conditions of Employment for Excluded Supervisory and Confidential Employees of the Province of Prince Edward Island*.**

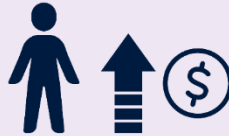
Three Instances of Employees Paid Incorrectly

34. For three of the employees we examined, the rate entered in the payroll system was incorrect. As shown in **Exhibit 7**, two of the three employees were paid less than they should have been, and the third employee was paid more than they should have been. Management informed us that they corrected these errors based on our audit findings.

EXHIBIT 7

Incorrect Rate Paid to Three Employees

One was paid more than they should have been.



Approximately \$3,400
Over 36 Months

Two were paid less than they should have been.



Approximately \$900
Over 11 Months

Approximately \$7,200
Over 20 Months

Source: Audit testing results derived from information provided by Health PEI

Recommendation

5. **Health PEI should perform regular reviews of the salaries being paid to excluded positions to ensure they agree to the salary range of the position's classification level.**

New Positions Not Reported to Treasury Board as Required

35. Based on a 2010 decision by Executive Council, under certain circumstances, Health PEI can create new positions within their existing approved budget without making individual requests to Treasury Board.
36. This process was intended to provide Health PEI management with the ability to manage the constantly changing staffing environment to meet operational needs. This differs from government departments and other agencies which require Treasury Board approval before any position can be created. However, because of these allowances, as shown in **Exhibit 8**, Health PEI is required to report information on the positions created to Treasury Board, on a semi-annual basis.

EXHIBIT 8

Twice a year, Health PEI must report the following to Treasury Board:

☐

Any New Permanent Positions Created

☐

Source of Funding for New Positions

☐

Reasons/Benefits for the New Positions

Source: Information obtained from 2010 Executive Council Decision (D2010-99) and the submission from the Department of Health and Wellness and Department of Finance and Municipal Affairs.

37. For the 40 positions in our sample, if the classification decision we examined was related to the creation of a new position, we reviewed whether the position was reported to Treasury Board. Eleven of the 40 positions related to the classification of new positions which were created after the 2010 Executive Council decision.
38. Six of these new positions were not reported to Treasury Board as required. In fact, we found there were only two reports provided to Treasury Board from the date of the Executive Council decision in 2010 to the date of our audit report. These reports were provided annually for the 2021 and 2022 fiscal years, not semi-annually as required, and no reports have been provided since the 2022 fiscal year.

Recommendation

6. Health PEI should report the following on a semi-annual basis to Treasury Board, as required:

- Any new positions created,
- Reason for the positions,
- Benefits of the positions, and
- The source of funding for the positions.

Vacation Payouts

Key Findings

39. The terms and conditions do not include a provision, and there were no documented policies and procedures for the payout of vacation time.
40. Documentation was not maintained to show when vacation was paid out to active employees that they were denied taking their vacation time.
41. Not all vacation payouts were approved by the employee's supervisor.

Vacation Payouts Policies and Procedures

42. Vacation time is important for all employees, but especially for those working in the health care sector where the prevalence of burnout is high. Time off is necessary for the physical and mental well-being of employees.
43. Between the 2020 and 2025 fiscal years, many employees at Health PEI had less chances to take their vacations due to staff shortages, as well as the impact COVID-19 had on the health care system. Because of this, Health PEI allowed employees to carry over all unused vacation hours for the March 31, 2021 to March 31, 2025, fiscal years. As a result, many excluded employees accumulated large balances of vacation time which are eligible to be paid out when their employment with Health PEI ends (i.e., retirements, resignations), or they end a temporary assignment and return to casual employment.
44. Per the terms and conditions, excluded employees are expected to use their vacation time in the year it is earned, but can carry over up to one year's vacation entitlement to the next fiscal year. In exceptional circumstances, with written approval from the employer, an employee may carry over excess time. Generally, this happens when an employee requests vacation time but the request is not approved due to operational requirements.

45. Although it is standard practice to pay out vacation balances when employees end their employment with Health PEI, the terms and conditions do not include a provision for vacation payouts to excluded employees. Despite this, we noted vacation payouts were made to some active employees. Therefore, we looked to see if Health PEI had policies and procedures regarding these vacation payouts. **Exhibit 9** outlines what we expected documented policies and procedures to include.

EXHIBIT 9

Our Expectations for Policies and Procedures: Vacation Payouts



Establish when vacation payouts are permitted.

- Active Employees: Documentation that vacation time was denied.
- Exiting Employees: Documentation that the employee ended their employment or temporary assignment with Health PEI.



Document payout calculation.

- Hours to be paid out.
- Rate of payout.



Require payout to be appropriately authorized.

No Policies or Procedures on the Payout of Vacation Time

46. Management informed us that there are no documented policies or procedures regarding the payout of vacation time for excluded employees.
47. One issue we identified which could have been avoided with clear documented policies and procedures for vacation payouts involved an employee who received a vacation payout while working

in a short-term acting assignment. In this instance, the vacation time was paid out at the acting rate of pay rather than the employee's regular rate at which the hours were earned. As a result, Health PEI overpaid the employee approximately \$1,800, which was later recovered.

Recommendation

7. Health PEI should follow the *Terms & Conditions for Excluded Supervisory and Confidential Employees of the Province of Prince Edward Island* Section 12: Vacation for its excluded employees.

Rationale and Approval of Vacation Payouts

48. Vacation time is intended to support employees' physical and mental well-being. When vacation is paid out to an active employee, there should be documentation to support that the employee had made reasonable efforts to take their vacation but were denied by their employer.
49. We selected a sample of 25 employees who received vacation payouts between April 1, 2021 and June 30, 2024. We expected Health PEI to have documentation to support the rationale for paying out vacation hours, the rate at which the hours were paid out, and the approval by the employee's supervisor.
50. Of the 25 employees we examined, five of the payouts were made to active employees. The remaining 20 payouts were to pay unused vacation balances for employees whose employment with Health PEI had ended, or they returned to casual employment after a temporary assignment.

80% of Vacation Payouts to Active Employees Did Not Document Vacation Time Was Denied

51. For the five payouts to active employees, four did not have any documentation to support that Health PEI denied requests by the employee to take their vacation time.
52. It is important to document the rationale for paying out vacation time to active employees. This documentation can help to identify potential staffing challenges that need to be addressed.

Recommendation

8. Health PEI should maintain documentation to support the rationale when vacation hours are paid out to active employees instead of taking time off.

