

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

Charlottetown, PEI - The Auditor General's 2022 Annual Report to the Legislative Assembly was tabled today, March 3, 2022. 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, chapters discussing various issues arising from Financial audits and other reporting matters.

The main highlights from the 2022 Annual Report include:

**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, 2020 to March 31, 2021, a total of \$17,751,000 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	\$ 12,817,000
Active Transportation Fund projects	4,971,000
Registration of motor vehicles*	60,000
Transit fees (10% subsidy)	<u>46,000</u>
	<u>\$ 17,894,000</u>

*\*Subsidies were provided at 50% of registration fees for non-plug-in hybrid vehicles and 100% of registration fees for electric or plug-in hybrid electric vehicles.*

**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.
- One request was received by our Office during the year, dated June 21, 2021, under Section 5(1) of the Act. The proposed advertising item, as initially presented, was determined to not be in compliance with the standards established in the *Government Advertising Standards Act*.

- The necessary changes were made to the proposed advertising item, and on June 23, 2021, our Office was able to confirm that the proposed advertising item, as amended, was in compliance with the standards established in the *Government Advertising Standards Act*.

### **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.
- Our Office is currently working on the examinations for Phase II and Phase III, and we will be reporting on these two phases in 2022.

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

### **What we did**

- We completed our audit of the Province’s consolidated financial statements for the year ended March 31, 2021 and issued a clean, or unqualified, audit opinion on October 25, 2021.
- We provided information on significant observations and recommendations arising from our audit work.
- We provided a summary of amounts due to the Province that had been cancelled or written off under Section 26 of the *Financial Administration Act*.
- We reported surpluses and deficits of the Province’s agencies, boards, and Crown corporations for the year ended March 31, 2021.

### **Why it’s important**

The consolidated financial statements consolidate the accounts of the Operating Fund with those of the agencies, boards, and Crown corporations owned or controlled by Government. These consolidated financial statements provide the most complete information about the financial position and operating results of the Province. The reported issues and recommendations identify opportunities to strengthen internal controls and improve management and accounting processes.

## What we found

- The 2020-21 consolidated financial statements fairly present the Province's financial results.
- Improvements to processes are required for: management of pandemic inventory, social programs payments, timely collection of federal receivables, and correspondence with the Canada Revenue Agency.
- The Treasury Board Policy and Procedures Manual, an important resource that assists government employees in administration and decision-making, is not up to date.
- Phase II Environmental Site Assessment should be completed at the former Queens County Highway Depot site due to potential contamination.
- A few transactions were not recorded in accordance with the Canadian Public Sector Accounting Standards.
- Additional improvements to the presentation of the consolidated financial statements, notes and schedules are recommended.
- The Province's budget presentation is not comparable to the consolidated financial statements.
- Detailed budget information for government business enterprises, which would enhance accountability and transparency, is not presented.

## Issues Noted in Other Financial Audits – Highlights

### What we did

- We provided summary comments on significant issues noted in the management letters arising from our financial statement audits.
- We reviewed management letters issued by external auditors of government entities for significant issues to report.
- Due to a common compliance issue noted regarding the late filing of annual reports, we extended our work to report on the timeliness of annual report filings for all provincial entities and departments.

### Why it's important

Our management letters are provided to management, and those charged with governance, to assist them in fulfilling their responsibilities. The reported issues and recommendations identify opportunities to strengthen internal controls and improve management and accounting processes.

### What we found

- Accounting concerns were identified that related to how certain transactions were recorded, the application of accounting standards, and the accuracy of information provided for audit.
- Notable compliance issues were identified in relation to physician payments, capital expenditure policies, write-off of pension overpayments, grant funding agreements, and management of surplus funds.
- Reportable internal controls issues consisted of a lack of formal policies and procedures, lack of investment guidelines and slow collection of federal receivables due to a lack of timely reporting.
- 21 out of 26 reporting entities did not meet the *Financial Administration Act* annual reporting deadline for their most recent fiscal year.

- As of January 31, 2022, no government departments have published an annual report for the most recent fiscal year.

## Appropriations and Special Warrants – Highlights

### What we did

- We examined the process around current and capital appropriations, special warrants, transfers and sequestrations.
- We provided a comparison of current and capital appropriations to actual expenditures for the fiscal year ended March 31, 2021.
- We provided additional information regarding appropriation and sequestration for the COVID-19 Response and Recovery Contingency Fund.
- We listed in detail the appropriations made by special warrants and the purpose of such appropriations, as required by the *Audit Act*.

### Why it's important

Government's annual spending authority is approved by Members of the Legislative Assembly through an appropriation act. Our work provides assurance that special warrants, transfers, and sequestrations comply with applicable legislation and Treasury Board Policy.

### What we found

- Special warrants for the March 31, 2021 fiscal year provided an additional \$60.4 million in authorized spending for current expenditures and an additional \$7.0 million for capital expenditures for a total of \$67.4 million. Most of the additional authorized spending related to a special warrant of \$50.0 million issued in May 2020 for the COVID-19 Emergency Contingency Fund.
- The *Appropriation Act (Current Expenditures) 2020* authorized \$65.0 million in current expenditures related to the COVID-19 Response and Recovery Contingency Fund, which was distributed amongst various departments and entities. As not all funding was utilized, \$20.5 million of this appropriation was sequestered.
- Consistent with prior years, expenditures were incurred for the year ended March 31, 2021 without special warrants being authorized, as required by the *Financial Administration Act*.

## Indicators of Financial Condition – Highlights

### What we did

- We presented summary financial information and key financial indicators of the Province for the last five fiscal periods.
- We provided commentary on the Province’s 2021 financial results in comparison to budgeted amounts and the results of prior periods.
- We reported on a number of selected indicators of financial condition to assess the Province’s sustainability, flexibility and vulnerability.

### Why it’s important

The condition of the Province’s finances is important. It affects all residents of the Province through the levels of taxation, government spending, services provided, and the provincial economy. This chapter presents information to assist legislators, the public, and other users to better understand the financial condition of the Province.

### What we found

- The Province reported a deficit of \$5.6 million in 2020-21. This was a significant difference from the originally budgeted deficit of \$172.7 million, and subsequently projected deficit of \$120.0 million. The Province's economy performed well despite the measures in place due to the COVID-19 pandemic.
- As at March 31, 2021, the net debt of the Province reached its highest level ever at \$2.3 billion. This represents an increase of \$94.3 million during the year and \$175.8 million since 2019. The rise in net debt is largely due to investment in tangible capital assets.
- Net debt per capita increased for the second year in a row from \$13,668 per person at March 31, 2020 to \$13,993 per person at March 31, 2021.
- Government spending is growing at a rate faster than the growth in the economy. The ratio of expenses to gross domestic product was 31.6%, the highest amount noted over the last ten years. The COVID-19 pandemic was a key factor, as it contributed to GDP levelling off and increased government spending to provide supports to individuals and businesses.
- Federal revenues accounted for 40.9% of total revenues in 2021, the highest portion of total revenues over the last ten years. The increase in this ratio was mainly driven by federal COVID-19 support funding.

The 2022 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)

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