



Prince Edward Island

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

I have the honour of presenting this Report from the Office of the Auditor General
of Prince Edward Island to the Legislative Assembly.

Respectfully submitted,

Darren Noonan, CPA, CA
Auditor General

Charlottetown
Prince Edward Island
January 24, 2022

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Introduction

Report Overview

The *Audit Act* provides the Office of the Auditor General with the authority to report more than once annually.

This report will be the first report to be tabled with the Legislative Assembly that is not our Office's Annual Report or a Special Report.

Following is a brief overview of this report:

Chapter 1: Overdue Property Taxes

This chapter reports on a performance audit conducted on the Department of Finance to determine whether the Department collects property taxes in accordance with the *Real Property Tax Act* and regulations, and whether property tax forgiveness decisions are made in accordance with applicable legislation and policies. We provide summary comments and recommendations.

Chapter 2: Follow-up on Performance Audits

Our performance audits result in recommendations to various departments, Crown corporations, and agencies. This chapter includes information on the status of implementation of recommendations reported in our 2018, 2019 and 2020 annual reports.

Chapter 3: Follow-up with Treasury Board

In March 2019, Treasury Board informed all departments and reporting entities of the requirement to report quarterly on the

status of the implementation of the recommendations of the Auditor General. This chapter reports on our review of this reporting requirement.

Chapter 4: Implementation of Recommendations 2018 Special Report - Petroleum Product Pricing: Prince Edward Island Regulatory and Appeals Commission

This chapter includes information on the status of recommendations from our 2018 Special Report - Petroleum Product Pricing: Prince Edward Island Regulatory and Appeals Commission.

Summary Comments

The Office of the Auditor General of Prince Edward has a long history of serving Islanders. We conduct independent audits and examinations that provide objective information, advice, and assurance to the Legislative Assembly. We promote accountability and best practices in government operations.

The Office serves Members of the Legislative Assembly with integrity and independence, which is the foundation of our work. We strive to make a positive difference for Islanders.

I would like to thank the departments and government organizations that assisted us in completing our work. We continue to encourage senior government officials to implement our recommendations, which are important for improving the efficiency and effectiveness of government.

OVERDUE PROPERTY TAXES

CHAPTER 1 HIGHLIGHTS

Why we did this Audit

- There are over 110,000 real properties on Prince Edward Island.
- Property taxes represent approximately 12% of the Province’s tax revenue each year.
- Property tax revenue was \$132 Million for the fiscal year ended March 31, 2021.
- It is important that property tax is collected, and that property tax forgiveness has been appropriately approved, in accordance with legislation.

Objectives

- To determine whether the Department of Finance collects property taxes in accordance with the *Real Property Tax Act* and regulations.
- To determine whether the Department of Finance makes property tax forgiveness decisions and recommendations in accordance with applicable legislation and policies.

Conclusions

- The Department of Finance collects property taxes in accordance with the *Real Property Tax Act* and regulations.
- We identified a lack of documented policies and procedures for certain collection activities and identified shortcomings in certain practices.

Audit Scope Period: January 1, 2016 to December 31, 2020

What we Found

- | | |
|----------------------|---|
| Payment Arrangements | <ul style="list-style-type: none">○ There are no documented policies or procedures related to payment arrangements.○ There is a lack of documentation regarding the administration of payment arrangements.○ There are inconsistencies in the actions taken when taxpayers default on payment arrangements. |
|----------------------|---|

RECOMMENDATION 1.29

- | | |
|--------------------|---|
| Property Tax Sales | <ul style="list-style-type: none">○ Property sales, as a result of overdue property taxes, are not occurring in a timely manner.○ Based on our sample, it takes on average, four years to sell the properties going to tax sale. |
|--------------------|---|

RECOMMENDATIONS 1.34, 1.35

- | | |
|--|--|
| Cancellation of Overdue Property Taxes | <ul style="list-style-type: none">○ Debts which are considered uncollectable are not being submitted for cancellation to Executive Council in a timely manner. |
|--|--|

RECOMMENDATION 1.51

- | | |
|--|---|
| Tax Deferral Program for Senior Citizens | <ul style="list-style-type: none">○ The records to support decisions made for seniors participating in the Tax Deferral Program for Senior Citizens are not being maintained for a sufficient amount of time.○ There is no documented guidance on policies for staff to follow when making decisions on multi-use or large properties in relation to the Tax Deferral Program for Senior Citizens. |
|--|---|

RECOMMENDATIONS 1.58, 1.62

1. Overdue Property Taxes

Why it's important

There are over 110,000 real properties on Prince Edward Island. The Province charges property taxes on these properties and generated approximately \$132 million in provincial property tax revenue in the fiscal year ended March 31, 2021. Property tax represents approximately 12 percent of the Province's tax revenue each year.

Overdue property tax refers to property taxes that have not been paid by the taxpayer by the due date. As at March 31, 2021, approximately \$16.8 million in provincial property taxes was overdue. When overdue property tax amounts are not collected by the Province, this reduction in revenue could impact funding for public programs.

When overdue amounts are no longer considered collectable by the Department, the property tax amounts may be forgiven. To ensure fairness, it is important that property tax forgiveness is appropriately approved in accordance with legislation and policies.

What we found

Overall, we concluded that the Department of Finance collects property taxes in accordance with the *Real Property Tax Act* and regulations, and makes tax forgiveness decisions and recommendations in accordance with applicable legislation and policies; however, the following weaknesses were identified:

- There were no documented policies or procedures related to payment arrangements. There was also a lack of documentation regarding the administration of these arrangements, and inconsistencies in the actions taken when taxpayers defaulted.
- Property tax sales are not occurring in a timely manner. Based on our sample, when the Province sells a property to collect overdue and unpaid taxes, the property did not go to sale in a timely manner: between 2.4 and 9.3 years.
- Debts which were considered uncollectable were not being submitted to Executive Council for approval to be cancelled in a timely manner.
- The Department's records retention schedule allows for active files within the Tax Deferral Program for Senior Citizens to be destroyed three years after application, although many taxpayers remain in the program for longer.
- When the taxpayer's primary residence is used for commercial, farming, or other purposes, there was no guidance regarding what factors to consider when determining which portion of property taxes were eligible to be deferred under the Tax Deferral Program for Senior Citizens.

We made six recommendations to the Department of Finance.

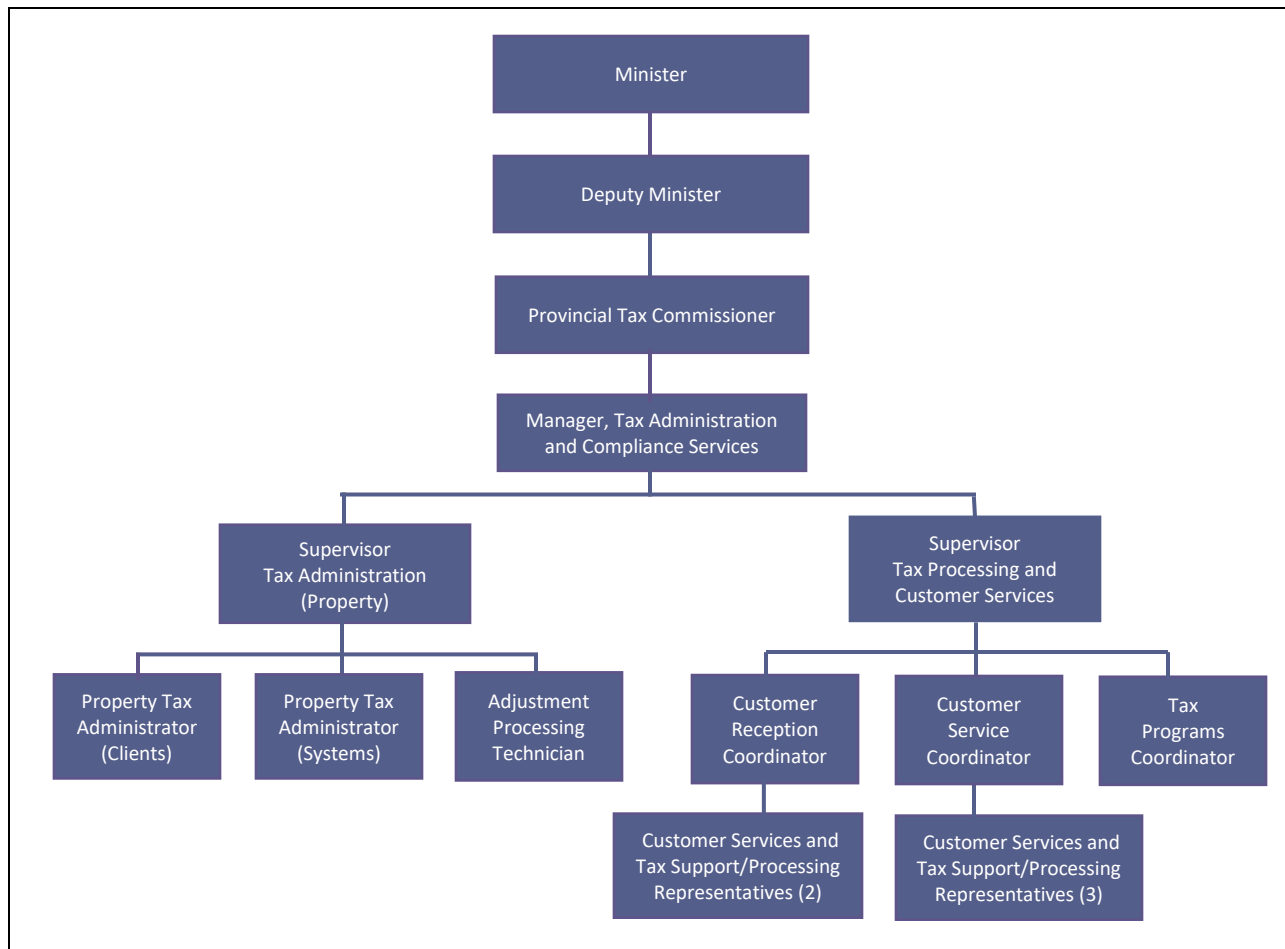
BACKGROUND

1.1 There is a centralized collection system for property taxation in the Province. The Taxation and Property Records Division (the Division) of the Department of Finance (the Department) administers property taxes including provincial and municipal property tax levies, fire district charges, as well as Island Waste Management Corporation charges. This Division is responsible for the following in relation to property taxes in the Province:

- processing property tax payments;
- preparing annual and amended property tax bills, including assessments;
- administering various tax programs such as the Tax Deferral Program for Senior Citizens; and
- facilitating tax collections.

1.2 **Exhibit 1.1** shows the primary positions involved in the administration of property taxation within the Department.

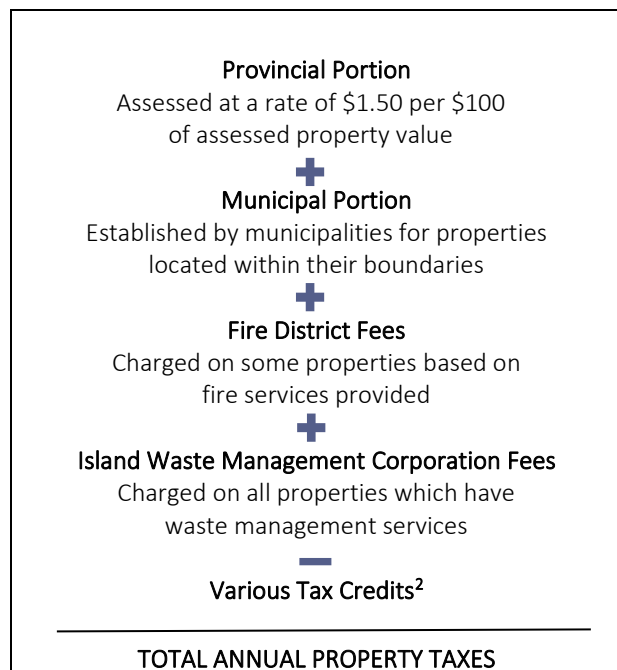
EXHIBIT 1.1
ADMINISTRATION OF PROPERTY TAXES
TAXATION AND PROPERTY RECORDS DIVISION
DEPARTMENT OF FINANCE
AS AT DECEMBER 31, 2020



Source: Adapted from the Department of Finance’s organization chart.

- 1.3 The *Real Property Tax Act* and regulations give the Minister of Finance (the Minister) responsibility for charging and collecting property taxes in the Province. This legislation also outlines tax rates, due dates, as well as the requirement to charge interest on overdue taxes, at a rate established by the regulations.
- 1.4 Property tax is charged on all real property¹ in the Province, subject to exemptions noted in the *Real Property Tax Act* for properties such as hospitals and churches. The amount of annual property taxes payable is made up of several components as shown in **Exhibit 1.2**.