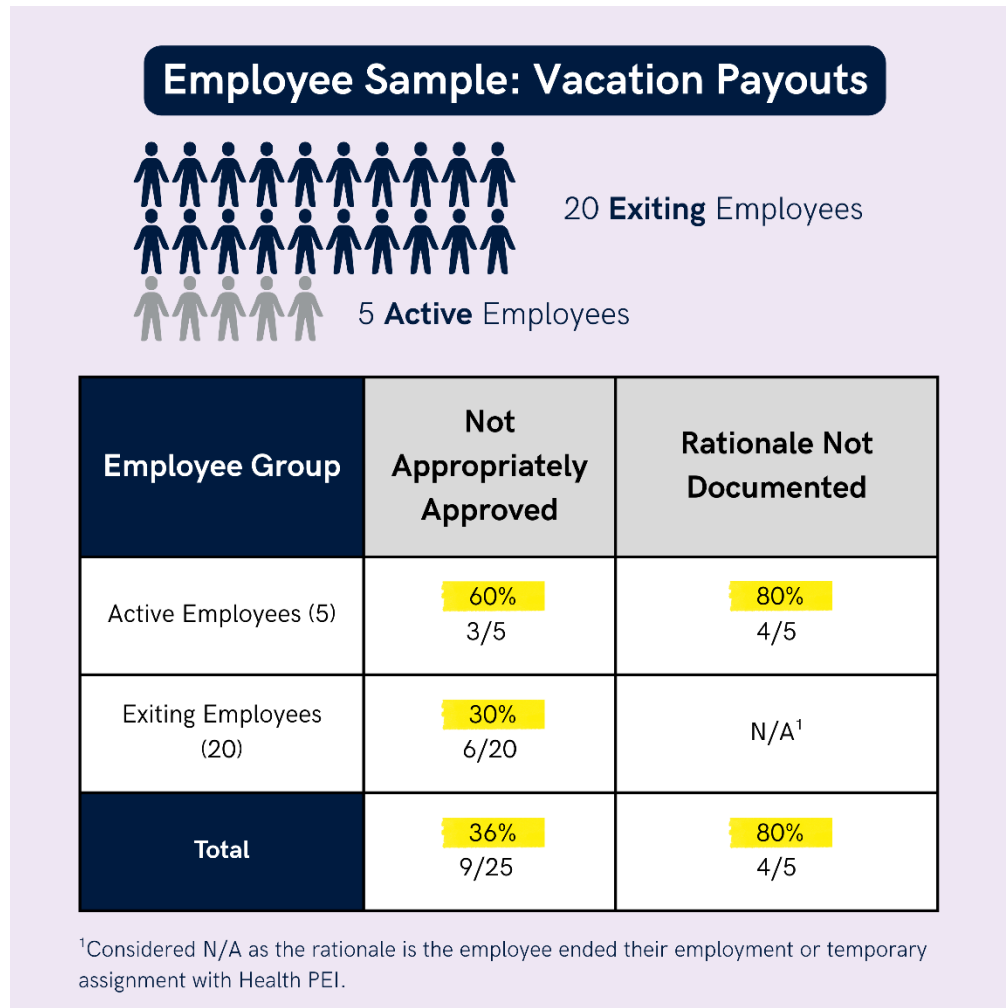
36% of Vacation Payouts Examined Were Not Approved by the Employees' Supervisors

53. For six of the 20 vacation payouts to employees who were ending their employment or temporary assignment with Health PEI, there was no documentation to support that the employees' supervisors had approved the payout. Additionally, for three of the five active employees in our sample, there was no documentation to support that the vacation payout was approved by the employees' supervisors.

54. It is important that an employee's supervisor approves such payouts because supervisors are best positioned to be aware of the employee's workload and determine whether a payout is justified.

Exhibit 10 summarizes the issues noted in our sample testing of vacation payouts.

EXHIBIT 10



Source: Audit testing results derived from information provided by Health PEI

Recommendation

- 9. Health PEI should maintain documentation to support that vacation payouts were approved by the employee's supervisor.**

Time-in-Lieu Payouts

Key Findings

55. The terms and conditions do not include a provision, and there were no documented policies and procedures for the payout of time-in-lieu.

- 56. There was no consistent method used for tracking time-in-lieu earned by excluded employees.
 - 57. There was a lack of documentation to show time-in-lieu was approved to be paid out rather than taken as time off.
 - 58. In two instances time-in-lieu was paid out at a higher rate than earned, resulting in higher compensation being paid.
-

Time-in-Lieu

- 59. We were informed by management of Health PEI that granting time off in exchange for overtime hours worked — referred to in this report as *time-in-lieu* — is uncommon for excluded employees. However, the number of instances where time-in-lieu was granted to Health PEI employees increased since the COVID-19 pandemic.
- 60. The terms and conditions state that excluded employees are not normally paid for overtime they work, but they may be given time off at the discretion of the employer. **Exhibit 11** includes the guidance provided in Section 25 of the terms and conditions.

EXHIBIT 11

Terms and Conditions **Section 25**



Overtime Hours

Excluded employees are not ordinarily paid for working extra hours, unless their position is entitled to overtime pay.

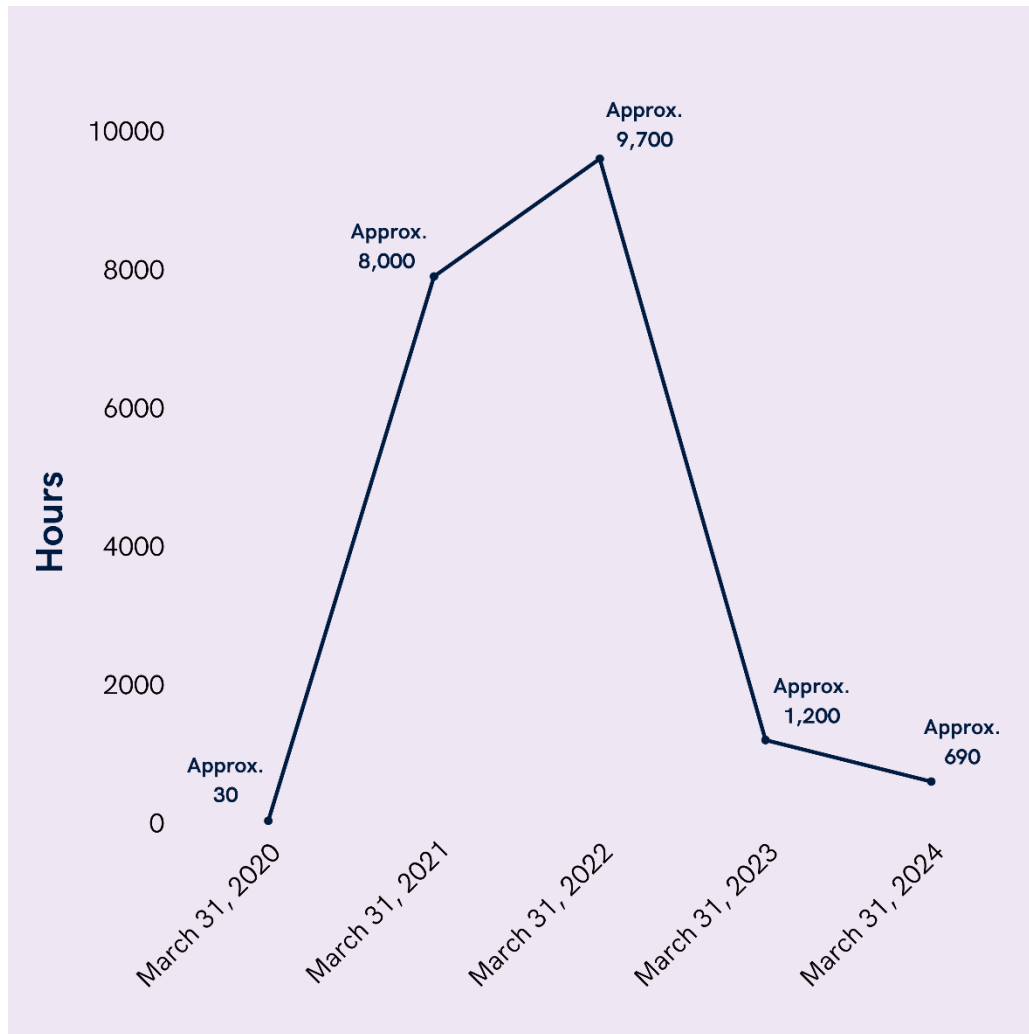
If they do not qualify for overtime pay, time off may be given at the **Employer's discretion**.

