



# Management of Capital Building Projects

Independent Assurance Report: June 2026



## Why Did We Do This Audit?

In recent years, the province has significantly increased investment in capital building projects. This investment in capital is a main contributor to rising net debt on Prince Edward Island.

## Our Objectives and Scope

Our objectives were to determine whether government departments submitted and received approval for cost increases to capital building projects in accordance with Treasury Board Policy, and to determine whether government departments reviewed capital building projects within one year of completion in accordance with Treasury Board policy.

The scope of the audit included **12** capital building projects with costs **more than \$2 million** that became available for use between **April 1, 2020 and March 31, 2025**.

\$81.5M → \$150.6M

Costs for 11 of the 12 projects exceeded their original capital estimates. Overall, the 12 projects saw a \$69.1 million (85%) net increase in capital spending.



A substantial portion of the cost increases— **\$29 million or 42%** — were identified before construction tenders were issued.



Cost increases were approved in accordance with policy, but reports which are required following the completion of a project were not done.



Significant cost increases challenge the reliability and completeness of the capital budgeting process. They can also cause issues with the management of debt levels and borrowing requirements.

In March 2026, the Province released a new debt management strategy, acknowledging that the recent net debt growth is driven by capital spending. Completing capital projects within budget is important as the Province works to stay financially stable.

## Audit Conclusions

Government departments submitted and received approval for cost increases to capital building projects in accordance with Treasury Board policy.

Government departments have not reviewed capital building projects within one year of completion in accordance with Treasury Board policy.

**The audit report made four recommendations to government. All four were accepted.**