EXHIBIT 1.2
ANNUAL PROPERTY TAX CHARGES



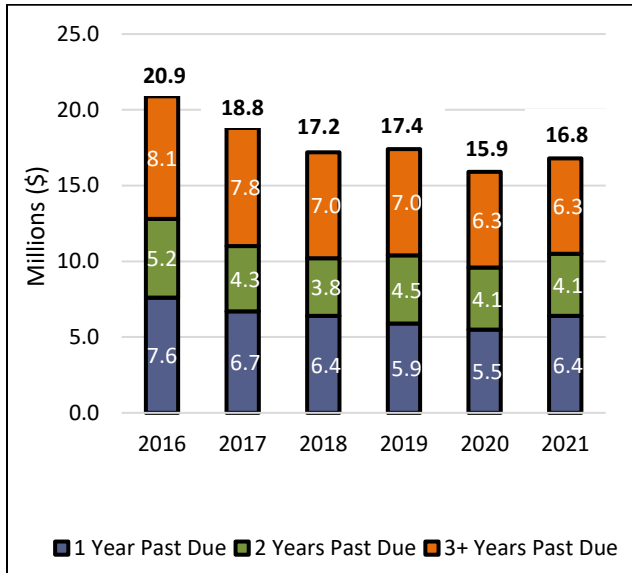
Source: *Real Property Tax Act*

- 1.5 All charges are collected by the Department. The Department pays municipalities, fire districts and Island Waste Management Corporation their respective charges.
- 1.6 The total annual amount of property tax is due in three equal installments on the last day of May, August and November of each year. After these dates, unpaid installments are considered overdue and interest will begin to be charged on the balances.
- 1.7 A special provision was in place for only the 2020 tax year due to the COVID-19 pandemic. Property taxes for the 2020 tax year, as well as all taxes and interest for tax years prior to 2020 that were unpaid as of April 30, 2020, were not due and payable until December 31, 2020.
- 1.8 During the scope period of our audit, January 1, 2016 to December 31, 2020, with the exception of between April 30 to December 31, 2020 because of the special provision due to the COVID-19 pandemic, unpaid property taxes bore an interest rate of 1.5% per month until paid. Interest is calculated on the balance of property tax overdue at the end of each month. Effective January 1, 2022 the interest rate will decrease to 1% per month.
- 1.9 There was approximately \$16.8 million in property tax overdue at March 31, 2021. **Exhibit 1.3** shows the overdue property taxes for each of the last six fiscal years, including how long they have been overdue.

¹ According to the *Real Property Assessment Act*, real property includes land, buildings, mobile homes, bulk storage tanks and any supply pipeline connected to it, any equipment, thing or structures other than buildings, forming part of a television broadcasting, transmission or rebroadcasting or retransmission system. It does not include any crops in or on land, land used for a public right-of-way or all that part of a mine below the surface of the ground.

² Sections 4 and 5 of the *Real Property Tax Act* allow for tax credits (subject to eligibility criteria) on municipal tax, non-commercial realty, owner occupied residential property, land subject to crop rotation or sloped land planting restrictions, buffer zones and environmentally friendly farm buildings and structures.

EXHIBIT 1.3
OVERDUE PROPERTY TAXES
AS AT MARCH 31
(\$ MILLIONS)



Source: Compiled from Department of Finance’s aged property tax receivable listing

AUDIT OBJECTIVES AND SCOPE

1.10 The objectives of the audit were to assess whether the Department of Finance:

- collects property taxes in accordance with the *Real Property Tax Act* and regulations; and
- makes property tax forgiveness decisions and recommendations in accordance with applicable legislation and policies.

1.11 This report includes six recommendations. Details on the audit standards, objectives and scope are included in **Appendix A**, and the audit criteria are included in **Appendix B**. The following sections of our report provide information on the findings, related recommendations, and conclusions from our audit.

OBSERVATIONS AND RECOMMENDATIONS

PROPERTY TAX COLLECTIONS

Summary of findings

- 1.12 Annual and overdue notices for property taxes were sent on time and contained all information required in legislation.
- 1.13 We noted there are no documented policies or procedures related to entering into payment arrangements for taxpayers with overdue property taxes. Also, there were numerous inconsistencies in the actions taken when a taxpayer defaulted on a payment arrangement.
- 1.14 Properties that went to tax sale were not advertised within timelines established in legislation or sold in a timely manner. The properties in our sample took on average over four years to advertise and sell, after the Notice of Tax Sale was sent to the taxpayer.
- 1.15 In all instances tested, sale proceeds were appropriately disbursed first to the expenses and cost of advertising the property for sale, and then to the payment of all overdue property taxes and interest.

Notices

1.16 The *Real Property Tax Act (Act)* and the *Real Property Tax Regulations (regulations)* establish a process for charging and collecting property taxes in the Province. The Act details the timelines for when annual and overdue notices should be sent, as well as what information must be included in each notice. It also provides a process for properties to be sold via a tax sale when

property taxes remain unpaid and overdue after notices are sent, including advertising the property for sale and how the proceeds of the sale are to be applied.

1.17 The annual notices of taxation are to be sent by the fifth business day in May. Legislation requires these notices contain information about the property, including:

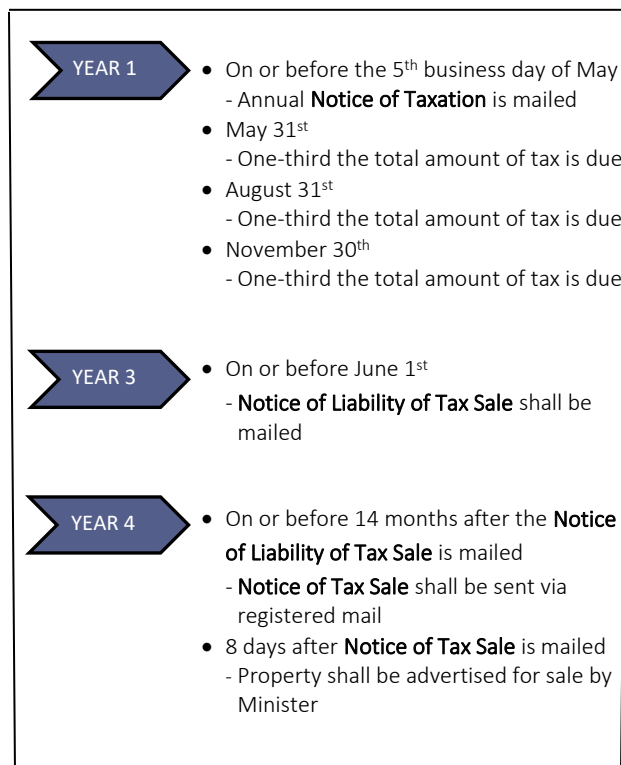
- the location and description of the property;
- the assessed value of the property;
- the rate of property tax;
- overdue property taxes; and
- the amount of each installment payment required by the due dates.

1.18 The Act and regulations require that once property taxes become overdue:

- a **Notice of Liability of Tax Sale** is to be mailed to the taxpayer within 24 months, stating the property is liable to be sold by the Minister;
- if taxes are still overdue 12 months after the Notice of Liability is mailed, a **Notice of Tax Sale** is to be sent to the taxpayer within 60 days. This notice is to be sent via registered mail and inform the taxpayer that the property will proceed to sale if payment is not received; and
- eight days after the Notice of Tax Sale is sent via registered mail, the Minister is to proceed to advertise the property for sale if taxes remain overdue and unpaid.

1.19 **Exhibit 1.4** shows the timelines established in the Act and regulations for the various property tax notices.

EXHIBIT 1.4 TIMELINES OF PROPERTY TAX NOTICES ^{1,2}



Source: *Real Property Tax Act* and regulations

¹ Assuming no payments made, beginning with May installment in year 1.

² This timeline is for all years except 2020. During 2020, the due dates were different and tax sale proceedings ceased as a result of COVID-19.

1.20 These notices are important for taxpayers to receive timely and complete information on the amount of property taxes payable, detail on how the taxes were calculated, and when payments are due. When taxes are overdue these notices inform taxpayers of the amounts owing and allow them to make payment arrangements and avoid having their property sold.

Notices sent on time and contained required information

1.21 We selected a sample of 40 properties which had overdue property taxes at December 31, 2020 and examined the annual and overdue notices to determine if they were sent in

accordance with legislation. All annual notices were sent on time, and contained all of the information required in the legislation.

1.22 In approximately 33 percent of the total overdue property tax accounts examined, either the Notice of Liability, Notice of Tax Sale, or both, were not sent within the timelines required in legislation. However, we noted that for all the instances where the notices were not sent in accordance with legislation, the property taxes had become overdue prior to 2018.

1.23 The process for sending overdue notices has improved as all overdue notices in our sample from 2018-2020 were sent in accordance with the timelines required in legislation. Given these improvements are reflected in the Department's current process, there has been no recommendation made.

Payment Arrangements

1.24 Payment arrangements are an option for some taxpayers when their property taxes are overdue. This involves an agreement between the taxpayer and the Department which establishes a set amount to be paid at a regular interval, such as weekly, bi-weekly or monthly, until all overdue property taxes are paid. Interest continues to be charged to taxpayers who have entered into payment arrangements.

Lack of policies and procedures for payment arrangements

1.25 We expected there to be policies and procedures in place to guide staff in the administration of payment arrangements, specifically:

- taxpayer eligibility criteria for entering a payment arrangement;
- acceptable repayment terms, including length of payment arrangement and payment frequency;
- authorization levels required to approve a payment arrangement; and
- protocols in the event that payment arrangements are not fulfilled.

However, we noted there are no documented policies or procedures that guide the payment arrangement process.

1.26 Payment arrangements for thirteen properties were examined. We found a lack of documentation regarding their administration. We noted:

- only one of the payment arrangements examined was signed by someone in the Department, therefore we could not determine who in the Department authorized most of the payment arrangements examined;
- the majority of payment arrangements examined were not signed by the taxpayer; and
- there was little evidence of actions taken when taxpayers defaulted on a payment arrangement. For some taxpayers we could see notes in their file documenting when staff called or wrote to the taxpayer regarding defaults, but these notes were sporadic.

1.27 In addition, we noted numerous inconsistencies in the actions taken when a taxpayer defaulted on a payment arrangement. The taxpayers of the 13 properties had, at some point, defaulted on their payment arrangement. We were informed by management that five of the

properties will be sent to tax sale. However, the taxpayers of the remaining eight properties were either able to enter into a new payment arrangement or remain in their existing payment arrangement despite the tax payer being told their property would be sent to tax sale.

1.28 It is important that policies be in place to help guide the Department in administering these payment arrangements so that all taxpayers are treated fairly and consistently.

Recommendation

1.29 The Department of Finance should document and implement policies to guide staff in relation to the administration of payment arrangements. These policies should include:

- taxpayer eligibility criteria for entering a payment arrangement;
- acceptable payment terms including length of payment arrangement and payment frequency;
- authorization levels required to approve a payment arrangement; and
- protocols when a taxpayer defaults on a payment arrangement.

Management Response:

The Department will develop a procedure related to payment arrangements to ensure fair and consistent application. (Timeline: 2022)

Property Tax Sales

1.30 If notices and payment arrangements do not result in the collection of overdue property taxes, the *Real Property Tax Act* state that unpaid property taxes and interest constitute a lien on the real property. This lien gives the Province a legal right to sell the property to collect the amount of overdue taxes.

1.31 The *Real Property Tax Act Regulations* state that on the eighth day following the date a Notice of Tax Sale is sent via registered mail, if any portion of the property taxes remain overdue and unpaid, the Minister shall advertise the property for sale. The advertisements are to be dated and approved by the Minister, or the Provincial Tax Commissioner, and must include the following information:

- the name of the person in whose name the tax was levied;
- the location of the real property offered for sale;
- the parcel number;
- the date, time and location at which the sale will be held; and
- the cause of the sale.

Timelines of advertisements not in accordance with legislation

1.32 We selected 10 properties that went to tax sale during our scope period, plus three properties from our sample of 40 which went to tax sale during our scope period. Although in all 13 instances the advertisement was appropriately approved and included all information required by legislation, none of the properties were advertised for sale eight days after the Notice of Tax Sale was mailed, as required in legislation. On average, the properties were not advertised for sale until over four years after the Notice of Tax Sale was mailed.

Property tax sales not occurring in a timely manner

1.33 We noted that tax sales were not occurring in a timely manner. The Department conducts tax sales through a public auction at a provincial courthouse and properties are to

be advertised for sale eight days after the Notice of Tax Sale is mailed. The properties in our sample took between 2.4 and 9.3 years, or an average of just over four years, after the Notice of Tax Sale was sent to the taxpayer, to sell.

Recommendation

1.34 The Department of Finance should advertise properties for tax sale according to timelines established in legislation.

Management Response:

The Department of Finance does not have the same interpretation of the timeline established in the legislation.

The Department will work with legislative counsel to add clarity on reasonable timelines for advertising properties, based on interpreting the Act as a whole, including other prescribed requirements for advertising. (Timeline: 2022-2023)

Recommendation

1.35 The Department of Finance should establish acceptable timelines to sell a property after the Notice of Tax Sale has been sent to a taxpayer via registered mail.