Management responsibilities may also require employees to be on standby or callback **without** additional pay.

Source: Information obtained from Section 25 of the *Terms & Conditions of Employment for Excluded Supervisory and Confidential Employees of the Province of Prince Edward Island*

61. Health PEI's payroll system is used for all pay-related activities, including time off, additional hours worked, and payouts. The system allows employees to record additional hours worked on any given day. These hours accumulate as time-in-lieu and are to be reduced when the employee takes paid time off.
62. We reviewed Health PEI's payroll system to determine how the additional hours worked were tracked. For the fiscal year ending March 31, 2019, there were fewer than five time-in-lieu hours recorded by all excluded employees at Health PEI. However, the number of hours increased significantly during and since the COVID-19 pandemic. **Exhibit 12** shows the time-in-lieu hours recorded in the payroll system for excluded employees from March 31, 2020 to March 31, 2024.

EXHIBIT 12
TIME-IN-LIEU RECORDED BY HEALTH PEI EXCLUDED EMPLOYEES
FISCAL 2020-2024



Source: Summarized based on data extracted from Health PEI's payroll system.

Time-in-Lieu Policies and Procedures

63. As noted earlier, Section 25 of the terms and conditions state time off may be given to excluded employees for additional hours worked at the discretion of the employer. It does not include a provision that permits time-in-lieu balances to be paid out to excluded employees. Despite this, we identified instances where Health PEI paid out time-in-lieu hours earned to excluded employees.
64. Given Health PEI did not follow the terms and conditions and time-in-lieu hours were paid out to excluded employees, we expected Health PEI to have policies and procedures documenting when they would allow time-in-lieu payouts to excluded employees and who would be authorized to approve those payouts.

No Policies or Procedures on the Payout of Time-in-Lieu

- 65. Management informed us that there are no formal policies or procedures relating to the payout of time-in-lieu to excluded employees. They also informed us that excluded employees generally do not receive overtime, or time-in-lieu, but it has become more common practice since COVID-19.
- 66. Based on our audit work, we found a lack of documented policies and procedures has led to inconsistencies in how time-in-lieu is tracked, approved, and paid out to excluded employees.

Approval of Time-in-Lieu Earned and Paid Out

- 67. We selected a sample of 25 payouts of time-in-lieu hours between April 1, 2021 and June 30, 2024. We did not look at time-in-lieu hours which were earned and later used by employees to take time off.
- 68. For the payouts sampled, we expected to see that employees were approved to earn time-in-lieu, and a consistent method was used to track the time-in-lieu hours earned and who approved the payout of the time-in-lieu earned.

No Consistent Tracking Method to Record Time-in-Lieu Earned

- 69. We found there was no consistent method used for tracking time-in-lieu hours earned by excluded employees for our audit period. As noted in **Exhibit 13**, our testing found that Health PEI's payroll system was not consistently used to record time-in-lieu as it was earned. Some employees recorded the time on the date it was earned, while others recorded it as a lump sum on their timesheet with a spreadsheet or an email noting the hours worked. In some situations, time-in-lieu hours were not entered into the payroll system until the employee requested a payout.

EXHIBIT 13

Tracking of Time-in-Lieu

Employees used various tracking methods.



Spreadsheets



Payroll
Timesheets



Email



Some employees recorded their time-in-lieu on the date it was earned, while others recorded their time-in-lieu as a lump sum.

Source: Audit testing results derived from information provided by Health PEI

Time-in-Lieu for Work During COVID-19 Pandemic Provided Without Record of Actual Hours Worked

70. For 15 of the 25 payouts in our sample, we found that when additional hours were worked, they were not appropriately tracked and recorded. For 13 of the 15 samples, employees received a lump sum amount of time-in-lieu hours related to the COVID-19 pandemic. In early 2022, Health PEI recognized that while unionized employees were compensated through their collective agreements, there was no formal mechanism to compensate excluded employees for the additional hours worked during the pandemic.
71. To address this, excluded employees who worked significant overtime due to COVID-19, and were not previously compensated with time off, were granted time-in-lieu. This was done in two phases — one covering the period March 13, 2020 to March 31, 2021, and another for the fiscal year ending March 31, 2022.

72. The time-in-lieu granted was intended to provide these employees with time off to rest and recharge. The Executive Leadership Team, along with their Executive Directors and Administrators, were responsible for identifying excluded employees in their division who worked additional hours due to COVID-19. These employees were deemed eligible to receive time-in-lieu.
73. Health PEI's Executive Leadership Team developed categories to guide how many time-in-lieu hours to grant to each eligible excluded employee. **Exhibit 14** outlines the categories used to determine the number of time-in-lieu hours granted. Health PEI did not require employees to provide documentation of the additional hours worked.

EXHIBIT 14

Time-in-Lieu Granted for COVID-Related Services: March 13, 2020 to March 31, 2021			
One Week	Two Weeks	Three Weeks	
Responded in first wave, but had time to rest and recharge with vacations.	Responded repeatedly throughout 2020 and had vacation/weekends disrupted due to the pandemic.	Essentially took on another job on top of their day job for the duration of 2020.	

Time-in-Lieu Granted for COVID-Related Services: April 1, 2021 to March 31, 2022			
One Week	Two Weeks	Three Weeks	Four Weeks
Spent an extraordinary amount of time working during Omicron waves, but had weekends/vacation without interruption due to COVID.	Met criteria for one week but also had weekends/vacation time frequently interrupted due to COVID.	Met criteria for one week and two weeks in addition to maintaining their day job which led to extraordinary workload/time.	Met criteria for one week, two weeks, and three weeks in addition to working extended hours or being 'on-call' for statutory holidays during the period.

Source: Summarized based on information provided by Health PEI

74. Given there was no requirement for employees to provide documentation of additional hours worked during the COVID-19 pandemic, it is hard to determine whether employees were fairly compensated. Also, there were many excluded employees who did not receive any COVID-19-related time-in-lieu. Since time-in-lieu was granted based on direction from the Executive Leadership Team, and not on tracked hours, we cannot determine whether all eligible excluded employees were granted time-in-lieu.

