

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

Charlottetown, PEI - The Auditor General's 2023 Annual Report to the Legislative Assembly was tabled today, March 2, 2023. The report contains chapters on the Office of the Auditor General of Prince Edward Island, the Public Accounts Committee, reports in Accordance with the Climate Leadership Act and the Government Accounting Standards Act, an update on the COVID-19 Special Examination, Follow-up on previous years recommendations, chapters discussing various issues arising from Financial audits and other reporting matters.

The main highlights from the 2023 Annual Report include:

## **Audit of the Consolidated Financial Statements – Highlights**

### **What we found**

- The 2021-22 consolidated financial statements fairly present the Province's financial results.
- Treasury Board approval and formal agreements were not in place for significant grants provided to the University of Prince Edward Island and Holland College.
- Improvements to processes are still required for: management of pandemic inventory, social programs payments, timely collection of federal receivables, recording of transactions in accordance with Canadian Public Sector Accounting Standards, preparation of financial statement note disclosures, and correspondence with the Canada Revenue Agency.
- Phase II Environmental Site Assessment should be completed at the former Queens County Highway Depot site due to potential contamination.
- An internal audit function, the disclosure of supplemental information, and additional contaminated sites disclosure are items to be considered by the Province.
- The Province's capital budget presentation does not include projected capital spending for government business enterprises.

## **Issues Noted in Other Financial Audits – Highlights**

### **What we found**

- Accounting concerns were identified that mainly related to the completeness and accuracy of information provided for audit.
- Notable compliance issues were identified in relation to the lack of timely business and strategic plans, no signed or approved grant funding agreements, and non-compliance with the *Public Trustee Act*.
- Reportable internal control issues consisted of a lack of formal policies and procedures, delays in physician audits, management of surplus funds, lack of investment guidelines, and slow collection of rebates and receivables.

- 22 out of 25 reporting entities did not meet the *Financial Administration Act* annual reporting deadline for their most recent fiscal year.
- As of January 31, 2023, only one government department has published an annual report for the most recent fiscal year.

## Indicators of Financial Condition – Highlights

### What we found

- The Province reported a surplus of \$83.8 million in 2021-22. This was a significant difference from the originally budgeted deficit of \$112.1 million. The Province's economy performed better than expected, which led to significantly higher provincial tax revenues.
- As at March 31, 2022, the net debt of the Province reached its highest level ever at \$2.3 billion. This represents an increase of \$9.5 million during the year and \$185.3 million since 2019.
- Despite the continued growth in net debt, the ratios of net debt to GDP and net debt to total revenues reached the lowest levels over the last five years due to the overall positive performance of the economy during the year.
- Net debt per capita also decreased for the first time in a few years from \$13,955 per person at March 31, 2021 to \$13,526 per person at March 31, 2022.
- Expenses as a percentage of GDP decreased for the first time since 2018. This is due to growth in the economy exceeding growth in government spending during the fiscal period.

## Appropriations and Special Warrants – Highlights

### What we found

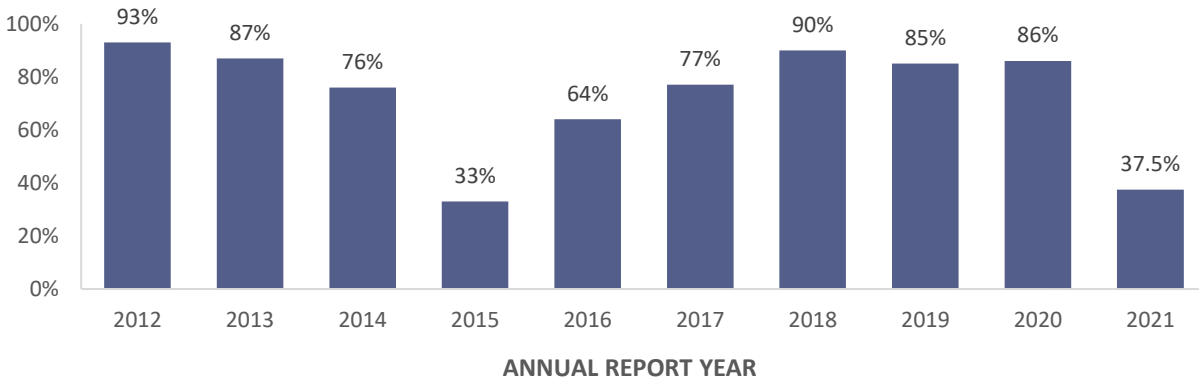
- Special warrants for the March 31, 2022 fiscal year provided an additional \$121.4 million in authorized spending for current expenditures and an additional \$41.9 million for capital expenditures for a total of \$163.3 million.
- Special warrants were partially offset by \$31.0 million in additional revenue.
- Total special warrants, and special warrants net of revenue and sequestrations are significantly higher than in previous years.
- Consistent with prior years, expenditures were incurred for the year ended March 31, 2022 without special warrants being authorized, as required by the *Financial Administration Act*.
- Approximately \$40 million in late special warrants were issued between June 2022 and January 2023. Two additional late warrants are expected to be issued in February 2023, nearly a full year after the 2022 fiscal year ended.