Management Response:

The Department will establish procedures for ensuring more timely processing of property sales, while taking into account that there are many factors that are not within the control of the Department that can lead to an extended timeline for sale of a property (e.g. issues with title). (Timeline: 2022)

Disbursement of Sale Proceeds

1.36 When the Department sells a property to recover overdue and unpaid property taxes, the proceeds of the sale are paid to the Minister. The *Real Property Tax Act* requires

the proceeds of a tax sale to be disbursed in the following order of priority:

- 1) payment of expenses and costs of advertising the property for sale;
- 2) payment of all overdue taxes and all taxes owing on real property, and accrued interest, unpaid to the date of sale;
- 3) payment of any other taxes owing to the Province;
- 4) outstanding charges owed to municipality, where the municipality has certified the amount owing prior to the sale of the property; and
- 5) to the person whose name the tax was levied.

1.37 The Minister may purchase the property for no more than the total of the expenses and costs of advertising the property for sale, as well as all overdue property taxes, if no higher bid is received.

Proceeds of tax sales disbursed in accordance with selected areas of legislation

1.38 We tested a sample of 13 properties sold by tax sale during our scope period to ensure proceeds of the sale were first distributed to the payment of the expenses and cost of advertising the property for sale, then to all overdue property taxes and interest. In all instances tested, sale proceeds were appropriately disbursed.

1.39 We did not test the disbursements towards other taxes owing to the Province, outstanding charges to municipalities, or payments made to the taxpayer.

CANCELLATION OF DEBTS

Summary of Findings

1.40 Although all cancellations of overdue property taxes tested were appropriately disclosed and approved by Executive Council, over 54 percent of the sample were not presented to Executive Council for approval to be cancelled for more than 5 years after the Department considered them uncollectable.

1.41 Section 26 of the *Financial Administration Act* states that the Lieutenant Governor in Council may authorize the cancellation, in whole or in part, for payment of, any claim, obligation, tax, debt or money due to the Government or a Crown Corporation. A cancellation of debt removes the legal obligation of the borrower to pay the debt.

1.42 Between January 1, 2016 and December 31, 2020, approximately \$2.5 million in property taxes were cancelled by the Province. The large majority of cancellations occurred through an administrative adjustment, or when a taxpayer had gone through a bankruptcy, or consumer proposal process.

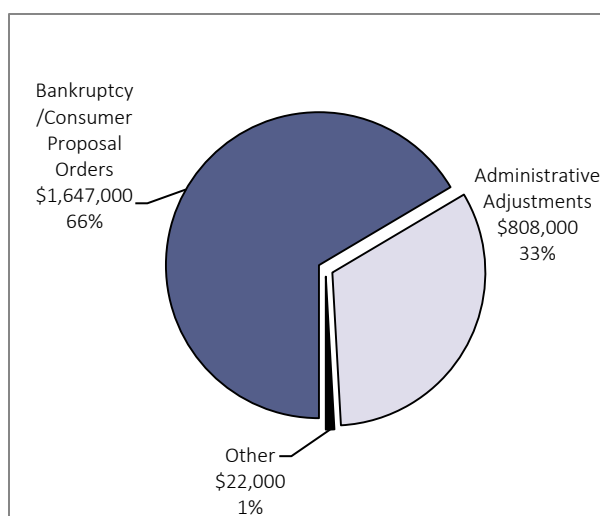
1.43 Most administrative adjustments occur when real property has been destroyed or no longer has any current value, and the Department is unable to collect overdue amounts by a tax sale. Typically, this occurs when the property such as a storage building, mobile home, bait shed, etc. have been demolished or destroyed.

1.44 Taxpayers may file for bankruptcy, or a consumer proposal, to seek legal protection from creditors as they work to resolve debt

problems. Any overdue property taxes that cannot be collected as a result of these filings go to Executive Council for approval to cancel.

1.45 **Exhibit 1.5** shows the approximately \$2.5 million in cancellations approved by Executive Council, by category, from January 1, 2016 to December 31, 2020.

EXHIBIT 1.5
PROPERTY TAXES APPROVED
FOR CANCELLATION
BY CATEGORY
JANUARY 1, 2016 - DECEMBER 31, 2020



Source: Compiled from Orders in Council

Executive Council Approval

1.46 The *Financial Administration Act* requires that any cancellation of debts due to the Province be approved by Executive Council. For amounts greater than \$25,000, the name and address of the debtor, and the amount of the debt, must be disclosed. An Order-in-Council is publicly available documentation of Executive Council approval. This authorization framework allows for transparency so that the public has access to information on the cancellations of amounts

due to the Province where they are authorized by an Order-in-Council.

Cancellations were appropriately approved and disclosed

1.47 We selected a sample of 15 cancellations under \$25,000, as well as all 13 cancellations over \$25,000, from January 1, 2016 to December 31, 2020. For our sampled items, we tested to determine if the Department obtained appropriate approval and provided disclosure, as required.

1.48 We noted that all cancellations tested were appropriately approved by Executive Council. For amounts over \$25,000, the name and address of the debtor, and the amount of the debt, was disclosed in accordance with legislation.

Uncollectable accounts not submitted to Executive Council in a timely manner

1.49 After all collection efforts have been exhausted, balances are deemed uncollectable. We expected that accounts, which the Department determines to be uncollectable, would be presented to Executive Council for approval to be cancelled in a timely manner.

1.50 Over 70 percent of the 28 cancellations we examined were deemed uncollectable by the Department over a year prior to being submitted to Executive Council for approval to be cancelled. Most of these were not presented to Executive Council for more than five years after being deemed uncollectable.

Recommendation

1.51 The Department of Finance should submit uncollectable property tax amounts to Executive Council for cancellation in a timely manner, and no more than twelve months from the end of the fiscal year in which they are determined to be uncollectable.

Management Response:

The Department has implemented a policy whereby all accounts which have been deemed to be uncollectible are sent to Executive Council for cancellation in the fiscal year following the year in which they were deemed uncollectible. Timeline: Immediate/in-effect

TAX DEFERRAL PROGRAM FOR SENIOR CITIZENS

Summary of Findings

1.52 All applications we examined for the Tax Deferral Program for Senior Citizens (the Program) met all program qualifications. Some applications in our sample had been destroyed, even though the applicant was still active in the Program; therefore, we were only able to examine three applications from the sample selected.

1.53 When an applicant's primary residence is partly used for commercial, farming, or other purposes, there was no guidance regarding factors to consider when making decisions regarding which portion of the taxpayer's property could be deferred under the Program.

1.54 The Province offers a property tax deferral program for senior citizens over 65 years old whose income is less than the amount stated

in the *Real Property Tax Act Regulations*, which is currently \$35,000. When approved for the Program, a senior will have all property taxes, including overdue amounts, deferred on their principal residence until they die, or sell the property.

Applications not maintained after 3 years

1.55 We had selected a sample of five applications to determine if all qualifications were met prior to approval for the Program. We were only able to examine three applications from the sample selected. These applications did meet all program qualifications.

1.56 Two applications were not available because they had been destroyed within three years of the application date. The Taxation and Property Records Division has a record retention and disposition schedule which was approved in 2015 by the Public Records Committee. This schedule states that documents which are part of the Tax Deferral Program for Senior Citizens must be maintained for the fiscal year in which they are created, or obtained, plus an additional two fiscal years.

1.57 The applications for the Tax Deferral Program for Senior Citizens contain information about the taxpayer and their income level, the properties, and any decisions made during the application process such as the percentage of the property which the tax deferral applies to. They are essential to demonstrate accountability and transparency with the administration of the Program and could be important in the case of a dispute between the Department, and the taxpayer, or their families. It is important that the

applications be maintained for the entire time a taxpayer is in the Program.

Recommendation

1.58 The Taxation and Property Records Division of the Department of Finance should update their records retention and disposition schedule to maintain all records for taxpayers who have qualified for the Tax Deferral Program for Senior Citizens until the taxpayer exits the Program.

Management Response:

Management has reached out to the Departmental RIM Coordinator to begin the process of updating the retention period for the Senior Citizen Real Property Tax Deferral Program. Timeline: 2022

No guidance for eligibility of multi-use properties

1.59 When the applicant's principal residence is partly used for commercial, farming, or other purposes, legislation states that the part of the property which taxes can be deferred on is that which "may reasonably be regarded as necessary to the use and enjoyment of the principal residence". Although legislation does not assign a size of property on which taxes can be deferred, the Department's website states that if the property consists of two or more acres, payment of property taxes can be deferred only on the house and the lot on which the house is located.

1.60 In addition to examining the three applications from our sample which were available to audit, we also met with Department management with respect to administration of the Tax Deferral Program for Senior Citizens. We noted that in practice, management reviews the applications to determine which portion of the property

taxes should be deferred, but there was no documented guidance regarding what factors are considered when making these decisions. Also, the guidance of deferring only a portion of taxes on properties consisting of two or more acres, which is noted on the Department's website, is not always used in practice.

- 1.61 The Tax Deferral Program for Senior Citizens can be a significant factor in helping low income seniors stay in their homes. It is important that guidance be developed which documents the factors considered when determining the size of property on which property taxes can be deferred. This guidance should be available to the public to maintain transparency and fairness in determining program eligibility.

Recommendation

1.62 The Department of Finance should develop guidance for determining which portion of property taxes of multi-use properties and larger acreage properties may be deferred through the Tax Deferral Program for Senior Citizens. This guidance should be made available to the public.

Management Response:

A draft procedure has been developed for the Senior Citizen Real Property Tax Deferral Program which will offer guidance on multi-use properties.

Once approved, the guidance will be updated on the program website. Timeline: 2022

CONCLUSION

- 1.63 The Department of Finance collects property taxes in accordance with the *Real Property Tax Act* and regulations. However, documented policies were not in place for payment arrangements and property tax sales are not occurring in a timely manner. Also, the records retention and disposition policy for the Tax Deferral Program for Senior Citizens allows applications for active files to be destroyed, and there is no guidance regarding what factors are considered when determining which portion of property taxes can be deferred under this program.
- 1.64 The Department of Finance makes property tax forgiveness decisions and recommendations in accordance with applicable legislation and policies, but debts which are considered uncollectable are not being submitted to Executive Council for approval to be cancelled in a timely manner.

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 is to conclude on whether the Department of Finance complies in all significant respects with the applicable criteria.

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 applies Canadian Standard on Quality Control 1, and accordingly maintains a comprehensive system of quality control, 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 the Code of Conduct are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

OBJECTIVES

The objectives of the audit were to assess whether the Department of Finance

- collects property taxes in accordance with the *Real Property Tax Act* and regulations; and
- makes property tax forgiveness decisions and recommendations in accordance with applicable legislation and policies.

We developed several criteria to assess whether the Department of Finance had met the objectives. These criteria are listed in **Appendix B**.

Criteria were primarily developed from legislation and policies. Management accepted the relevance and suitability of the criteria used in the audit.

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

- confirmations of management’s responsibility for the subject;
- acknowledgement 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 analysis and testing of records for the period January 1, 2016 to December 31, 2020. Some specific audit work was completed outside the scope period to allow us to conclude on our audit objectives.

Our approach included:

- interviews with management of the Taxation and Property Records Division of the Department of Finance;
- review of relevant policies and procedures, including division procedures;
- review of Treasury Board Minutes and Orders in Council;
- review of relevant legislation; and
- analysis and detailed testing of files and client accounts.

We did not audit disbursements towards other taxes owing to the Province, outstanding charges to municipalities, or payments to the taxpayer, which may be made when the Department of Finance sells a property and the proceeds are greater than the expenses and cost of advertising the sale, and overdue property taxes and interest.

It is important to note that our observations and conclusions relate only to the management practices of the Department Finance. 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 January 18, 2022, in Charlottetown, Prince Edward Island.

AUDIT TEAM

Auditor General:	Darren Noonan
Directors:	Jennifer Bowness Sheri Griffin
Audit Principal:	Justin Ellis
Manager:	Sarah Taylor
Auditor:	Kaitlyn Lord

AUDIT OBJECTIVES AND CRITERIA
<u>Audit Objective 1:</u> To assess whether the Department of Finance collects property taxes in accordance with the <i>Real Property Tax Act</i> and regulations.
1. Property tax collection processes align with the <i>Real Property Tax Act</i> and regulations.
<u>Audit Objective 2:</u> To assess whether the Department of Finance makes property tax forgiveness decisions and recommendations in accordance with applicable legislation and polices.
1. The Department of Finance has documented policies and procedures for the forgiveness of property tax which adhere to the <i>Real Property Tax Act</i> and regulations and the <i>Financial Administration Act</i> .
2. The Department of Finance documents the justification for each property tax forgiveness decision and obtains appropriate approval.
3. The Department of Finance evaluates all collection options prior to forgiving overdue property tax.