In Two Instances Hours Were Paid Out Without Supporting Documentation

75. For the remaining two of the 15 payouts where time-in-lieu was not properly tracked or recorded, the additional hours worked were only recorded when the employees requested payouts. These employees, who both worked in Human Resources at Health PEI, had their hours entered as a lump sum in the payroll system.
76. In one instance, an employee received 112.5 hours for additional time worked. The employee emailed their supervisor stating they had worked an additional 92 hours over a five-week period. The email

listed hours earned per week, but did not break hours down by day. There was no documentation supporting the remaining 20.5 hours.

77. In another case, an employee was provided with 255 hours of additional time. The employee emailed their supervisor stating they worked an additional 15 hours per week for 17 consecutive weeks. However, the documentation did not specify when the hours were worked or what the additional work was for. These 17 weeks included the Christmas holidays, during which the employee had several days off, making it unlikely those additional hours were worked.
78. This same employee also received 75 hours of time-in-lieu for weekend on-call duties. The employee indicated via email that they had 10 on-call weekends, but did not specify which weekends, or the time period involved. The employee also did not indicate whether or not they were called into work.
79. The terms and conditions specifically states that excluded employees may be required to be on standby or callback without additional pay. We were informed by management that there was approval for directors, specifically within Human Resources at Health PEI, to receive time-in-lieu based on an on-call rotation, but there was no documentation to support at what level this decision was made or approved.
80. Although the employees' supervisors approved time-in-lieu in these instances, these situations emphasize the need to have time recorded and approved when earned. When supervisors approve a lump sum amount of additional hours worked which happened over several weeks or months, it is difficult to verify that these hours were actually worked. It also makes it difficult to manage the workload of employees when additional hours are not reviewed and approved as they are earned.

Recommendations

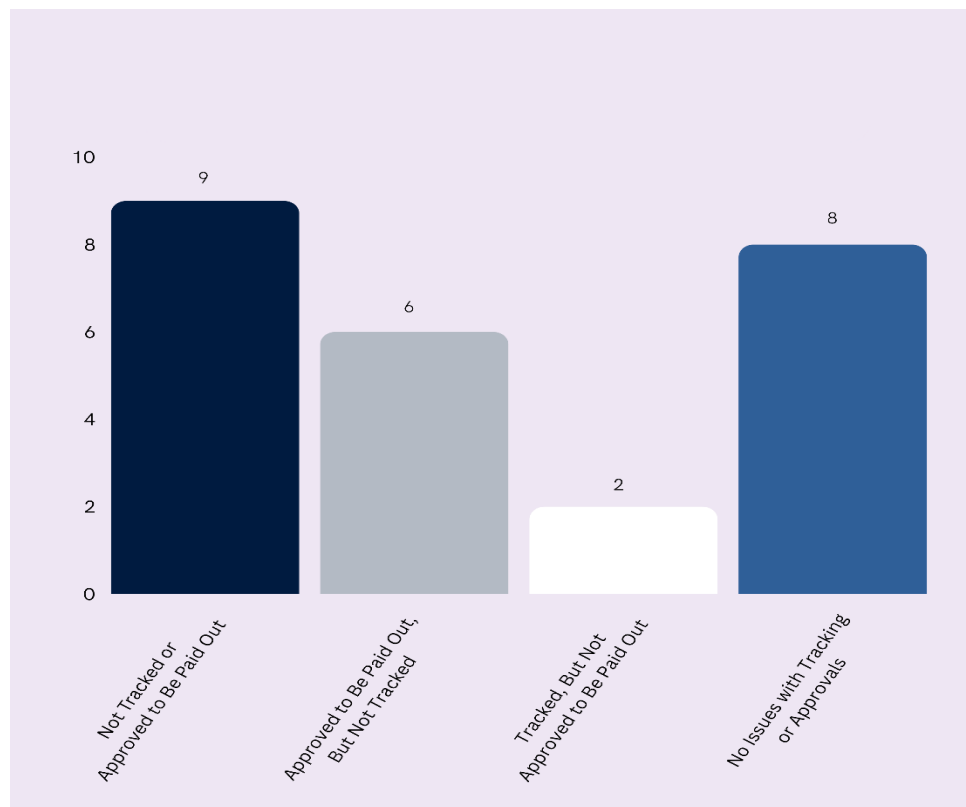
- 10. Health PEI should follow the *Terms & Conditions for Excluded Supervisory and Confidential Employees of the Province of Prince Edward Island* Section 25: Overtime for its excluded employees.**
- 11. Health PEI should develop and implement a consistent process to track time-in-lieu earned by excluded employees.**

81. Although paying out unused time-in-lieu hours would be standard practice for those ending their employment with Health PEI, we expected these situations to be rare as time-in-lieu is generally not earned by excluded employees. Additionally, the terms and conditions indicate that employees who do not qualify for overtime pay may be given time off at the employer's discretion, so we would expect excluded employees to be using this time-in-lieu granted as time off, rather than having the hours paid out.
82. When Health PEI provided payouts of time-in-lieu, although outside of the terms and conditions of employment, we expected there to be documentation to support that the employee's supervisor had approved the payout of the time-in-lieu hours.

Lack of Support to Show Approval for Time-in-Lieu to be Paid Out Rather Than Taken as Time Off

83. Eleven of the 25 payouts in our sample were made to active employees. Health PEI did not have documentation to support that the employees' supervisors approved these payouts.
84. When employees are not properly tracking the time-in-lieu they have earned, and then that time-in-lieu gets paid out without being properly approved, there is an increased risk that employees are being compensated for hours they have not earned. **Exhibit 15** identifies the number of employees we examined where issues were noted with the tracking of time-in-lieu and with the approval for time-in-lieu to be paid out.

EXHIBIT 15
TIME-IN-LIEU TRACKING AND PAYOUT APPROVALS



Source: Audit testing results derived from information provided by Health PEI

Recommendation

- 12. Health PEI's excluded employees should take time off for any time-in-lieu earned in accordance with the *Terms & Conditions of Employment for Excluded Supervisory and Confidential Employees of the Province of Prince Edward Island*.**

Hourly Rate of Payouts

85. We also reviewed the rates at which time-in-lieu hours were paid out to excluded employees. Although hours should be taken as time off and not paid out, when employees received payouts, we expected the hours to be paid out based on the rate of pay for the position in which the hours were earned.

In Two Instances Time-in-Lieu Was Paid Out at a Higher Rate Than Earned – Resulting in Higher Compensation Being Paid

86. For two of the 25 payouts we examined, time-in-lieu hours were paid at a higher hourly rate than they should have been. In both instances, the employees requested and were paid out the hours while temporarily in other positions. However, the employees earned the hours while working in their permanent positions. This resulted in the employees receiving more pay for the time-in-lieu hours than the rate at which they were earned.
87. We were informed by management that in one instance, the difference between the employees' hourly rate in their temporary position versus their primary position, was later recovered. In the second instance, the amount was not recovered.