## Follow-Up on Performance Audits – Highlights

### WHAT WE FOUND

	3 <sup>rd</sup> year follow-up	2 <sup>nd</sup> year follow-up		1 <sup>st</sup> year follow-up
Annual report years included	2018	2019	2020	2021
# recommendations	30	28	21	24
Total % implemented –	90%	85%	86%	37.5%
Total % implemented – prior	60%	71%	43%	N/A

### Implementation of Recommendations



These rates are based on the information in our annual report at the time our follow-up work was completed. We will follow up on outstanding 2019, 2020 and 2021 recommendations again next year.

## Follow-Up with Treasury Board

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 of the Auditor General.

### What we found

- Not all entities are providing quarterly updates to Treasury Board on the implementation of recommendations of the Auditor General.

**COVID-19 Special Examination**

- In the request from Executive Council, we were asked to report back by August 1, 2021. As we obtained a better understanding of the various funding periods of the COVID-19 programs, we presented a three phased approach to reporting to Executive Council. The phases consist of the following:
  - **Phase I:** Included programs paid using the Emergency Contingency Fund with application deadlines up to and including August 31, 2020. Our Office issued a report on Phase I on July 28, 2021. We will complete follow-up on our Phase I recommendations in the summer of 2022.
  - **Phase II:** Includes loan programs, as well as the remaining programs funded through the Emergency Contingency Fund, with application deadlines between August 31, 2020 and March 31, 2021.
  - **Phase III:** Includes programs established using the COVID-19 Response and Recovery Contingency Fund of \$65 million.
- We expect to report on Phase II and Phase III in the spring of 2023, and we will complete follow-up work on all three phases in the summer of 2024.

**Climate Leadership Act**

- In accordance with Section 2(3) of the Act, the Auditor General is responsible for reporting annually to the Legislative Assembly on the amount of the levy collected under the Act, and the amounts returned to consumers, businesses and municipalities.
- We report that for the period of April 1, 2021 to March 31, 2022, a total of \$18,491,000 was collected by the Province as carbon levy revenue under the Act. This balance was returned to Islanders through the following initiatives:

Reduction in Gasoline Tax	\$ 13,317,000
Active Transportation Fund Projects	2,261,000
Universal Electric Vehicle Incentive*	2,112,000
Free Heat Pump Program**	1,551,000
Rural Transit Pilot Program	398,000
Registration of Motor Vehicles***	121,000
Transit Fees (10% subsidy)	57,000
	<u>\$ 19,817,000</u>

**Government Advertising Standards Act**

- In accordance with Section 9(1) of the *Government Advertising Standards Act*, the Auditor General is required to report annually to the Legislative Assembly about any matter that the Auditor General considers appropriate to report under this Act.
- No requests or complaints were received by our Office since our last annual report, dated March 2, 2022.

The 2023 Annual Report of the Auditor General to the Legislative Assembly is available on our website at [www.assembly.pe.ca/auditorgeneral](http://www.assembly.pe.ca/auditorgeneral)

Darren Noonan, CPA, CA  
Auditor General

**Media Contact:**

Tracy Reid (902)368-5281