FOLLOW-UP ON PERFORMANCE AUDITS

CHAPTER 2 HIGHLIGHTS

FOLLOW-UP ON PREVIOUSLY ISSUED AUDIT RECOMMENDATIONS

WHY WE FOLLOW UP

TO HOLD AUDIT ENTITIES ACCOUNTABLE FOR THE IMPLEMENTATION OF OUR RECOMMENDATIONS

IN THIS REPORT

79 TOTAL RECOMMENDATIONS

For audit reports issued in 2018, 2019 and 2020

Status as at August 31, 2021

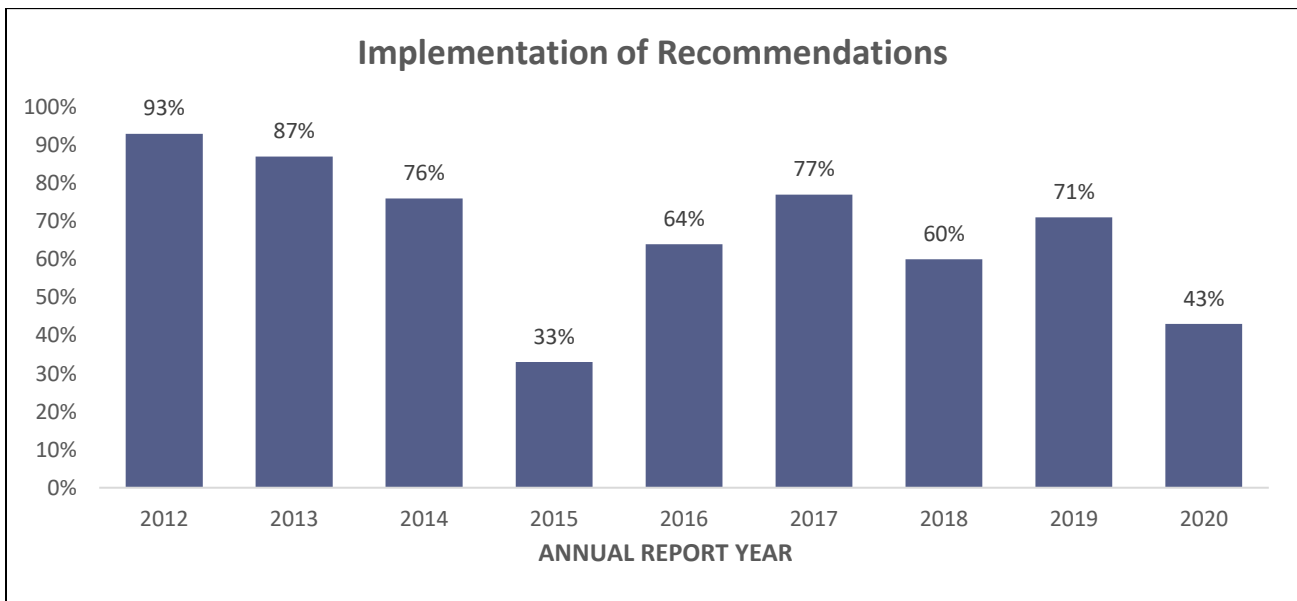
WHAT WE FOUND

Second follow up

Audit reports issued in 2018
30 recommendations
40% still in progress

First follow up

Audit reports issued in 2019 & 2020
49 recommendations
41% still in progress



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 and 2020 recommendations again next year.

2. Follow-Up on Performance Audits

- 2.1 Our performance audits and examinations include recommendations to improve the management of Government programs and protect the interests of taxpayers. It is important that Members of the Legislative Assembly and Islanders receive regular updates on the progress Government is making in implementing our recommendations. We do not infringe on management's right to select the best course of action to deal with issues identified. However, we expect action to be taken to address the issues.
- 2.2 The follow-up process holds audited entities accountable. Previously, our Office reported on the implementation of recommendations starting three years after the audit was initially reported, for two years.
- 2.3 During the year our Office identified a new follow-up practice, where we will follow-up for four years starting one year after the original audit. Our new process is to follow-up in the one year after the initial audit, for four years. This year, we reviewed the implementation status for audits completed in 2018, 2019 and 2020. We requested status updates from management indicating whether the recommendations were implemented, not implemented, or no longer applicable, as at August 31, 2021.
- 2.4 The implementation status of each recommendation falls under one of three categories:
- Implemented: the recommendation has been implemented, or an alternate solution has been implemented that addresses the risk identified in the report.
 - Not Implemented: the recommendation has not yet been implemented; management is working on implementing a solution.
 - No longer applicable: the recommendation is no longer relevant due to changes in circumstances.
- 2.5 For each recommendation management reported as implemented, we requested details on the actions taken, and we conducted follow-up work to determine if the recommendation was implemented.
- 2.6 The objective of our follow-up work was to provide limited assurance on the implementation of the recommendations. We did not conduct a follow-up audit, but conducted sufficient procedures to obtain limited assurance to support our conclusions. For recommendations that management reported as not implemented, we did not complete any follow-up work.
- 2.7 The following chapter provides information on the results of our work. **Appendix A, Appendix B and Appendix C** list all recommendations from performance audits and examinations from our 2018, 2019 and 2020 reports, and the status of implementation as at August 31, 2021. Further details on the engagement standards, objective, scope, and conclusions are included in **Appendix E** of this chapter.

2.8 **Appendix D** lists all recommendations reported by management as not implemented. We have not conducted any work and provide no assurance on these management responses. We encourage readers of this report to refer to **Appendix D**, which provides management’s detailed update on the status of implementation of outstanding recommendations. In many cases, management has indicated that significant work has been undertaken, and the outstanding recommendations are close to being implemented.

2018 ANNUAL REPORT

2.9 **Exhibit 2.1** shows the overall rate of implementation of recommendations for each audit included in our 2018 Annual Report.

**EXHIBIT 2.1
STATUS OF IMPLEMENTATION OF
RECOMMENDATIONS*
BASED ON LIMITED ASSURANCE
2018 ANNUAL REPORT**

Audit	Total	Not Implemented	Implemented	
			#	Percent
Social Assistance Program	11	4	7	64%
Medication Controls: Institutional Pharmacy Program	15	8	7	47%
Office of the Public Guardian	4	0	4	100%
Total*	30	12	18	60%

*As at August 31, 2021

2.10 This is the second year that we have followed up on the recommendations reported in our 2018 Annual Report. Overall, we concluded that 60 percent of these recommendations have been implemented, in comparison to 50

percent from last year. The paragraphs that follow provide additional information on the outstanding recommendations.

2.11 During our follow-up work last year, we confirmed that the Office of the Public Guardian had implemented all of our recommendations, therefore, no additional work was completed this year.

Social Assistance Program (2018)

WHAT OUR AUDIT EXAMINED

2.12 The Social Assistance Program provides support to individuals and families who are not able to meet their basic needs with their own resources. The Department of Social Development and Housing (formerly the Department of Family and Human Services) is responsible for the program.

2.13 Our audit objectives were to determine whether:

- social assistance rates and financial exemptions were submitted annually to Executive Council for review and approval;
- the Department of Social Development and Housing assessed, authorized, and provided benefits in accordance with regulations and policy; and
- case plans were completed and updated for social assistance recipients in accordance with policy.

WHAT OUR AUDIT FOUND

2.14 The Department of Social Development and Housing had not developed performance indicators to measure and report on its progress in achieving program objectives.

2.15 Information had not been provided to Executive Council for its review of social assistance rates and financial exemptions. We noted:

- Food rates were based on a five year plan with a target of 70 percent of the Atlantic average cost of the National Nutritious Food Basket.
- Shelter rates had not changed since November 2013.
- Rates for clothing, household, and personal requirements had not changed in over ten years.

2.16 Although the Department assessed eligibility in accordance with requirements in regulations and policies, annual reviews required to confirm continued eligibility were often overdue.

2.17 Case plans did not include sufficient information and were not updated annually.

STATUS OF RECOMMENDATIONS

2.18 Our original audit included eleven recommendations. We considered five of these recommendations to have been implemented during our 2020 follow-up process. Management indicated that all six remaining recommendations were implemented. Based on our work, we concluded that two additional recommendations were implemented and four remain not implemented as at August 31, 2021.

Implemented	No Longer Applicable	Not Implemented	Total
7	-	4	11

2.19 Management has taken action on implementing the outstanding recommendations.

2.20 The Department of Social Development and Housing has updated their process to provide information to Executive Council annually to support its review of Social Assistance rates and exemptions from financial resources (recommendation 2.37). They have also conducted and documented home visits in accordance with a new Home Visit Policy (recommendation 2.48).

2.21 Management continues to work on:

- reporting annually to the Legislative Assembly on the administration of the Social Assistance Program, including program goals and results achieved (recommendation 2.23);
- completing annual reviews and case plans in accordance with *Social Assistance Act* regulations and policies (recommendations 2.45 and 2.75); and
- informing all applicants in writing of the decision on their application, the reason(s) for the decision, any amounts approved, and the right to appeal (recommendation 2.55).

Medication Controls: Institutional Pharmacy Program (2018)

WHAT OUR AUDIT EXAMINED

2.22 The Institutional Pharmacy Program is administered by the Provincial Pharmacy and provides fully subsidized prescription medications to residents of provincially-owned long-term care facilities.

2.23 Our audit objective was to determine whether:

- medication for residents of provincially-owned long-term care facilities was adequately controlled.

WHAT OUR AUDIT FOUND

2.24 We found that narcotics and controlled drugs for residents of provincially-owned long-term care facilities were not adequately controlled. The following weaknesses were identified:

- There were several control weaknesses at the Provincial Pharmacy, including unsupported inventory adjustments.
- Health PEI's system for dispensing narcotics to provincially-owned long-term care facilities did not provide adequate control over inventory and limited the ability of Provincial Pharmacy staff to provide effective oversight.
- Inventory of controlled drugs, such as benzodiazepines, was not routinely counted, recorded and reconciled in long-term care facilities.
- There were inadequate controls over the return of unused narcotics and controlled drugs from the provincially-owned long-

term care facilities at the Provincial Pharmacy.

- Narcotics and controlled drugs awaiting disposal at the Provincial Pharmacy were not de-natured or disposed of by a licensed dealer, in accordance with Health Canada requirements.

2.25 Subsequent to our original audit, Health PEI has been developing a planned, phased in approach, transitioning the service delivery model of medications for long-term care residents from the Provincial Pharmacy to a unit dose packager at the Queen Elizabeth Hospital (QEH). All long-term care facilities now receive patient specific medication strips packaged by an automated unit dose packager at the QEH.

STATUS OF RECOMMENDATIONS

2.26 Our original audit included fifteen recommendations. We considered six of these recommendations to have been implemented during our 2020 follow-up process. Management indicated that one additional recommendation was implemented, and eight recommendations were not implemented this year. Based on our work, we concluded that one additional recommendation has been implemented as at August 31, 2021.

Implemented	No Longer Applicable	Not Implemented	Total
7	-	8	15

2.27 The Provincial Pharmacy removed narcotics from the premise in March 2021. It now conducts monthly inventory counts of controlled substances and benzodiazepines to increase security of these medications (recommendation 3.32).

2.28 Management continues towards:

- clearly communicating expectations regarding the control of medications to management and staff (recommendations 3.20, 3.55, 3.60, 3.83, and 3.90); and
- mitigating the diversion of controlled drugs, other than narcotics, going unidentified at long-term care facilities (recommendations 3.49, 3.74 and 3.84)

2.29 Although there have not been significant changes to the total number of recommendations implemented, management has indicated that there has been work done to implement the remaining recommendations. Please refer to **Appendix D** for management’s response on the status of implementation.

2019 ANNUAL REPORT

2.30 **Exhibit 2.2** shows the overall rate of implementation of recommendations for each audit included in our 2019 Annual Report.

**EXHIBIT 2.2
STATUS OF IMPLEMENTATION OF
RECOMMENDATIONS*
BASED ON LIMITED ASSURANCE
2019 ANNUAL REPORT**

Audit	Total	No Longer Applicable	Not Implemented	Implemented	
				#	Percent
Early Learning and Child Care Centres	14	-	4	10	71%
Capital Asset Plan for Provincial Parks	6	-	3	3	50%
Procurement of Goods for Government Departments	8	2	1	5	88%
Total*	28	2	8	18	71%

*As at August 31, 2021

2.31 This is the first year that we have followed up on the recommendations reported in our 2019 Annual Report. Overall, we concluded that 71 percent of these recommendations have been implemented. The paragraphs that follow provide additional information on the outstanding recommendations.

Early Learning and Child Care Centres (2019)

WHAT OUR AUDIT EXAMINED

2.32 The Ministry of Education and Lifelong Learning (formerly the Ministry of Education, Early Learning and Culture) is responsible for ensuring that licensed early learning and child care services are operating in compliance with legislative requirements.

2.33 Our audit objectives were to determine whether the Ministry of Education and Lifelong Learning:

- adequately monitored and enforced licensing in compliance with the *Early Learning and Child Care Act*, regulations and related policies;
- utilized current data to assess accessibility of licensed child care in Prince Edward Island; and
- provided grant funding for early child care centres in compliance with program criteria and funding agreements.

WHAT OUR AUDIT FOUND

2.34 The Ministry of Education and Lifelong Learning did not adequately monitor and enforce the licensing of early learning and

child care centres in compliance with legislation.

2.35 The Department collected and maintained information on capacity and demand for licensed child care spaces. However, overall accessibility targets had not been established.

2.36 Grant funding to centres, for two specific programs, were not always provided in compliance with program criteria and funding contracts.

STATUS OF RECOMMENDATIONS

2.37 Our original audit included fourteen recommendations. Six recommendations were made to the Early Learning and Child Care Board, and eight were made to the Department of Education and Lifelong Learning. Management indicated that thirteen recommendations were implemented, and one recommendation was not implemented. Based on our work, we concluded that ten recommendations have been implemented, and four recommendations have not been implemented as at August 31, 2021.