CONCLUSIONS

88. Compensation practices of Health PEI's excluded employees were not always consistent with legislation and policies based on the fact that:
- Health PEI did not submit all new positions to the Commission for classification;
 - Effective dates of reclassification did not always agree to the date approved by the Commission; and
 - Hourly rates paid to excluded employees did not always agree to the position's classification level.
89. Vacation hours paid out to Health PEI's excluded employees were not always appropriately approved. There were instances where Health PEI did not have documentation to support that all active employees who received vacation payouts were denied vacation time, or that payouts were approved by the employee's supervisor.
90. Time-in-lieu hours earned and paid out to Health PEI's excluded employees were not always appropriately approved. There was no consistent method used to track time-in-lieu earned and there was a lack of documentation to support the approval for excluded employees to have time-in-lieu paid out rather than taken as time off.

Recommendation 1

Health PEI should ensure all excluded positions are classified using the Public Service Commission's classification plan, in accordance with the *Civil Service Act*.

Management Response

Health PEI appreciates and agrees with this recommendation in response to a Health PEI request in June 2024 for the Auditor General's office to conduct an audit to identify areas of non-compliance in Human Resources.

Health PEI staff raised concerns regarding payroll processes. Health PEI did not have an internal audit function. Health PEI also sought support from Treasury Board on October 1, 2025, to have a third party review the functions, policies, processes and controls in Human Resources. This work is actively underway to provide assurance that payroll and Human Resources functions are operating appropriately.

Health PEI intends to forward the findings to the Deputy Attorney General in accordance with the reporting procedures and requirements under Treasury Board Policy 21.01 Fraud Awareness and Reporting.

Health PEI is committed to classifying all excluded positions through the Public Service Commission.

Health PEI intends to centralize the process that supports position questionnaire submission and tracking to ensure greater oversight.

A classification position report and position status report reconciliation will occur twice per year to ensure all excluded positions are classified.

Timeline: By March 31, 2026, and go forward twice per year.

Recommendation 2

Health PEI should use the effective date of classification decisions for excluded employees in accordance with the Public Service Commission's policy.

Management Response

Health PEI appreciates and agrees with this recommendation in response to Health PEI's request in June 2024 for the Auditor General's office to conduct an audit to identify areas of non-compliance in Human Resources.

Health PEI staff raised concerns regarding payroll processes. Health PEI did not have an internal audit function. Health PEI also sought support from Treasury Board on October 1, 2025, to have a third party review the functions, policies, processes and controls in Human Resources. This work is actively underway to provide assurance that payroll and Human Resources functions are operating appropriately.

Health PEI intends to forward the findings to the Deputy Attorney General in accordance with the reporting procedures and requirements under Treasury Board Policy 21.01 Fraud Awareness and Reporting.

Health PEI is committed to ensuring the effective date aligns with the Public Service Commission's classification decision date.

Health PEI intends to implement a process whereby the PSC will be notified of a request to backdate the classification decision by up to 60 days and will provide this request with the submission of the position questionnaire and the position classification or reclassification request.

Communication of this new process will be shared within Health PEI to the appropriate individuals to ensure understanding of and compliance with this required practice.

Timeline: By January 31, 2026

Recommendation 3

Health PEI should not adjust the effective date of a reclassification decision more than 60 working days retroactive from the date the request was submitted to the Public Service Commission, in accordance with the *Civil Service Act* Regulations.

Management Response

Health PEI appreciates and agrees with this recommendation in response to Health PEI's request in June 2024 for the Auditor General's office to conduct an audit to identify areas of non-compliance in Human Resources.

Health PEI staff raised concerns regarding payroll processes. Health PEI did not have an internal audit function. Health PEI also sought support from Treasury Board on October 1, 2025, to have a third party review the functions, policies, processes and controls in Human Resources. This work is actively underway to provide assurance that payroll and Human Resources functions are operating appropriately.

Health PEI intends to forward the findings to the Deputy Attorney General in accordance with the reporting procedures and requirements under Treasury Board Policy 21.01 Fraud Awareness and Reporting.

Health PEI is committed to ensuring the effective date of reclassification aligns with the Public Service Commission's classification decision date.

Health PEI intends to implement a process whereby the PSC will be notified of a request to backdate the classification decision by up to 60 days and will provide this request with the submission of the position questionnaire and the position classification or reclassification request.

Before any classification retroactive payment action is taken, Health PEI People team will ensure that the PSC classification decision memo, and the position management form outline the correct effective date that has been approved by the PSC.

Communication of this new process will be shared within Health PEI to the appropriate individuals to ensure understanding of and compliance with this required practice.

Timeline: By January 31, 2026

Recommendation 4

Health PEI should only provide acting pay to excluded employees in accordance with Section 28 of the *Terms & Conditions of Employment for Excluded Supervisory and Confidential Employees of the Province of Prince Edward Island*.

Management Response

Health PEI appreciates and agrees with this recommendation in response to Health PEI's request in June 2024 for the Auditor General's office to conduct an audit to identify areas of non-compliance in Human Resources.

Health PEI staff raised concerns regarding payroll processes. Health PEI did not have an internal audit function. Health PEI also sought support from Treasury Board on October 1, 2025, to have a third party review the functions, policies, processes and controls in Human Resources. This work is actively underway to provide assurance that payroll and Human Resources functions are operating appropriately.

Health PEI intends to forward the findings to the Deputy Attorney General in accordance with the reporting procedures and requirements under Treasury Board Policy 21.01 Fraud Awareness and Reporting.

In January 2025, the Chiefs reviewed and confirmed the excluded employees receiving acting pay were in alignment to Section 28. Internal audits to review excluded employees receiving acting pay will be implemented on a quarterly basis aligned with Section 28, and any anomalies flagged to the appropriate Chief.

In addition, Health PEI reports compliance of compensation and benefits to the Health PEI Board of Directors on an annual basis through Operational Expectation Policy Direction 2.3.

Communication of this new process will be shared within Health PEI to the appropriate individuals to ensure understanding of and compliance with this required practice.

Timeline: Agreed and has implemented this recommendation. Quarterly internal audits in future. Communication will be sent by January 31, 2026.

Recommendation 5

Health PEI should perform regular reviews of the salaries being paid to excluded positions to ensure they agree to the salary range of the position's classification level.

Management Response

Health PEI appreciates and agrees with this recommendation in response to Health PEI's request in June 2024 for the Auditor General's office to conduct an audit to identify areas of non-compliance in Human Resources.

Health PEI staff raised concerns regarding payroll processes. Health PEI did not have an internal audit function. Health PEI also sought support from Treasury Board on October 1, 2025, to have a third party review the functions, policies, processes and controls in Human Resources. This work is actively underway to provide assurance that payroll and Human Resources functions are operating appropriately.

Health PEI intends to forward the findings to the Deputy Attorney General in accordance with the reporting procedures and requirements under Treasury Board Policy 21.01 Fraud Awareness and Reporting.

This recommendation has been implemented. Effective August 2024, bi-weekly compensation rate internal audit reports were introduced to ensure correct entry of excluded compensation rates.

As well, on an annual basis, a compensation rate internal audit report will be shared with each Chief with the requirement to review and sign off that excluded salaries are being paid in accordance with the salary range of the position classification levels.

