

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

Charlottetown, PEI - The Auditor General's 2024 Annual Report to the Legislative Assembly was tabled today, February 29, 2024. 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*, a performance audit on Biomass Heating Contracts, Follow-up on previous years recommendations, chapters discussing various issues arising from the audit of Public Accounts, other Financial audits and other reporting matters.

The main highlights from the 2024 Annual Report include:

Audit of the Consolidated Financial Statements – Highlights

What we found

- The 2022-23 consolidated financial statements fairly present the Province's financial results.
- For the year ended March 31, 2023, the Province of Prince Edward Island was the only province in Canada that did not meet its statutory deadline for publishing Public Accounts. This was mainly due to delays and difficulties associated with the implementation of new accounting standards.
- There was no up to date asbestos management plan, as required by Section 49.6 of the *Occupational Health and Safety Act – General Regulations*.
- Several issues were noted with the Province's handling of the federal Disaster Financial Assistance Arrangements (DFAA) program, including the failure to request advance or interim payments, failure to consider DFAA eligibility requirements when setting up a provincial program, and failure to properly account for the program in accordance with Canadian Public Sector Accounting Standards.
- The Province of Prince Edward Island is the only province in Canada that does not have an internal audit function.
- Over the past two years, conservative budget estimates have led to tax revenues being underestimated by \$200 million and \$190 million respectively, which has produced significant budget to actual variances in the Province's financial results.

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 and the implementation of a new accounting standard, Asset Retirement Obligations.
- Notable compliance issues were identified in relation to the lack of timely business plans and non-compliance with: the *Public Trustee Act* and the *Occupational Health and Safety Act – General Regulations*.
- Reportable internal control issues consisted of: delays in physician audits, lack of guidelines for the management of surplus funds, lack of investment guidelines and formal policies and procedures for funds paid into court, slow collection of rebates and receivables, and the need to assess whether operating an inactive corporation is economically justified.
- Of the 27 reporting entities, 25 did not meet the *Financial Administration Act*'s annual reporting deadline for their most recent fiscal year.
- Only two government departments met the annual reporting deadline established by the *Treasury Board Policy and Procedures Manual* for the most recent fiscal year.
- Noteworthy issues identified through external audits related to: the importance of continually assessing and updating future cost estimates for obligations, and a lack of employment contracts for casual employees at government business enterprises.

Indicators of Financial Condition – Highlights

What we found

- The Province reported a surplus of \$14.4 million in 2022-23. This was a significant difference from the originally budgeted deficit of \$92.9 million. The Province's economy performed better than expected, which led to significantly higher provincial tax revenues, and contributed to a surplus despite significant unexpected response and recovery costs incurred due to Post-Tropical Storm Fiona.
- As at March 31, 2023, the net debt of the Province reached its highest level ever, and now sits at \$2.45 billion. This represents an increase of \$103.8 million during the year, and \$327.3 million since 2019.
- Despite the continued growth in net debt, the ratios of net debt to GDP and net debt to total revenues have followed a downward trend over the last five years due to the overall positive performance of the economy.
- Net debt per capita, however, increased from \$14,038 per person at March 31, 2022 to \$14,103 per person at March 31, 2023.
- The Province's spending in proportion to GDP was the highest of all Canadian provinces at 30.5 percent. This indicates that PEI's economy is more dependent on government spending than any other Canadian province.
- The Province's ratio of federal revenues to total revenues was the highest of all Canadian provinces at 37.9 percent. This indicates that PEI has the highest level of vulnerability, in terms of being the most dependent Canadian province on federal funding.

Appropriations and Special Warrants – Highlights

What we found

- Special warrants for the March 31, 2023 fiscal year provided an additional \$275.7 million in authorized spending for current expenditures, which represents an additional 10% of the approved appropriation.
- Special warrants for the March 31, 2023 fiscal year provided an additional \$51.0 million in authorized spending for capital expenditures, which represents an additional 24% of the approved appropriation.
- Special warrants were partially offset by \$111.4 million in additional revenue.
- Total value of special warrants, and special warrants net of revenue and sequestrations, are the highest ever reported for the Province.
- Consistent with prior years, expenditures were incurred for the year ended March 31, 2023 without special warrants being authorized, as is required by the *Financial Administration Act*.
- Twenty-three late special warrants were issued between August 2023 and January 2024, totalling approximately \$143.8 million. Seven of these late special warrants were issued in January 2024, and three additional late warrants are expected to be issued in February 2024, nearly a full year after the 2023 fiscal year ended.
- The amount of late special warrants is the highest ever reported for the Province.