Implemented	No Longer Applicable	Not Implemented	Total
10	-	4	14

2.38 There has been significant work done by the Early Learning and Child Care Board and the Department of Education and Lifelong Learning to implement the outstanding recommendations.

2.39 The Early Learning and Child Care Board has developed policies:

- for the frequency of inspections for licensed child care centres (recommendation 2.19);
- to identify key violations that should result in an overall unsatisfactory inspection result (recommendation 2.35); and
- on the nature and timing of follow-up action on non-compliance issues, including required reporting to the Board (recommendation 2.42).

2.40 The Early Learning and Child Care Board updated its inspection template to include all requirements of the *Early Learning and Child Care Act* and regulations (recommendation 2.27) and obtained current, satisfactory fire inspections prior to approval of licenses for early learning and child care centres (recommendation 2.55). The Board also obtained the required criminal record and vulnerable sector checks (recommendation 2.50).

2.41 The Department of Education and Lifelong Learning has:

- developed overall goals to increase the number of licensed centres (recommendation 2.68);
- authorized funding contracts in accordance with Treasury Board Policy (recommendation 2.87);
- strengthened review procedures for funding to licensed centres (recommendation 2.88); and
- properly authorized funding for the Special Needs Grant program (recommendation 2.95).

2.42 When we completed our review of publicly available information on eligibility for the Special Needs Grant program

(recommendation 2.94), we noted that the information on the Department’s website was not consistent with approved funding guidelines. The Department of Education and Lifelong Learning updated the website after being notified.

2.43 We selected a sample of funding arrangement contracts with Early Learning Centres to determine if the contracts were documented, appropriately authorized, and included terms and conditions for employee benefits (recommendation 2.85 and 2.86). Although some updates have been made to the contracts, we determined that these recommendations were not fully implemented.

Capital Asset Plan for Provincial Parks (2019)

WHAT OUR AUDIT EXAMINED

2.44 Provincial parks are a key component of Prince Edward Island’s tourism product. Capital assets at the provincial parks are significant, and the long-term sustainability of the parks requires an adequate capital asset plan to support the management of these assets.

2.45 Our audit objectives were to determine whether Tourism PEI:

- had an adequate long-term capital asset plan for provincial parks; and
- capital expenditures for provincial parks were based on priorities established in its capital asset plan.

WHAT OUR AUDIT FOUND

2.46 Tourism PEI had not developed a strategic vision for the provincial parks.

2.47 A five-year capital plan was prepared, but did not reasonably reflect the capital improvements and replacements required to sustain the provincial parks.

2.48 There was not sufficient information on the capacity of its existing assets, and funding for provincial parks capital assets did not support the needs outlined in the capital asset plan.

STATUS OF RECOMMENDATIONS

2.49 Our original audit included six recommendations. Management indicated five recommendations were implemented, and one recommendation was not implemented. Based on our work, we concluded that three recommendations have been implemented, and three recommendations have not been implemented as at August 31, 2021.

Implemented	No Longer Applicable	Not Implemented	Total
3	-	3	6

2.50 Although a strategic plan has not been approved yet, strategic objectives have been established by Tourism PEI (recommendation 3.23). Management indicated that they are working on finalizing a longer-term strategic plan, to be endorsed by government (recommendation 3.22). Please refer to **Appendix D** for management’s response on the status of this recommendation.

2.51 To ensure safety standards are met, Tourism PEI has:

- completed water testing in accordance with the *Environmental Protection Act* (recommendation 3.56); and
- updated the process for inspecting playgrounds at provincial parks, and documenting these inspections (recommendation 3.57).

2.52 Although Tourism PEI has developed and is using a condition assessment document for buildings, a formal policy for the regular assessment of all capital assets in provincial parks has not been documented (recommendation 3.46). Also, Tourism PEI has developed a listing of capital assets, but the listing requires more work before it can be considered complete and accurate (recommendation 3.39).

Procurement of Goods for Government Departments (2019)

WHAT OUR AUDIT EXAMINED

2.53 Government’s procurement of goods is significant to the provincial economy. Suppliers expect equal access to opportunities through a fair and open competitive process. Government departments rely on the procurement process to satisfy their requirements for goods in a timely manner at the lowest practicable cost.

2.54 Our audit objective was to determine whether goods were procured for government departments in compliance with key components of the *Procurement of Goods Act* (formerly the *Public Purchasing Act*) and

regulations, the *Financial Administration Act* and applicable trade agreements.

WHAT OUR AUDIT FOUND

2.55 Goods for government departments were not always procured in compliance with key components of the *Public Purchasing Act* and regulations, and the *Financial Administration Act*.

2.56 Competitive processes were not consistently followed and some exemptions under the regulations were broadly applied.

2.57 Certain key legislative requirements for the procurement of goods were not followed:

- Goods were purchased by departments without the required approval of Procurement Services.
- The Comptroller’s Office did not ensure that the person confirming the receipt of goods for the department had designated signing authority.

STATUS OF RECOMMENDATIONS

2.58 Our original audit included eight recommendations. Management indicated that all eight recommendations were implemented. Based on our work, we concluded that five recommendations have been implemented, two recommendations are no longer applicable, and one recommendation is not implemented as at August 31, 2021.

Implemented	No Longer Applicable	Not Implemented	Total
5	2	1	8

2.59 The Office of the Comptroller has:

- followed a competitive process for all purchases of goods, as required by the *Procurement of Goods Act* and applicable trade agreements (recommendation 4.25);
- supported sole sourced purchases with departmental authorization referencing the applicable exemption (recommendation 4.26);
- defined and communicated, to the departments, the types of goods that qualify as construction materials under exemptions to the *Procurement of Good Act* and regulations (recommendation 4.35);
- appropriately applied exemptions relating to road maintenance vehicles and equipment (recommendation 4.36); and
- followed competitive process requirements by procurement card users (recommendation 4.55).

2.60 The *Procurement of Goods Act*, replaced the *Public Purchasing Act* on November 15, 2020. As a result, purchase orders are no longer mandated when purchasing goods. Therefore, recommendations 4.43 and 4.44 are no longer applicable.

2.61 The Office of the Comptroller is still working on ensuring that an authorized employee of the government department confirms the receipt of goods, prior to payment processing (recommendation 4.50).

2020 ANNUAL REPORT

2.62 **Exhibit 2.3** shows the overall rate of implementation of recommendations for each audit included in our 2020 Annual Report.

EXHIBIT 2.3 STATUS OF IMPLEMENTATION OF RECOMMENDATIONS* BASED ON LIMITED ASSURANCE 2020 ANNUAL REPORT

Audit	Total	Not Implemented	Implemented	
			#	Percent
Accessibility Supports Program	13	6	7	54%
IT Security Access Controls	2	1	1	50%
Laboratory Services: Surgical Specimen Processing	6	5	1	17%
Total*	21	12	9	43%

*As at August 31, 2021

2.63 This is the first year that we have followed up on the recommendations reported in our 2020 Annual Report. Overall, we concluded that 43 percent of these recommendations were implemented. The paragraphs that follow provide additional information on the outstanding recommendations.

AccessAbility Supports Program (2020)

WHAT OUR AUDIT EXAMINED

2.64 The AccessAbility Supports Program (AAS) provides financial and non-funded supports to Islanders living with disabilities.

2.65 Our audit objectives were to determine whether the Department of Social Development and Housing:

- authorized and provided AccessAbility Supports in accordance with legislation and policies; and

- had an adequate process to receive and respond to AccessAbility Supports Program inquiries on a timely basis.

WHAT OUR AUDIT FOUND

2.66 Our audit noted the following weaknesses:

- The AccessAbility Supports Program was implemented without approved policies.
- The computer application used for case management was not updated for the AAS Program.
- Not all individuals receiving benefits were assessed using the new capabilities assessment tool.
- Collaborative Support Plans, which are key to identifying needs and supports for individuals, were not always completed, monitored, and updated.
- Program inquiries were not adequately logged and monitored.

STATUS OF RECOMMENDATIONS

2.67 Our original audit included thirteen recommendations. Management indicated that all thirteen recommendations were implemented. Based on our work, we concluded that seven recommendations have been implemented and six recommendations have not implemented as August 31, 2021.

Implemented	No Longer Applicable	Not Implemented	Total
7	-	6	13

2.68 Although there are still a number of recommendations outstanding, significant improvements to program processes have

been made by the Department of Social Development and Housing.

2.69 The Department of Social Development and Housing has:

- ensured the AccessAbility Advisory Council meets in accordance with its terms of reference (recommendation 2.19);
- approved program policies prior to implementation (recommendation 2.28);
- developed an AAS specific component in the computer application used for case management (recommendation 2.39);
- appropriately calculated client contributions (recommendation 2.41);
- considered and documented non-funded supports for recipients (recommendation 2.63);
- authorized funded supports in accordance with program policies (recommendation 2.70); and
- established a tracking system for Program inquiries (recommendation 2.83).

2.70 The Department of Social Development and Housing has yet to ensure that all clients are in compliance with AAS policies. Management continues to work on:

- ensuring all individuals receiving benefits are assessed using AccessAbility Supports program policies (recommendation 2.45);
 - *Management has indicated that all applicants are assessed as part of determining program eligibility. Since implementation of the new capabilities assessment tool, all new applicants and all clients with changes in circumstances, have been assessed using the new capabilities assessment tool. However, not all clients who were in the program prior to implementation*

have been assessed using this new tool. Management also indicated it is their intention to have all clients assessed using the new capability tool.

- ensuring the collaborative support plans are complete, updated and monitored annually, to ensure that clients’ needs are met (recommendation 2.54 and 2.57); and
- ensuring documentation is obtained prior to providing payments under the Program (recommendation 2.66).

2.71 The AAS program continued to provide funding to clients outside the approved rates for assured income (recommendations 2.40 and 2.74). Executive Council was aware of the funding rates being provided. However, these rates were not formally approved until September 22, 2021. The Department of Social Development and Housing should only make program payments using authorized funding rates.

IT Security Controls (2020)

WHAT OUR AUDIT EXAMINED

2.72 The Government of Prince Edward Island collects, processes and stores large amounts of information to provide government programs and services. Most information collected is stored electronically and can include personal and sensitive information such as names, addresses and birthdates, as well as health and financial information.

2.73 Our audit objective was to determine whether:

- the Department of Social Development and Housing and Information Technology Shared Services have designed and

implemented key access controls, as identified in the Access Control chapter of the PEI Government Information Security Policy.

WHAT OUR AUDIT FOUND

2.74 Government had established an information security policy which includes controls for protecting government information assets from unauthorized access. Based on noncompliance with the Government Information Security Policy, we concluded that the Department of Social Development and Housing and Information Technology Shared Services did not adequately implement key information technology security access controls.

STATUS OF RECOMMENDATIONS

2.75 Our original audit included two recommendations for Information Technology Shared Services. Management indicated that one recommendation was implemented, and one recommendation was not implemented. Based on our work, we concluded that one recommendation has been implemented, and one recommendation has not been implemented as at August 31, 2021.

Implemented	No Longer Applicable	Not Implemented	Total
1	-	1	2

2.76 Information Technology Shared Services has developed a strategy to communicate security requirements of the Government Information Security Policy to all government employees, by distributing informative content, on a weekly basis, and updating internal website

information for security information relating to the policy (recommendation 3.20).

Laboratory Services – Surgical Specimen Processing (2020)

WHAT OUR AUDIT EXAMINED

2.77 It is important that Health PEI Laboratory Services has an effective process for the timely analysis of surgical specimens, as there are over 15,000 surgical pathology reports issued each year. These reports impact the timely and accurate diagnosis of medical conditions so that any necessary treatment can be initiated. Delayed diagnoses and treatment may result in a reduced quality of life and/or survival rates for patients.

2.78 Our audit objective was to assess whether Laboratory Services had effective processes to analyze surgical specimens efficiently.

WHAT OUR AUDIT FOUND

2.79 We found that Laboratory Services had effective processes to analyze surgical specimens efficiently; however, the following weaknesses were identified in the process:

- There was no documentation to support that standard operating procedures at the Queen Elizabeth Hospital histology lab were regularly reviewed, updated, and provided to staff.
- Staff were unaware of the 2009 policy on the turnaround time for surgical specimen analysis and reporting.
- Laboratory Services did not have guidelines for continuous professional development for staff and did not routinely document professional development completed.

- The distribution of pathology reports was inefficient as the reports were primarily distributed to requisitioning physicians and/or nurse practitioners through courier or regular mail.

STATUS OF RECOMMENDATIONS

2.80 Our original audit included six recommendations. Management indicated that five recommendations were implemented, and one recommendation was not implemented. Based on our work, we concluded that one recommendation has been implemented, and five recommendations have not been implemented as at August 31, 2021.

Implemented	No Longer Applicable	Not Implemented	Total
1	-	5	6

2.81 Health PEI Laboratory Services has completed and documented internal maintenance on laboratory equipment (recommendation 4.65).

