



# AUDITOR GENERAL

Prince Edward Island

Report to the Legislative Assembly  
**2020**



**Prince Edward Island** **Île-du-Prince-Édouard**

**Office of the  
Auditor General**

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

In accordance with the requirements of the *Audit Act*, I have the honour of presenting  
my 2020 Annual Report to the Legislative Assembly.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'B. Jane MacAdam', with a long horizontal flourish extending to the right.

B. Jane MacAdam, FCPA, CA  
Auditor General

Charlottetown  
Prince Edward Island  
March 10, 2020

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# INTRODUCTION

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## REPORT OVERVIEW

The *Audit Act* requires the Auditor General to report annually to the Legislative Assembly.

This 2020 Annual Report provides findings, recommendations, and information pertaining to audits and examinations conducted by the Office during the year.

Following is a brief overview of my 2020 Annual Report:

### *Chapter 1: Introduction to Performance Audits and Examinations*

This chapter provides information on the mandate and processes for conducting performance audits and examinations.

### *Chapter 2: AccessAbility Supports Program*

This chapter includes findings and recommendations on the implementation and management of the AccessAbility Supports Program. We also report on the process to receive and respond to program inquiries.

### *Chapter 3: IT Security Access Controls*

This audit examined key access controls for selected IT systems used in the delivery of programs at the Department of Social Development and Housing. This chapter includes summary comments resulting from the audit.

### *Chapter 4: Laboratory Services - Surgical Specimen Processing*

We examined Laboratory Services processes' to analyze surgical specimens. This chapter includes our audit findings and recommendations.

### *Chapter 5: Review of Government Advertising*

The *Government Advertising Standards Act* requires the Auditor General to report annually on the results of work conducted on government advertisements. This chapter includes summary information on the Office's responsibilities under this new legislation.

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## Introduction

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### *Chapter 6: Implementation of 2016 and 2017 Recommendations*

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 2016 and 2017 annual reports.

### *Chapter 7: Implementation of Recommendations 2016 Special Assignment*

This chapter includes information on the follow-up of recommendations from our 2016 report Special Assignment: Government Involvement with the E-gaming Initiative and Financial Services Platform.

### *Chapter 8: Introduction to Financial Audits*

Introductory comments summarize the standards and office responsibilities related to financial audits.

### *Chapter 9: Indicators of Financial Condition*

This chapter provides summary financial information on the province's operating results and financial position from 2015 to 2019. Information is also provided on a number of financial indicators based primarily on the province's audited consolidated financial statements.

### *Chapter 10: Audit of the Consolidated Financial Statements*

Each year, we audit the province's consolidated financial statements. This chapter provides summary comments, findings and recommendations from our March 31, 2019 audit.

### *Chapter 11: Issues Noted in Other Financial Audits*

This chapter provides a summary of issues communicated to management as a result of financial audits of government organizations, government business enterprises and trust funds conducted by the Office.

### *Chapter 12: Appropriations and Special Warrants*

This chapter provides summary information on appropriations and special warrants for the year ended March 31, 2019.

### *Chapter 13: Public Accounts Committee*

The Public Accounts Committee plays an important role in holding government accountable for the management of public resources. A

## Introduction

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primary focus of the Committee is the review of the Auditor General's Annual Report to the Legislative Assembly. This chapter includes summary information on the Committee and its interactions with our Office.

### *Chapter 14: Office of the Auditor General*

This chapter includes information on the mandate and responsibilities of the Auditor General as well as the Office mission, vision, and values. Summary information is also presented on our assurance engagements, office resources, professional standards and professional affiliations.

## 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.

In March 2013, the Members of the Legislative Assembly unanimously approved my appointment as Auditor General of Prince Edward Island. It has been an honour and a privilege to serve as Auditor General. This is my final Annual Report to the Legislative Assembly.

During my term as Auditor General:

- We issued over 190 financial statement and compliance audit opinions.
- We conducted 28 performance audits and examinations, including two collaborative audits with other legislative audit offices.
- We conducted follow-up work on 23 performance audits and examinations.
- We completed two special assignments, one requested by Executive Council and the other by the Legislative Audit Committee.

## Introduction

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I would like to thank all departments and government organizations for their cooperation over the past seven years. We continue to encourage senior government officials to implement our recommendations, which are important for improving the efficiency and effectiveness of government.