Timeline: Implemented. Annual internal audits and review by Chiefs in future.

Recommendation 6

Health PEI should report the following on a semi-annual basis to Treasury Board as required

- Any new positions created,
- Reason for the positions,
- Benefits of the positions, and
- The source of funding for the positions.

Management Response

Health PEI appreciates and agrees with this recommendation in response to Health PEI's request in June 2024 for the Auditor General's office to conduct an audit to identify areas of non-compliance in Human Resources.

Health PEI staff raised concerns regarding payroll processes. Health PEI did not have an internal audit function. Health PEI also sought support from Treasury Board on October 1, 2025, to have a third party review the functions, policies, processes and controls in Human Resources. This work is actively underway to provide assurance that payroll and Human Resources functions are operating appropriately.

Health PEI intends to forward the findings to the Deputy Attorney General in accordance with the reporting procedures and requirements under Treasury Board Policy 21.01 Fraud Awareness and Reporting.

Health PEI submits position information annually as requested and will provide updates twice a year as required. In addition, Health PEI seeks Treasury Board approval throughout the year for the creation of any new permanent excluded positions and is committed to ensuring Treasury Board receives a semi-annual report for all new permanent positions created, including associated budget information and background rationale.

Position status reports for newly established positions will be generated twice per year and will be reconciled to budget and shared with Treasury Board.

Timeline: September 2026 and March 2027 (and then semi-annually in future).

Recommendation 7

Health PEI should follow the *Terms & Conditions for Excluded Supervisory and Confidential Employees of the Province of Prince Edward Island* Section 12: Vacation for its excluded employees.

Management Response

Health PEI appreciates and agrees with this recommendation in response to Health PEI's request in June 2024 for the Auditor General's office to conduct an audit to identify areas of non-compliance in Human Resources.

Health PEI staff raised concerns regarding payroll processes. Health PEI did not have an internal audit function. Health PEI also sought support from Treasury Board on October 1, 2025, to have a third party review the functions, policies, processes and controls in Human Resources. This work is actively underway to provide assurance that payroll and Human Resources functions are operating appropriately.

Health PEI intends to forward the findings to the Deputy Attorney General in accordance with the reporting procedures and requirements under Treasury Board Policy 21.01 Fraud Awareness and Reporting.

Health PEI is committed to establishing new guidelines for treatment of excess vacation carryover and consistent handling of vacation for its excluded employees.

The guidelines will outline the process for requesting a vacation payout, approval by appropriate Chief for the payout, and supportive documentation required. The HR Action Form will be modified to support these new guidelines and to act as a record of decisions and approvals.

A new bi-weekly internal audit report has been created to flag any vacation payouts for excluded employees. Anomalies will be flagged with the appropriate Chief.

Communication of this new process will be shared within Health PEI to the appropriate individuals to ensure understanding of and compliance with this required practice.

Timeline: Already created the internal audit report. By March 31, 2026, the HR Action Form updates will be completed, guidelines developed and communication completed.

Recommendation 8

Health PEI should maintain documentation to support the rationale when vacation hours are paid out to active employees instead of taking time off.

Management Response

Health PEI appreciates and agrees with this recommendation in response to Health PEI's request in June 2024 for the Auditor General's office to conduct an audit to identify areas of non-compliance in Human Resources.

Health PEI staff raised concerns regarding payroll processes. Health PEI did not have an internal audit function. Health PEI also sought support from Treasury Board on October 1, 2025, to have a third party review the functions, policies, processes and controls in Human Resources. This work is actively underway to provide assurance that payroll and Human Resources functions are operating appropriately.

Health PEI intends to forward the findings to the Deputy Attorney General in accordance with the reporting procedures and requirements under Treasury Board Policy 21.01 Fraud Awareness and Reporting.

Health PEI is committed to establishing new guidelines for treatment of excess vacation carryover and consistent handling of vacation for its excluded employees.

The guidelines will outline the process for requesting a vacation payout, approval by appropriate Chief for the payout, and supportive documentation required. The HR Action Form will be modified to support these new guidelines and to act as a record of decisions and approvals.

A new bi-weekly internal audit report has been created to flag any vacation payouts for excluded employees. Anomalies will be flagged with the appropriate Chief.

Communication of this new process will be shared within Health PEI to the appropriate individuals to ensure understanding of and compliance with this required practice.

Timeline: By March 31, 2026, the HR Action Form updates will be completed, guidelines developed and communication completed.

Recommendation 9

Health PEI should maintain documentation to support that vacation payouts were approved by the employee's supervisor.

Management Response

Health PEI appreciates and agrees with this recommendation in response to Health PEI's request in June 2024 for the Auditor General's office to conduct an audit to identify areas of non-compliance in Human Resources.

Health PEI staff raised concerns regarding payroll processes. Health PEI did not have an internal audit function. Health PEI also sought support from Treasury Board on October 1, 2025, to have a third party review the functions, policies, processes and controls in Human Resources. This work is actively underway to provide assurance that payroll and Human Resources functions are operating appropriately.

Health PEI intends to forward the findings to the Deputy Attorney General in accordance with the reporting procedures and requirements under Treasury Board Policy 21.01 Fraud Awareness and Reporting.

Health PEI is committed to establishing new guidelines for treatment of excess vacation carryover and consistent handling of vacation for its excluded employees.

The guidelines will outline the process for requesting a vacation payout, approval by appropriate Chief for the payout, and supportive documentation required. The HR Action Form will be modified to support these new guidelines and to act as a record of decisions and approvals.

A new bi-weekly internal audit report has been created to flag any vacation payouts for excluded employees. Anomalies will be flagged with the appropriate Chief.

Communication of this new process will be shared within Health PEI to the appropriate individuals to ensure understanding of and compliance with this required practice.

Timeline: Already created the internal audit report. By March 31, 2026, the HR Action Form updates will be completed, guidelines developed and communication completed.

Recommendation 10

Health PEI should follow the *Terms & Conditions for Excluded Supervisory and Confidential Employees of the Province of Prince Edward Island* Section 25: Overtime for its excluded employees.

Management Response

Health PEI appreciates and agrees with this recommendation in response to Health PEI's request in June 2024 for the Auditor General's office to conduct an audit to identify areas of non-compliance in Human Resources.

Health PEI staff raised concerns regarding payroll processes. Health PEI did not have an internal audit function. Health PEI also sought support from Treasury Board on October 1, 2025, to have a third party review the functions, policies, processes and controls in Human Resources. This work is actively underway to provide assurance that payroll and Human Resources functions are operating appropriately.

Health PEI intends to forward the findings to the Deputy Attorney General in accordance with the reporting procedures and requirements under Treasury Board Policy 21.01 Fraud Awareness and Reporting.

A moratorium on excluded employee overtime and time-in-lieu banks was communicated to Health PEI Executive Directors and Chiefs on August 28, 2024.

Health PEI will establish new guidelines for treatment of overtime and time-in-lieu for excluded employees. The guidelines will outline the process for approval of any overtime time-in-lieu in advance of overtime occurring. Chief level approval will be required.