2.82 Management continues to work on:

- ensuring staff are aware of standard operating procedures and policies, and updating their internal system which tracks and updates standard operating procedures and policies (recommendations 4.24, 4.25 and 4.35)
- Health PEI is waiting for professional development standards for laboratory staff to be established by the College of Allied Health Professionals. Management advised that these standards are currently being worked on, however, the histology lab has not yet developed continuous professional

development guidelines and records for its staff (recommendation 4.42).

2.83 Although there are a number of recommendations yet to be implemented, management has indicated that there has been significant work done to implement the remaining recommendations. Please refer to **Appendix D** for management's response on the status of implementation.

2018 ANNUAL REPORT
PERFORMANCE AUDITS AND EXAMINATIONS
RECOMMENDATIONS

Audit	Para.	Recommendation	Status of Implementation as at Aug 31, 2021
Social Assistance Program			
Department of Social Development and Housing (formerly the Department of Family and Human Services)	2.22	The Department of Social Development and Housing should establish performance indicators and targets to measure and monitor its progress in achieving the objectives of the Social Assistance Program.	Implemented
	2.23	The Department of Social Development and Housing should annually report to the Legislative Assembly on the administration of the Social Assistance Program including program goals and results achieved.	Not Implemented
	2.37	The Department of Social Development and Housing should annually provide information to Executive Council to support its review of social assistance rates and exemptions from financial resources.	Implemented
	2.38	The Department of Social Development and Housing should ensure that changes in social assistance rates are approved by Executive Council prior to implementation.	Implemented
	2.45	The Department of Social Development and Housing should complete annual reviews in accordance with the <i>Social Assistance Act Regulations</i> .	Not Implemented
	2.48	The Department of Social Development and Housing should conduct and document home visits in accordance with Program policy.	Implemented
	2.54	The Department of Social Development and Housing should record all applications in the case management system.	Implemented
	2.55	The Department of Social Development and Housing should inform all applicants in writing of its decision regarding social assistance, the reason(s) for the decision, any amounts approved, and the right to appeal.	Not Implemented
	2.62	The Department of Social Development and Housing should maintain the internal review function of its Audit Services Section.	Implemented
	2.65	Management of the Social Programs Division should ensure social assistance payments are authorized in accordance with Treasury Board Policy.	Implemented
	2.75	The Department of Social Development and Housing should complete and update case plans for recipients of social assistance in accordance with policy.	Not Implemented

2018 ANNUAL REPORT
PERFORMANCE AUDITS AND EXAMINATIONS
RECOMMENDATIONS

Audit	Para.	Recommendation	Status of Implementation as at Aug 31, 2021
Medication Controls: Institutional Pharmacy Program			
Health PEI	3.20	Health PEI should develop policies and procedures to strengthen medication controls and improve coordination for management and delivery of the Institutional Pharmacy Program.	Not Implemented
	3.32	The Provincial Pharmacy should conduct and adequately document monthly inventory counts of narcotics and controlled drugs.	Implemented
	3.33	The Provincial Pharmacy should investigate all inventory discrepancies of narcotics and controlled drugs. All discrepancies should be supported with documentation, reviewed, and signed off by management. Any unexplained variances should be reported.	Implemented
	3.34	The Provincial Pharmacy should enforce individual electronic login protocols.	Implemented
	3.49	Health PEI should improve controls over dispensing and oversight of ward stock narcotics for provincially-owned long-term care facilities.	Not Implemented
	3.50	Provincial Pharmacy staff should have access to essential information to evaluate the appropriateness of initial prescriptions and refill requests prior to dispensing medication.	Implemented
	3.55	Health PEI should document a policy on the transportation of medications from the Provincial Pharmacy to the provincially owned long-term care facilities.	Not Implemented
	3.60	Health PEI should establish a policy on conducting comprehensive medication reviews for residents of provincially-owned long-term care facilities.	Not Implemented
	3.73	Provincially-owned long-term care facilities should ensure that inventory records for narcotics include the actual amount of each drug counted in addition to verification that count was completed.	Implemented
	3.74	Provincially-owned long-term care facilities should ensure controlled drugs are recorded and regularly counted. Discrepancies should be investigated and unexplained shortages should be reported.	Not Implemented
	3.83	Health PEI should implement policies and procedures to require the Provincial Pharmacy and the long-term care facilities to maintain a clear trail of accountability for all narcotics and controlled drugs.	Not Implemented

2018 ANNUAL REPORT
PERFORMANCE AUDITS AND EXAMINATIONS
RECOMMENDATIONS

Audit	Para.	Recommendation	Status of Implementation as at Aug 31, 2021
Medication Controls: Institutional Pharmacy Program (cont'd)			
Health PEI	3.84	Provincially-owned long-term care facilities should return all unused, discontinued, and expired narcotics and controlled drugs to the Provincial Pharmacy.	Not Implemented
	3.90	Health PEI should develop documented procedures for the disposal of medications consistent with federal regulatory requirements.	Not Implemented
	3.91	Documentation supporting the disposal of narcotics and controlled drugs should be maintained by the Provincial Pharmacy in accordance with federal regulatory requirements.	Implemented
	3.92	Unserviceable narcotics and controlled drugs should either be de-natured and disposed of by the Provincial Pharmacy or destroyed by a licensed third party in accordance with Health Canada requirements.	Implemented
Office of the Public Guardian			
	4.17	The Office of the Public Guardian should clearly and consistently communicate its roles and responsibilities to care providers.	Implemented
	4.18	The Office of the Public Guardian should define the types of significant care decisions that must be approved by the Public Guardian and formally communicate this information to care providers.	Implemented
	4.22	The Office of the Public Guardian should document and implement policies to guide staff in managing key risks and responsibilities.	Implemented
	4.33	The Office of the Public Guardian should document the authorization and rationale for significant care decisions.	Implemented

2019 ANNUAL REPORT
PERFORMANCE AUDITS AND EXAMINATIONS
RECOMMENDATIONS

Audit	Para.	Recommendation	Status of Implementation as at Aug 31, 2021
Early Learning and Child Care Centres			
Early Learning and Childcare Board	2.19	The Early Learning and Child Care Board should develop and implement a policy based on established good practice on the required frequency of inspections for licensed child care centres.	Implemented
	2.27	The Early Learning and Child Care Board should update its inspection template to ensure all key requirements of the <i>Early Learning and Child Care Act</i> and regulations are included.	Implemented
	2.35	The Early Learning and Child Care Board should develop policy guidelines to identify key violations that should result in an overall unsatisfactory inspection result.	Implemented
	2.42	The Early Learning and Child Care Board should develop a policy on the nature and timing of follow-up action on non-compliance issues, including required reporting to the Board.	Implemented
	2.50	The Early Learning and Child Care Board should ensure that all required criminal record and vulnerable sector checks are obtained prior to license approval in accordance with the <i>Early Learning and Child Care Act</i> and regulations.	Implemented
	2.55	The Early Learning and Child Care Board should obtain current, satisfactory fire inspections prior to approval of licenses for early learning and child care centres.	Implemented
Department of Education and Lifelong Learning (formerly the Department of Education, Early Learning and Culture)	2.68	The Department of Education and Lifelong Learning should define overall goals for the accessibility of licensed child care services in Prince Edward Island.	Implemented
	2.69	The Department of Education and Lifelong Learning should establish performance indicators and targets to evaluate the accessibility of licensed child care services.	Not Implemented
	2.85	The Department of Education and Lifelong Learning should ensure that funding arrangements with Early Years Centres are documented in the contract and appropriately authorized. Payments should not exceed amounts authorized in the contracts.	Not Implemented
	2.86	The Department of Education and Lifelong Learning should include the terms and conditions for employee benefits in the authorized contracts for Early Years Centres grant funding.	Not Implemented
	2.87	The Department of Education and Lifelong Learning should ensure that funding contracts for Early Years Centres are authorized in accordance with Treasury Board Policy.	Implemented

2019 ANNUAL REPORT
PERFORMANCE AUDITS AND EXAMINATIONS
RECOMMENDATIONS

Audit	Para.	Recommendation	Status of Implementation as at Aug 31, 2021
Early Learning and Child Care Centres (cont'd)			
Department of Education and Lifelong Learning (formerly the Department of Education, Early Learning and Culture)	2.88	The Department of Education and Lifelong Learning should strengthen review procedures for payments to Early Years Centres.	Implemented
	2.94	The Department of Education and Lifelong Learning should ensure publicly available information on eligibility for the Special Needs Grant program is consistent with the approved funding guidelines.	Not Implemented
	2.95	The Department of Education and Lifelong Learning should ensure funding agreements for the Special Needs Grant program are authorized by the Department and include: <ul style="list-style-type: none"> the amount, terms and timing of payments; and required reporting on the use of funds. 	Implemented
Capital Asset Plan for Provincial Parks			
Tourism PEI	3.22	Tourism PEI should develop a strategic plan and seek endorsement from government.	Not Implemented
	3.23	Tourism PEI should establish strategic objectives for provincial parks.	Implemented
	3.39	Tourism PEI should maintain a complete and accurate listing of all capital assets for provincial parks. The listing should include the age and estimated useful life of the capital assets.	Not Implemented
	3.46	Tourism PEI should develop and implement a policy for the regular assessment of capital assets at provincial parks.	Not Implemented
	3.56	Tourism PEI should ensure that water testing at provincial parks is completed in accordance with the <i>Environmental Protection Act</i> .	Implemented
	3.57	Tourism PEI should ensure that playgrounds at provincial parks are regularly inspected by qualified persons and these inspections are documented.	Implemented

2019 ANNUAL REPORT
PERFORMANCE AUDITS AND EXAMINATIONS
RECOMMENDATIONS

Audit	Para.	Recommendation	Status of Implementation as at Aug 31, 2021
Procurement of Goods for Government Departments			
Department of Finance	4.25	The Office of the Comptroller should ensure that all purchases of goods follow a competitive process as required by the <i>Procurement of Goods Act</i> (formerly the <i>Public Purchasing Act</i>) and applicable trade agreements.	Implemented
	4.26	The Office of the Comptroller should ensure that all sole sourced purchases are supported with departmental authorization referencing the applicable exemption under the <i>Procurement of Goods Act</i> and regulations (formerly the <i>Public Purchasing Act Regulations</i>).	Implemented
	4.35	The Office of the Comptroller should define and communicate to departments the types of goods that qualify as construction materials under exemptions to the <i>Procurement of Goods Act</i> and regulations (formerly the <i>Public Purchasing Act Regulations</i>).	Implemented
	4.36	The Office of the Comptroller should implement controls to ensure exemptions related to road maintenance vehicles and equipment are appropriately applied.	Implemented
	4.43	When required by the <i>Procurement of Goods Act</i> (formerly the <i>Public Purchasing Act</i>), the Office of the Comptroller should ensure departments obtain a purchase order authorized by Procurement Services prior to the purchase of goods.	No Longer Applicable
	4.44	The Office of the Comptroller should verify that the terms and conditions of the purchase are in accordance with the competitive process prior to approval of the purchase order.	No Longer Applicable
	4.50	Prior to payment authorization, the Office of the Comptroller should ensure an authorized employee of the department confirms the receipt of goods.	Not Implemented
	4.55	The Office of the Comptroller should ensure the competitive process requirements in the <i>Procurement of Goods Act</i> (formerly the <i>Public Purchasing Act</i>) are followed by PCard users.	Implemented

2020 ANNUAL REPORT
PERFORMANCE AUDITS AND EXAMINATIONS
RECOMMENDATIONS

Audit	Para.	Recommendation	Status of Implementation as at Aug 31, 2021
AccessAbility Supports Program			
Department of Social Development and Housing	2.19	The Department of Social Development and Housing should ensure the AccessAbility Advisory Council meets on a regular basis in accordance with its terms of reference.	Implemented
	2.28	The Department of Social Development and Housing should ensure that program policies are finalized and formally approved prior to implementation.	Implemented
	2.39	The Department of Social Development and Housing should ensure that the computer application is updated for the AccessAbility Supports Program.	Implemented
	2.40	The Department of Social Development and Housing should ensure assured income supports are provided in accordance with the rates approved by Executive Council.	Not Implemented
	2.41	The Department of Social Development and Housing should ensure that client contributions are properly calculated and applied for the AccessAbility Supports Program.	Implemented
	2.45	The Department of Social Development and Housing should ensure all individuals receiving benefits from the AccessAbility Supports Program are assessed using AccessAbility Supports Program policies.	Not Implemented
	2.54	The Department of Social Development and Housing should ensure that Collaborative Support Plans are completed for all applicants of the AccessAbility Supports Program.	Not Implemented
	2.57	The Department of Social Development and Housing should ensure that Collaborative Support Plans are monitored and updated.	Not Implemented
	2.63	The Department of Social Development and Housing should ensure that non-funded supports are considered and documented for recipients of the AccessAbility Supports Program.	Implemented
	2.66	In accordance with policy, the Department of Social Development and Housing should ensure that documentation is obtained for all payments provided under the AccessAbility Supports Program.	Not Implemented
	2.70	The Department of Social Development and Housing should ensure funded supports are authorized in accordance with program policies.	Implemented