It has also been a pleasure leading an exceptional group of professionals who are dedicated to improving public sector financial management and accountability. Their contributions and commitment are essential to fulfilling the mandate of the Office.



# INTRODUCTION

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## APERÇU DU RAPPORT

L'*Audit Act* (loi sur la vérification des comptes publics) stipule que le vérificateur général doit déposer un rapport devant l'Assemblée législative tous les ans.

Le présent rapport de 2020 fournit conclusions, recommandations et renseignements découlant des vérifications et des examens menés par le Bureau du vérificateur général au cours de l'année.

Voici un aperçu du contenu du rapport annuel de 2020.

### *Chapitre 1 : Introduction aux vérifications et aux examens de gestion*

Ce chapitre offre des renseignements sur le mandat et les processus liés à la réalisation des vérifications et des examens de gestion.

### *Chapitre 2 : Programme d'accessibilité*

Ce chapitre présente les conclusions et les recommandations concernant la mise en œuvre et la gestion du Programme d'accessibilité. Il fait aussi état du processus en place pour recevoir les demandes liées au programme et y donner suite.

### *Chapitre 3 : Contrôle d'accès sécuritaire en TI*

Cette vérification a porté sur les mesures clés de contrôle d'accès pour certains systèmes de TI utilisés dans la prestation de programmes au sein du ministère du Développement social et du Logement. Ce chapitre comporte un résumé des commentaires découlant de la vérification.

### *Chapitre 4 : Services de laboratoire – Traitement des prélèvements chirurgicaux*

Le Bureau a examiné les processus en place aux services de laboratoire pour l'analyse de prélèvements chirurgicaux. Ce chapitre présente les constatations et les recommandations de la vérification.

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### *Chapitre 5 : Examen de la publicité gouvernementale*

La *Government Advertising Standards Act* (loi sur les normes de publicité gouvernementale) stipule que le vérificateur général doit faire un rapport annuel sur les travaux menés en lien avec la publicité gouvernementale. Ce chapitre comprend de l'information sommaire sur les responsabilités du Bureau en vertu de la nouvelle loi.

### *Chapitre 6 : Mise en œuvre des recommandations de 2016 et de 2017*

À la suite des vérifications de gestion, des recommandations sont faites à divers ministères, sociétés de la Couronne et organismes. Ce chapitre fournit de l'information sur l'état de la mise en œuvre des recommandations émises dans les rapports annuels de 2016 et de 2017.

### *Chapitre 7 : Mise en œuvre des recommandations – Dossier spécial de 2016*

Ce chapitre présente des renseignements sur la suite au rapport spécial de 2016 intitulé *Special Assignment: Government Involvement with the E-gaming Initiative and Financial Services Platform*.

### *Chapitre 8 : Introduction aux vérifications financières*

Les commentaires d'introduction résument les normes et les responsabilités du Bureau quant aux vérifications financières.

### *Chapitre 9 : Indicateurs de l'état des finances*

Ce chapitre fournit de l'information financière sommaire sur les résultats d'exploitation et la situation financière de la province entre 2015 et 2019. Il fournit également de l'information sur un certain nombre d'indicateurs financiers, tirée principalement des états financiers consolidés vérifiés de la province.

### *Chapitre 10 : Vérification des états financiers consolidés*

Chaque année, le Bureau vérifie les états financiers consolidés de la province. Ce chapitre présente les commentaires, conclusions et recommandations sommaires découlant de la vérification allant jusqu'au 31 mars 2019.

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## Introduction

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### *Chapitre 11 : Questions soulevées dans le cadre d'autres vérifications financières*

Ce chapitre présente un résumé des questions portées à l'attention des hauts dirigeants à la suite de vérifications financières effectuées par le Bureau auprès d'organisations gouvernementales, d'entreprises publiques et de fonds de fiducie.

### *Chapitre 12 : Comptes de crédits et mandats spéciaux*

Ce chapitre fournit de l'information sommaire sur le compte de crédits et les mandats spéciaux pour l'exercice qui s'est terminé le 31 mars 2019.

### *Chapitre 13 : Comité des comptes publics*

Le Comité des comptes publics joue un rôle important en rendant le gouvernement responsable de la gestion des ressources publiques. L'une des tâches principales du Comité est d'examiner le rapport annuel du vérificateur général pour l'Assemblée législative. Des renseignements sommaires sur le Comité et ses interactions avec le Bureau sont fournis dans ce chapitre.