Biomass Heating Contracts – Highlights

What we found

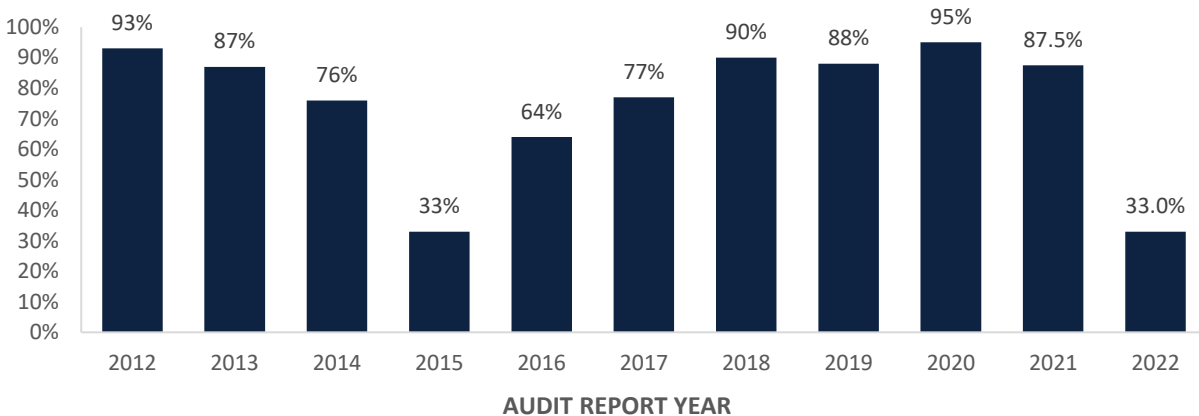
Sustainable Harvesting Requirements	<ul style="list-style-type: none">• Two of the 18 contacts did not define sustainable harvesting practices or require that biomass used to heat government facilities be harvested in a sustainable manner. RECOMMENDATIONS (paragraphs 5.21 and 5.22)
Reporting Requirements	<ul style="list-style-type: none">• For the 16 contracts with sustainable harvesting requirements<ul style="list-style-type: none">○ Five did not require contractors to report information related to the biomass harvests.○ Eleven contracts had reporting requirements; however:<ul style="list-style-type: none">- Reports were not received by the Department for 7 of the 11 contracts;- When reports were received by the Department, they did not always include all information required in accordance with the terms of the contracts; and- The 2022 reports were received subsequent to the annual reporting requirement.○ Eleven contracts lacked clauses that outlined corrective action or consequences when deficiencies were found in meeting sustainable harvesting requirements.• The Department did not take action when reports were not received from contractors, and when reports were received, the Department did not verify whether information was accurate or complete. RECOMMENDATIONS (paragraphs 5.39, 5.40, 5.41, and 5.42)
Other Contract Issues	<ul style="list-style-type: none">• The Department did not have copies of all current biomass heating contracts which it is responsible for administering.• Sustainable harvesting and reporting requirements as well as penalty clauses were not consistent among the biomass heating contracts administered by the Department. RECOMMENDATIONS (paragraphs 5.48 and 5.50)

Follow-Up on Performance Audits – Highlights

WHAT WE FOUND

	3 rd year follow-up		2 nd year follow-up	1 st year follow-up
Audit report years included	2019	2020	2021	2022
# recommendations	28	21	24	6
Total % implemented –	88%	95%	87.5%	33%
Total % implemented – prior	85%	86%	37.5%	N/A

Implementation of Recommendations



These rates are based on the information at the time our follow-up work was completed. We will follow-up on outstanding 2020, 2021 and 2022 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.

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, 2022 to March 31, 2023, a total of \$31,080,000 was collected by the Province as carbon levy revenue under the Act. This balance was returned to Islanders through the following initiatives:

Free Heat Pump Program	\$15,197,000
Reduction in Gasoline Tax	13,447,000
Active Transportation Fund Projects	6,863,000
Carbon Rebates (Low Income)	6,700,000
Rural Transit Pilot Program	2,564,000
Universal Electric Vehicle and Bicycle Incentive Programs	1,659,000
Transit Fee Subsidies (Discounted Passes)	1,275,000
Free Electric Hot Water Heater Program	730,000
Free Insulation Program	308,000
Registration of Motor Vehicles	120,000
Home Heating Loan Programs	5,000
	<u>\$48,868,000</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.
- Two requests were received during the year. The first request dated May 31, 2023 was determined not to be considered an advertisement, and therefore not subject to the Act. The second request, dated December 6, 2023, was determined to meet the advertising standards established in the *Government Advertising Standards Act*, after changes were made to the original submission.

COVID-19 Special Examination

We completed Phase II and Phase III of our COVID-19 Special Examination this year and will be conducting our follow-up work in late 2024 or early 2025.

The 2024 Annual Report of the Auditor General to the Legislative Assembly is available on our website at www.assembly.pe.ca/auditorgeneral

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Auditor General

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