2020 ANNUAL REPORT
PERFORMANCE AUDITS AND EXAMINATIONS
RECOMMENDATIONS

Audit	Para.	Recommendation	Status of Implementation as at Aug 31, 2021
AccessAbility Supports Program (cont'd)			
Department of Social Development and Housing (cont'd)	2.74	The Department of Social Development and Housing should ensure that assured income rates are approved by Executive Council.	Not Implemented
	2.83	The Department of Social Development and Housing should establish a process to log, monitor and respond to inquiries received under the AccessAbility Supports Program.	Implemented
IT Security Access Controls			
Information Technology Shared Services	3.20	Information Technology Shared Services should develop a strategy to communicate security requirements of the access control policy to all key stakeholders.	Implemented
	3.21	Information Technology Shared Services should establish a security compliance process to measure implementation of controls to effectively protect information systems and assets.	Not Implemented
Laboratory Services: Surgical Specimen Processing			
Health PEI	4.24	Management of the histology labs should ensure all standard operating procedures are regularly reviewed, documented, and available on the Omni-assistant document server.	Not Implemented
	4.25	Management of the histology labs should ensure histology lab staff are informed and required to review and sign off on changes to standard operating procedures.	Not Implemented
	4.35	Management of Laboratory Services should update the turnaround time policy for surgical specimen processing to: <ul style="list-style-type: none"> reflect current standard operating procedures; and include details of a process for monitoring turnaround times. This policy should be issued and distributed to relevant staff.	Not Implemented
	4.42	Management of the histology labs should develop continuous professional development guidelines and maintain records of training completed by lab staff.	Not Implemented
	4.55	Management of Laboratory Services should implement a process for the efficient delivery of pathology reports to requisitioning physicians and/or nurse practitioners.	Not Implemented
	4.65	In accordance with existing policies, management of the histology labs should ensure internal maintenance on laboratory equipment is completed and documented.	Implemented

**RECOMMENDATIONS REPORTED BY MANAGEMENT
AS NOT COMPLETE AT AUGUST 31, 2021
2018, 2019, AND 2020 AUDITS**

We requested a written assessment from management on whether recommendations from our 2018, 2019, and 2020 performance audits and examinations were complete or not complete at August 31, 2021. This appendix lists all recommendations reported by management as not complete. We have not conducted any work and provide no assurance on these management responses. They are presented for information purposes only.

Rec. #	Recommendation	Management Response
Medication Controls: Institutional Pharmacy Program – 2018		
3.20	Health PEI should develop policies and procedures to strengthen medication controls and improve coordination for management and delivery of the Institution Pharmacy Program	<p>Actions Taken To Date:</p> <ul style="list-style-type: none"> • All long-term care (LTC) homes are receiving patient specific unit dose medication strips • A <i>Narcotic and Controlled Drug</i> policy has been drafted (to be reviewed by PD&T - September 2021 meeting) • A <i>Medication Provision</i> Standard Operating Procedure is complete <p>Actions Planned:</p> <ul style="list-style-type: none"> • Approval of <i>Narcotic and Controlled Drug</i> policy and implementation (Anticipated – Fall 2021)
3.49	Health PEI should improve controls over dispensing and oversight of ward stock narcotics for provincially-owned long- term care facilities.	<p>Actions Taken To Date:</p> <ul style="list-style-type: none"> • A <i>Narcotic and Controlled Drug</i> policy has been drafted (to be reviewed by PD&T - September 2021 meeting) • A triplicate narcotic tracking form was developed and approved by pharmacy and LTC nursing • A Health PEI Narcotic Triplicate Form Presentation (virtually training module) was developed • A Health PEI Pharmacy Services & Health PEI External Facility Shipping and Return Process for Narcotics and Controlled Drugs “Infogram” Tool was created <p>Actions Planned:</p> <ul style="list-style-type: none"> • Approval of Narcotic and Controlled Drug policy and implementation (Anticipated – Fall 2021) • Roll out of virtual training module and “Infogram” to pharmacy and LTC staff (Anticipated – Fall 2021)

**RECOMMENDATIONS REPORTED BY MANAGEMENT
AS NOT COMPLETE AT AUGUST 31, 2021
2018, 2019, AND 2020 AUDITS**

We provide no assurance on management responses (for information only)

Rec. #	Recommendation	Management Response
Medication Controls: Institutional Pharmacy Program – 2018 (cont'd)		
3.55	Health PEI should document a policy on the transportation of medications from the Provincial Pharmacy to the provincially-owned long-term care facilities.	<p>Actions Taken To Date:</p> <ul style="list-style-type: none"> • A Health PEI <i>Packaging and Transport of Pharmaceuticals – Facility to Facility</i> policy has been drafted <p>Actions Planned:</p> <ul style="list-style-type: none"> • Review by stakeholders/collaborators needed • Approval and implementation required
3.60	Health PEI should establish a policy on conducting comprehensive medication reviews for residents of provincially-owned long-term care facilities.	<p>Actions Taken To Date:</p> <ul style="list-style-type: none"> • A <i>LTC Medication Review</i> policy has been drafted (Final Approval Anticipated: September 2021) <p>Actions Planned:</p> <ul style="list-style-type: none"> • Approval and implementation required (Anticipated: Fall 2021)
3.74	Provincially-owned long-term care facilities should ensure controlled drugs are recorded and regularly counted. Discrepancies should be investigated and unexplained shortages should be reported.	<p>Actions Taken To Date:</p> <ul style="list-style-type: none"> • Most controlled drugs including benzodiazepines (targeted substances) are dispensed patient specific. These can be tracked via dispensing records and patient specific Medication Administration Records (MARs) • A small number and volume of controlled drugs and benzodiazepines are stored as ward stock. To facilitate tracking and counting these, a benzodiazepine counting sheet has been developed and approved by pharmacy and LTC • Discrepancies are documented in the Provincial Safety Management System (PSMS) and investigated by staff and management <p>Actions Planned:</p> <ul style="list-style-type: none"> • Training and implementation of counting sheet required (Anticipated Winter 2021/2022) • Ward stock benzodiazepines to be counted at the beginning and end of nursing shifts similar to the narcotic counting process

RECOMMENDATIONS REPORTED BY MANAGEMENT
AS NOT COMPLETE AT AUGUST 31, 2021
2018, 2019, AND 2020 AUDITS

We provide no assurance on management responses (for information only)

Rec. #	Recommendation	Management Response
Medication Controls: Institutional Pharmacy Program – 2018 (cont'd)		
3.83	Health PEI should implement policies and procedures to require the Provincial Pharmacy and the long-term care facilities to maintain a clear trail of accountability for all narcotics and controlled drugs.	<p>Actions Taken To Date:</p> <ul style="list-style-type: none"> • A <i>Narcotic and Controlled Drug</i> policy has been drafted (to be reviewed by PD&T - September 2021 meeting) • Triplicate narcotic tracking form developed and approved by pharmacy and LTC nursing • A Health PEI Narcotic Triplicate Form Presentation (virtually training module) was developed • Benzodiazepine counting/tracking sheet developed • <i>Medication Provision</i> Standard Operating Procedure completed <p>Actions Planned:</p> <ul style="list-style-type: none"> • Approval of <i>Narcotic and Controlled Drug</i> policy and implementation (Anticipated – Fall 2021) • Roll out of virtual training module to pharmacy and LTC staff (Anticipated – Fall 2021)

RECOMMENDATIONS REPORTED BY MANAGEMENT
AS NOT COMPLETE AT AUGUST 31, 2021
2018, 2019, AND 2020 AUDITS

We provide no assurance on management responses (for information only)

Rec. #	Recommendation	Management Response
Medication Controls: Institutional Pharmacy Program – 2018 (cont'd)		
3.84	Provincially-owned long-term care facilities should return all unused, discontinued, and expired narcotics and controlled drugs to the Provincial Pharmacy.	<p>Actions Taken To Date:</p> <ul style="list-style-type: none"> • A <i>Narcotic and Controlled Drug</i> policy has been drafted (to be reviewed by PD&T - September 2021 meeting) • Triplicate narcotic tracking form developed and approved by pharmacy and LTC nursing • A Health PEI Narcotic Triplicate Form Presentation (virtually training module) was developed • A Health PEI Pharmacy Services & Health PEI External Facility Shipping and Return Process for Narcotics and Controlled Drugs “Infogram” Tool was created. <p>Actions Planned:</p> <ul style="list-style-type: none"> • Approval of Narcotic and Controlled Drug policy and implementation (Anticipated – Fall 2021) • Roll out of virtual training module to pharmacy and LTC staff (Anticipated – Fall 2021)
3.90	Health PEI should develop documented procedures for the disposal of medications consistent with federal regulatory requirements.	<p>Actions Taken To Date:</p> <ul style="list-style-type: none"> • A Standard Operating Procedure – <i>Narcotics, controlled drugs and targeted substances requesting destruction</i> was drafted • A narcotics, controlled drugs and targeted substances requesting destruction log was created <p>Actions Planned:</p> <ul style="list-style-type: none"> • Refine Standard Operating Procedure and implement • Implement narcotic, controlled drugs and targeted substances requesting destruction log (Anticipated: Fall 2021)

**RECOMMENDATIONS REPORTED BY MANAGEMENT
AS NOT COMPLETE AT AUGUST 31, 2021
2018, 2019, AND 2020 AUDITS**

We provide no assurance on management responses (for information only)

Rec. #	Recommendation	Management Response
Early Learning and Child Care Centres – 2019		
2.69	The Department of Education and Lifelong Learning should establish performance indicators and targets to evaluate the accessibility of licensed child care services.	<p>Actions Taken To Date:</p> <p>The Department of Education and Lifelong Learning (DELL) worked with existing pre-kindergarten programs to expand to meet need based on birth rates – expansion will occur over 2 years. DELL utilizes the ELCC Registry to help determine gaps in service.</p> <p>Actions Planned:</p> <p>As part of the Canada-wide Early Learning and Child Care LCC Agreement, The Department of Education and Lifelong Learning will be working with communities and the early childhood sector to grow where there is demand.</p>

**RECOMMENDATIONS REPORTED BY MANAGEMENT
AS NOT COMPLETE AT AUGUST 31, 2021
2018, 2019, AND 2020 AUDITS**

We provide no assurance on management responses (for information only)

Rec. #	Recommendation	Management Response
Capital Asset Plan for Provincial Parks – 2019		
3.22	Tourism PEI should develop a strategic plan and seek endorsement from government.	<p>Actions Taken To Date:</p> <p>Tourism PEI appointed the new Board of Directors effective March 2019. The Board worked with Twenty31 Consulting Inc to develop a 5 year industry strategic plan. When the pandemic hit, the 5 year plan was put on hold and several short term tactical plans were developed. The shorter term tactical operational plans are in place and work has reconvened on a longer term plan. Given the unknowns of the pandemic, the time span of the longer term plan is still to be determined.</p> <p>Actions Planned:</p> <p>In September, there will be an industry consultation and then the longer term plan is expected to be complete by the end of November.</p>

**RECOMMENDATIONS REPORTED BY MANAGEMENT
AS NOT COMPLETE AT AUGUST 31, 2021
2018, 2019, AND 2020 AUDITS**

We provide no assurance on management responses (for information only)

Rec. #	Recommendation	Management Response
IT Security Access Controls – 2020		
3.21	Information Technology Shared Services should establish a security compliance process to measure implementation of controls to effectively protect information systems and assets.	<p>Actions Taken To Date:</p> <p>ITSS has developed a risk-based approach to audits on Security and Control. Work since the audit has included a list of systems by Department and gathering of information related to AD integration with the number of users. While this work continues COVID oriented programs were identified as a priority. An internal access audit was completed on June 2020 and March 2021 of the following COVID programs including:</p> <ul style="list-style-type: none"> - Child Care Allowance - Burning Permits - COVID-19 Income Support Fund - Employee Gift Card Program - Emergency Income Relief for the Self-Employed - COVID-19 Special Situations Application - Community Champions Program - Business Adaptation Advice Program - Tourism Interest Relief Program - Chief Public Health Office - Fisheries Interest Relief Program - Workplace Adaption Assistance Program - CPHO Inspections and complaints <p>Audit processes:</p> <ul style="list-style-type: none"> - During the implementation of the new email system, each department's staffing complement is reviewed by Subject Matter Experts within the Department to ensure staffing is accurate for access and control to the network.

RECOMMENDATIONS REPORTED BY MANAGEMENT
AS NOT COMPLETE AT AUGUST 31, 2021
2018, 2019, AND 2020 AUDITS

We provide no assurance on management responses (for information only)

Rec. #	Recommendation	Management Response
IT Security Access Controls – 2020 (cont'd)		
3.21	Information Technology Shared Services should establish a security compliance process to measure implementation of controls to effectively protect information systems and assets.	<ul style="list-style-type: none"> - RIM now automatically included in the process with employee changes. - Security audits on specific databases have been conducted; a number of user accounts have been disabled as a result. <p>Actions Planned:</p> <ul style="list-style-type: none"> - Expand and standardize auditing. - Additional security staff are to be hired to deal with the additional tasks the compliance process will generate.