PeopleSoft (payroll system) will be used to track time-in-lieu (earned and time taken).

A new bi-weekly internal audit report has been created to flag any overtime or time-in-lieu payouts for excluded employees, and any anomalies will be flagged with the appropriate Chief.

Communication of this new process will be shared within Health PEI to the appropriate individuals to ensure understanding of and compliance with this required practice.

Timeline: Already created the internal audit report. By March 31, 2026, the HR Action Form updates will be completed, guidelines developed and communication completed.

Recommendation 11

Health PEI should develop and implement a consistent process to track time-in-lieu earned by excluded employees.

Management Response

Health PEI appreciates and agrees with this recommendation in response to Health PEI's request in June 2024 for the Auditor General's office to conduct an audit to identify areas of non-compliance in Human Resources.

Health PEI staff raised concerns regarding payroll processes. Health PEI did not have an internal audit function. Health PEI also sought support from Treasury Board on October 1, 2025, to have a third party review the functions, policies, processes and controls in Human Resources. This work is actively underway to provide assurance that payroll and Human Resources functions are operating appropriately.

Health PEI intends to forward the findings to the Deputy Attorney General in accordance with the reporting procedures and requirements under Treasury Board Policy 21.01 Fraud Awareness and Reporting.

A moratorium on excluded employee overtime and time-in-lieu banks was communicated to Health PEI Executive Directors and Chiefs on August 28, 2024.

Health PEI will establish new guidelines for treatment of overtime and time-in-lieu for excluded employees. The guidelines will outline the process for approval of any overtime time-in-lieu in advance of overtime occurring. Chief level approval will be required.

PeopleSoft (payroll system) will be used to track time-in-lieu (earned and time taken).

A new bi-weekly internal audit report has been created to flag any overtime or time-in-lieu payouts for excluded employees, and any anomalies will be flagged with the appropriate Chief.

Communication of this new process will be shared within Health PEI to the appropriate individuals to ensure understanding of and compliance with this required practice.

Timeline: Already created the internal audit report. By March 31, 2026, the HR Action Form updates will be completed, guidelines developed and communication completed.

Recommendation 12

Health PEI's excluded employees should take time off for any time-in-lieu earned in accordance with the *Terms & Conditions of Employment for Excluded Supervisory and Confidential Employees of the Province of Prince Edward Island*.

Management Response

Health PEI appreciates and agrees with this recommendation in response to Health PEI's request in June 2024 for the Auditor General's office to conduct an audit to identify areas of non-compliance in Human Resources.

Health PEI staff raised concerns regarding payroll processes. Health PEI did not have an internal audit function. Health PEI also sought support from Treasury Board on October 1, 2025, to have a third party review the functions, policies, processes and controls in Human Resources. This work is actively underway to provide assurance that payroll and Human Resources functions are operating appropriately.

Health PEI intends to forward the findings to the Deputy Attorney General in accordance with the reporting procedures and requirements under Treasury Board Policy 21.01 Fraud Awareness and Reporting.

A moratorium on excluded employee overtime and time-in-lieu banks was communicated to Health PEI Executive Directors and Chiefs on August 28, 2024.

Health PEI will establish new guidelines for treatment of overtime and time-in-lieu for excluded employees. The guidelines will outline the process for approval of any overtime time-in-lieu in advance of overtime occurring. Chief level approval will be required.

PeopleSoft (payroll system) will be used to track time-in-lieu (earned and time taken).

A new bi-weekly internal audit report has been created to flag any overtime or time-in-lieu payouts for excluded employees, and any anomalies will be flagged with the appropriate Chief.

Communication of this new process will be shared within Health PEI to the appropriate individuals to ensure understanding of and compliance with this required practice.

Timeline: Already created the internal audit report. By March 31, 2026, the HR Action Form updates will be completed, guidelines developed and communication completed.

AUDIT STANDARDS, OBJECTIVES, AND SCOPE**STANDARDS**

This independent assurance report was prepared by the Office of the Auditor General of Prince Edward Island. Our responsibility was to provide objective information and independently conclude on whether compensation practices for Health PEI's excluded employees are consistent with legislation and policies, whether vacation hours paid out to Health PEI's excluded employees were appropriately approved and whether time-in-lieu hours earned and paid out to Health PEI's excluded employees were appropriately approved.

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

The Office of the Auditor General of Prince Edward Island applies the Canadian Standard on Quality Management 1 (CSQM 1), which requires our 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 the audit work, we have complied with independence and other ethical requirements of the Rules of Professional Conduct of the Chartered Professional Accountants of Prince Edward Island and the Code of Conduct of the Office of the Auditor General of Prince Edward Island. Both the Rules of Professional Conduct and our Office's Code of Conduct are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

OBJECTIVES AND CRITERIA

Objective 1: To determine whether compensation practices for Health PEI's excluded employees are consistent with legislation and policies.

Criteria:

- 1.1 Health PEI's excluded employee positions were classified in accordance with the *Civil Service Act* and Regulations.
- 1.2 Hourly rates paid to Health PEI's excluded employees agree to the salary range assigned to the approved classification level.

Objective 2: To determine whether vacation hours paid out to Health PEI's excluded employees were appropriately approved.

Criteria:

- 2.1 Health PEI has documented policies and procedures for the payout of vacation hours to excluded employees.
- 2.2 Health PEI maintained documentation to support the approval of the payout of vacation hours to excluded employees.

Objective 3: To determine whether time-in-lieu hours earned and paid out to Health PEI's excluded employees were appropriately approved.

Criteria:

- 3.1 Health PEI has documented policies and procedures for the payout of time-in-lieu hours to excluded employees.
- 3.2 Health PEI maintained documentation to support the approval of the time-in-lieu earned by excluded employees.
- 3.3 Health PEI maintained documentation to support the approval of the payout of time-in-lieu hours to excluded employees.

Audit criteria for this engagement were developed primarily from legislation, policies, and best practices, such as other collective agreements.

In accordance with our regular audit process, we obtained the following from management:

- Confirmation of management's responsibility for the subject matter;
- Acknowledgment of the suitability of the criteria used in the audit;
- Confirmation that all known information that has been requested, or that could affect the findings or audit conclusion, has been provided; and
- Confirmation that the audit report is factually accurate.

SCOPE AND APPROACH

The scope of our audit included all full-time and part-time excluded employees of Health PEI between April 1, 2023 and June 30, 2024, and payouts of vacation and time-in-lieu to these excluded employees between April 1, 2021 and June 30, 2024. The positions in the Executive Leadership Team were excluded from Objective 1 as they were tested in *Health PEI Executive Leadership Team Compensation* completed by our Office, which was released in October 2024.