**RECOMMENDATIONS REPORTED BY MANAGEMENT
AS NOT COMPLETE AT AUGUST 31, 2021
2018, 2019, AND 2020 AUDITS**

We provide no assurance on management responses (for information only)

Rec. #	Recommendation	Management Response
Laboratory Services: Surgical Specimen Processing – 2020		
4.55	Management of Laboratory Services should implement a process for the efficient delivery of pathology reports to requisitioning physicians and/or nurse practitioners.	<p>Actions Taken To Date:</p> <p>Implementation of the electronic medical record (EMR) program has begun. Standardized workflows have been developed and testing has occurred to enable lab results from the Clinical Information System (CIS) to be viewed by community-based practitioners in the EMR.</p> <p>Actions Planned:</p> <p>Pilot sites have been implemented over the summer and will continue for the fall.</p>

STANDARDS, OBJECTIVE, SCOPE AND CONCLUSION

STANDARDS

This independent limited assurance attestation engagement report was prepared by the Office of the Auditor General of Prince Edward Island on the status of the implementation of recommendations made in our 2018, 2019 and 2020 Annual Reports. Work conducted for this review was performed to a limited level of assurance in accordance with the Canadian Standards on Assurance Engagements (CSAE) 3000 - Attestation Engagements Other Than Audits or Reviews of Historical Financial Information, set out by the Chartered Professional Accountants of Canada (CPA Canada).

The Office of the Auditor General of Prince Edward Island applies Canadian Standard on Quality Control 1, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

In conducting this assurance 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 the Code of Conduct are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

OBJECTIVE

Our objective was to provide limited assurance on those recommendations assessed as implemented, not implemented, or no longer applicable, to determine if government's assessment was free from material misstatement. We did not perform any procedures, and provide no assurance on recommendations reported by management as not implemented.

SCOPE AND APPROACH

The scope of our work included only recommendations from 2018, 2019 and 2020 Annual Reports. We provide limited assurance on those recommendations assessed by management as implemented as at August 31, 2021.

Recommendations made to departments, Crown Corporations, and agencies pursuant to our financial audit work are followed up annually as part of our financial audit process and are not discussed in this chapter.

Our approach included:

- obtaining assertions from management on the status of implementation of each recommendation;
- interviewing management and staff;
- examining documents; and
- reviewing specific controls and processes.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less extensive than for, a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained, had a reasonable assurance engagement been performed.

CONCLUSION

We concluded that as at August 31, 2021

- 60 percent of 2018 recommendations were implemented;
- 71 percent of 2019 recommendations were implemented; and
- 43 percent of 2020 recommendation were implemented.

Based on the limited assurance procedures performed and evidence obtained on all implemented recommendations, no matters have come to our attention that cause us to believe that the status of the recommendations reported as implemented has been materially misstated. Additional information provided in this report is not intended to take away from our overall conclusion.

DATE OF REPORT

We obtained sufficient evidence on which to base our limited assurance conclusion on January 13, 2022, in Charlottetown, Prince Edward Island.

3. Follow-Up with Treasury Board

CHAPTER SUMMARY

3.1 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. We report on the implementation of these recommendations approximately one year after the audit was initially reported, and follow-up again on any outstanding recommendations for three additional years.

QUARTERLY UPDATES TO TREASURY BOARD

3.2 Each entity audited is required to provide a quarterly update to Treasury Board on the implementation of recommendations of the Auditor General. On October 13, 2020, we requested that our Office be provided with all quarterly updates provided to Treasury Board by departments and reporting entities.

3.3 We reviewed the updates to determine if these reports were being submitted as required. We have not examined the content of the quarterly updates provided to Treasury Board, and provide no assurance on the content of these updates.

3.4 **Exhibit 3.1** outlines the departments and reporting entities responsible for performance audits included in our 2018, 2019, and 2020 annual reports, and whether they provided quarterly updates to Treasury Board, as required. Although Treasury Board has obtained reporting on the status of implementation of recommendations included in our annual reports from 2013 to 2020, we have only included those from our 2018, 2019, and 2020 annual reports which are part of our current year follow-up report (see Chapter 2).

EXHIBIT 3.1
QUARTERLY UPDATES BY DEPARTMENTS AND REPORTING ENTITIES
AS AT DECEMBER 30, 2021

Entity*	Year	Sept 30 2020	Dec 31 2020	Mar 31 2021	June 30 2021	Sept 30 2021
Tourism PEI						
Capital Asset Plan for Provincial Parks	2019	Yes	Yes	Yes	Yes	Yes
Department of Education and Lifelong Learning						
Early Learning and Child Care Centres	2019	Yes	Yes	Yes	Yes	Yes
Department of Finance						
IT Security Access Controls	2020	Yes	Yes	Yes	Yes	Yes
Procurement of Goods for Government Departments	2019	Yes	Yes	Yes	Yes	Yes
Department of Justice and Public Safety						
Office of the Public Guardian	2018	Yes	N/A	N/A	N/A	N/A
Department of Social Development and Housing						
AccessAbility Supports Program	2020	Yes	Yes	Yes	N/A	N/A
Social Assistance Program	2018	Yes	Yes	Yes	Yes	Yes
Health PEI						
Laboratory Services: Surgical Specimen Processing	2020	No	No	Yes	Yes	Yes
Medication Controls: Institutional Pharmacy Program	2018	No	No	Yes	Yes	Yes

Due to Government's prioritization of COVID-19 Pandemic response efforts, the quarterly reporting process was not in place during much of 2020. The process was reestablished for the quarterly period ended September 30, 2020. Therefore, we did not include periods prior to September 30, 2020.

*Reflects current entity responsible

NEW TREASURY BOARD POLICY

- 3.5 In March 2021, the Auditor General issued a report entitled Crown Corporations Governance Survey. In response to this report, Treasury Board Minute #646/21 dated December 15, 2021, approved a new policy. The new Treasury Board Policy and Manual section, “10.03 Reporting Entities – Good Governance” applies to reporting entities listed under Schedules “B”, “C” or “D” of the *Financial Administration Act (FAA)*.
- 3.6 Treasury Board Policy 10.03 outlines the responsibilities of reporting entities, including:
- maintain and conduct a formal board orientation program;
 - provide regular training opportunities for board members;
 - establish a minimum number of board meetings which Departmental Ministers, or representatives, are to attend annually;
 - the creation of audit committees, or other committees needed to promote effective governance;
 - the need for a strategic plan which includes information technology strategies and is regularly updated as the goals and mandate of the organization change;
 - annual public reporting of mandate and performance;
 - annual performance evaluations of Chief Executive Officers and or equivalent;
 - annual evaluation on the effectiveness of the Board of Directors, which includes documented performance measures;
 - collection of Conflict of Interest declaration forms annually from each board member; and
- collection of Board Certifications annually from each board member indicating that they will faithfully fulfill their fiduciary duties.
- 3.7 In addition, a formal letter from the respective Minister to all members of each Board of Directors of which clearly communicates Government’s public policy objectives, as they relate to that specific Crown, is to be sent annually.
- 3.8 This is a great first step in providing more transparency and accountability to Islanders.

4. Implementation of Recommendations 2018 Special Report – Petroleum Product Pricing: Prince Edward Island Regulatory and Appeals Commission

4.1 We are providing information on the status of implementation of recommendations made in our 2018 Special Report – Petroleum Product Pricing: Prince Edward Island Regulatory and Appeals Commission. These recommendations are intended to address the findings and issues identified. We do not infringe on management’s right to select the best course of action to deal with the issues identified. However, we expect action to be taken to address the issues.

4.2 We requested management of the Prince Edward Island Regulatory and Appeals Commission (IRAC) to provide details on the actions taken and we conducted follow-up work to determine the status of implementation of each recommendation as at August 31, 2021. The implementation status of each recommendation falls under one of three categories:

- Implemented: the recommendation has been implemented or an alternate solution has been implemented that addresses the risk identified in the report.
- Not Implemented: the recommendation has not yet been implemented; management is working on implementing a solution.

- No longer applicable: the recommendation is no longer relevant due to changes in circumstances.

4.3 The following chapter provides information on the results of our work. **Appendix A** lists all recommendations from our 2018 special report, and the status of implementation as at August 31, 2021. Further details on our standards, objective, scope and conclusion are included in **Appendix B** of this chapter.

OBJECTIVE

4.4 The objective of our follow-up work was to provide limited assurance on the implementation of the recommendations. We did not conduct a follow-up audit, but we conducted sufficient procedures to obtain limited assurance to support our conclusions.

BACKGROUND

4.5 Our Office was requested by the Legislative Audit Committee to conduct an examination of IRAC. IRAC is a quasi-judicial tribunal with broad powers conferred to it through the *Island Regulatory and Appeals Commission Act*, as well as responsibilities under a number of other Acts. We focused our audit on one specific aspect of IRAC’s responsibilities: petroleum product pricing.

4.6 Petroleum pricing affects all Islanders. The decision to regulate petroleum pricing is a public policy decision. IRAC has a mandate under the *Petroleum Products Act* for determining petroleum prices that are fair and reasonable.

WHAT OUR AUDIT EXAMINED

4.7 The objective of the audit was to determine whether IRAC followed a reasonable process to set petroleum product prices for consumers and licensees.

WHAT OUR AUDIT FOUND

4.8 The summary findings from our audit were as follows:

- IRAC developed a process for the regular review of petroleum prices. This process was not documented and formally approved as a policy of the Commission, nor was it transparent to Islanders.
- IRAC met at least semi-monthly to review petroleum prices; however, the key factors to support each price change decision were not adequately documented and transparent to the public.
- IRAC could not demonstrate that it formally reviewed prices and considered a price

adjustment when market price changes warranted such a review based on its interruption policy.

- Applications from retailers for margin reviews were not processed on a timely basis.

STATUS OF RECOMMENDATIONS

4.9 Our original audit included seven recommendations. Management indicated all seven were implemented. Based on our work, we concluded that all seven recommendations have been implemented as at August 31, 2021.

Implemented	No Longer Applicable	Outstanding	Total
7	-	-	7

4.10 Although we indicated IRAC has implemented all seven recommendations, recommendation 5.10, in our original special report, requires the *Petroleum Products Act* to be updated for any necessary amendments. On December 18, 2018, IRAC formally requested the Department of Justice and Public Safety to make amendments to the *Petroleum Products Act*. As IRAC has done its part in fulfilling this recommendation, we consider it to be implemented.

2018 SPECIAL REPORT
PETROLEUM PRODUCT PRICING: PRINCE EDWARD ISLAND
REGULATORY AND APPEALS COMMISSION
RECOMMENDATIONS

Para.	Recommendation	Status of Implementation as at August 31, 2021
Petroleum Product Pricing: Prince Edward Island Regulatory and Appeals Commission		
4.8	IRAC should document and approve a policy on its methodology for setting petroleum prices.	Implemented
4.9	IRAC should make its petroleum product pricing methodology available to the public.	Implemented
4.17	IRAC should document the key factors that support each pricing decision and clearly communicate this information to the public.	Implemented
4.23	IRAC should document its review of prices and its consideration of an unscheduled price adjustment when interruption criteria in its policy are met.	Implemented
5.10	IRAC should seek any necessary amendments to the <i>Petroleum Products Act</i> .	Implemented
5.11	IRAC should develop and document policies and procedures for determining fair and reasonable margins for wholesalers and retailers.	Implemented
5.12	IRAC's process for assessing and reviewing applications for margin increases should be transparent to wholesalers and retailers.	Implemented

STANDARDS, OBJECTIVE, SCOPE AND CONCLUSION

STANDARDS

This independent limited assurance attestation engagement report was prepared by the Office of the Auditor General of Prince Edward Island on the status of the implementation of recommendations made in our 2018 Special Report. Work conducted for this review was performed to a limited level of assurance in accordance with the Canadian Standards on Assurance Engagements (CSAE) 3000 - Attestation Engagements Other Than Audits or Reviews of Historical Financial Information, set out by the Chartered Professional Accountants of Canada (CPA Canada).

The Office of the Auditor General of Prince Edward Island applies Canadian Standard on Quality Control 1, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

In conducting this assurance 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 the Code of Conduct are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

OBJECTIVE

Our objective was to provide limited assurance on those recommendations assessed as implemented, not implemented, or no longer applicable, to determine if management of IRAC's assessment was free from material misstatement. We did not perform any procedures, and provide no assurance on recommendations reported by management as not implemented.

SCOPE AND APPROACH

The scope of our work included only the recommendations from the 2018 special report. We provide limited assurance on those recommendations assessed by management as implemented as at August 31, 2021.

Our approach included:

- obtaining assertions from management on the status of implementation of each recommendation;
- interviewing management and staff;
- examining documents; and
- reviewing specific controls and processes.

The procedures performed in a limited assurance engagement vary in nature and timing, and are less extensive than a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained, had a reasonable assurance engagement been performed.

CONCLUSION

We concluded that all recommendations have been implemented as of August 31, 2021.

Based on the limited assurance procedures performed and evidence obtained on all implemented recommendations, no matters have come to our attention that cause us to believe that the status of the recommendations reported as implemented has been materially misstated. Additional information provided in this report is not intended to take away from our overall conclusion.

DATE OF REPORT

We obtained sufficient evidence on which to base our limited assurance conclusion on December 8, 2021, in Charlottetown, Prince Edward Island.