Our approach included:

- Interviews and correspondence with Health PEI management and employees;
- Interview and correspondence with Treasury Board and the Public Service Commission;
- Review of the *Terms & Conditions of Employment for Excluded Supervisory and Confidential Employees of the Province of Prince Edward Island*, *Civil Service Act* and Regulations, and policies of the Public Service Commission;
- Review of Health PEI's Executive Leadership Team meeting minutes;
- A sample of 40 excluded employees of Health PEI out of 398 full-time or part-time excluded employees between April 1, 2023 and June 30, 2024, were selected for Objective 1;
- A sample of 25 employees out of 97 excluded employees who received vacation payouts for the period of April 1, 2021 to June 30, 2024, were selected for Objective 2;
- A sample of 25 of 157 time-in-lieu payouts for the period of April 1, 2021 to June 30, 2024, were selected for Objective 3;
- Analysis and detailed testing of the classification process for samples in Objective 1; and
- Analysis and detailed testing of documentation to support payouts in Objectives 2 and 3.

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

DATE OF REPORT

We obtained sufficient and appropriate audit evidence on which to base our conclusions on December 23, 2025, in Charlottetown, Prince Edward Island.

AUDIT TEAM

Auditor General	Darren Noonan
Assistant Auditor Generals:	Jennifer Bowness
	Sheri Griffin
Director:	Sarah Taylor
Manager:	Jenna Dominey
Auditor:	Lu Chen

**HEALTH PEI ORGANIZATIONAL STRUCTURE
HUMAN RESOURCES DIVISION
AS OF JUNE 2024**



Source: Adapted from Health PEI's Human Resources Organizational Chart, June 2024.

CIVIL SERVICE ACT AND REGULATIONS EXCERPTS RELATING TO CLASSIFICATION

13. Classification Plan

- (1) The Commission shall maintain, develop and implement a classification plan
 - (a) as a basis for uniform treatment of employees performing the same kind or level of work; and
 - (b) to provide a systematic basis for organization and administration.

Classification of positions

- (2) The Commission shall approve the classification of each position in the classified division.

Alteration

- (3) The classification of each position shall not be altered for the purpose of adjusting rates of compensation.

Duties

- (4) An employer shall define the duties and responsibilities to be assigned to each position under his jurisdiction.

Deputy head may request review

- (5) A deputy head may request the Commission to review the classification of any position under his jurisdiction.

Employee request

- (6) A permanent employee may request the Commission to review the classification of his position in accordance with the regulations. *1993, c.2, s.6.*

Source: Excerpt from the *Civil Service Act* Section 13.

PART V — CLASSIFICATION

A - CLASSIFICATION REVIEW AND APPEAL

15. Review

- (1) In order to maintain or update the classification system, the Commission may review classifications.

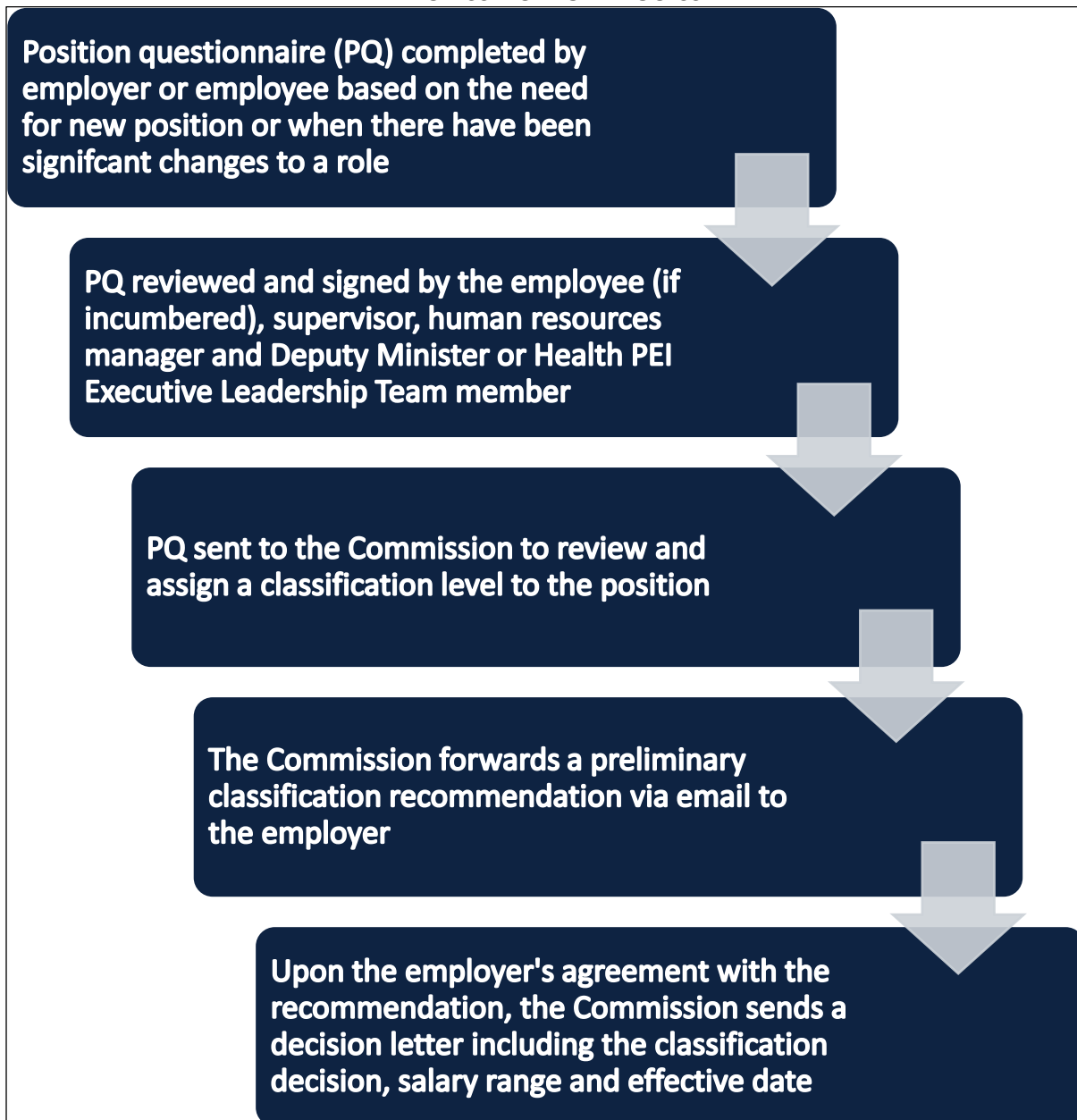
Request

- (2) A classification review may be requested by an employer, a permanent employee or other eligible employee as designated by the Commission by submitting to the Commission a description of the position in the prescribed form and manner and a statement of the reasons for the request for a review.

Decision by Commission

- (3) The Commission will review the classification of the position and notify the employee and employer of its decision within forty-five working days of receiving the request. (*EC851/95; 194/02*)

Source: Excerpt from the *Civil Service Act Regulations* Part V, Section 15.

**PUBLIC SERVICE COMMISSION
CLASSIFICATION PROCESS**

Source: Adapted from Public Service Commission Human Resource Policy and Procedure Manual Section 6.01: Classification and the Position Questionnaire form developed by the Public Service Commission for Health PEI.

Office of the Auditor General
80 Grafton Street
Charlottetown, Prince Edward Island C1A 1K7
www.assembly.pe.ca/auditorgeneral