### *Chapitre 14 : Bureau du vérificateur général*

Ce chapitre comprend des renseignements sur le mandat et les responsabilités du vérificateur général ainsi que sur la mission, la vision et les valeurs du Bureau. De l'information sommaire est également fournie sur les missions de certification, les normes et affiliations professionnelles et les ressources du Bureau.

## COMMENTAIRES SOMMAIRES

Le Bureau du vérificateur général de l'Île-du-Prince-Édouard est au service des Insulaires depuis longtemps. Il s'occupe d'effectuer des vérifications et des études indépendantes qui permettent de donner de l'information, une assurance et des avis objectifs à l'Assemblée législative. Le Bureau promeut ainsi la responsabilisation et les pratiques exemplaires en ce qui concerne les activités du gouvernement.

Le Bureau sert les membres de l'Assemblée législative en faisant preuve d'intégrité et d'indépendance – la nature même de notre travail. Nous visons à générer des retombées positives pour les Insulaires.

## Introduction

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En mars 2013, j'ai été nommée vérificatrice générale de l'Île-du-Prince-Édouard à l'accord unanime des membres de l'Assemblée législative. C'est un honneur et un privilège pour moi d'avoir rempli cette fonction au service des Insulaires. Les présentes constituent mon dernier rapport annuel présenté à l'Assemblée législative.

Au cours de mon mandat à titre de vérificatrice générale, nous avons :

- émis plus de 190 opinions au sujet des vérifications des états financiers et des vérifications de la conformité;
- effectué 28 vérifications et des études de gestion, dont deux en collaboration avec d'autres bureaux de vérification législative;
- mené des travaux de suivi pour 23 vérifications et des études de gestion;
- donné suite à deux demandes de vérification spéciales, un par le Conseil exécutif et l'autre par le Comité d'audit législatif.

Je souhaite remercier tous les ministères et les organisations gouvernementales qui ont coopéré avec notre Bureau au cours des sept dernières années. Nous continuons d'encourager les hauts dirigeants à mettre en œuvre nos recommandations afin d'améliorer l'efficacité du gouvernement.

Il a également été un plaisir pour moi de diriger une équipe exceptionnelle, formée de professionnels qui tiennent à responsabiliser le secteur public et en améliorer la gestion financière. Leur contribution et leur engagement sont essentiels pour l'exécution du mandat de notre Bureau.

# PERFORMANCE AUDITS AND EXAMINATIONS



# 1. INTRODUCTION TO PERFORMANCE AUDITS AND EXAMINATIONS

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**1.1** The Auditor General has a broad mandate for conducting performance audits and examinations. Subsection 13(2) of the *Audit Act* states that the Auditor General may conduct any audit or examination considered necessary to determine whether any agency of government is achieving its purpose, is doing so economically and efficiently, and is complying with the applicable statutory provisions.

**1.2** Given the complexity and magnitude of government operations, we cannot examine all government programs on an annual basis. We focus our efforts to make the best use of our resources. To determine our annual work plan, we consider numerous factors including:

- financial magnitude of the entity or program;
- significance of potential issues;
- impact of the subject matter on Islanders;
- complexity of the operations;
- results of previous audits;
- availability of Office resources; and
- timing of previous audit work.

**1.3** Under the *Audit Act*, the Auditor General must conduct any audits or examinations requested by Executive Council. In addition, the Office receives request from the Public Accounts Committee and the Legislative Audit Committee. These are completed at the discretion of the Auditor General.

**1.4** Performance audits are objective assessments that assist in determining how well government is discharging its responsibilities. These audits provide reasonable assurance and are planned, performed, and reported in accordance with Canadian Standards on Assurance Engagements. In performing these audits, the Office complies with independence and other ethical requirements of the Chartered Professional Accountants of Prince Edward Island Rules of Professional Conduct and the Code of Conduct of the Office of the Auditor General.

## 1. Introduction to Performance Audits and Examinations

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**1.5** These audits assess the broader management issues affecting an organization or program and may examine issues such as accountability relationships, economy, efficiency, compliance with authorities, and procedures to measure effectiveness. There are three distinct phases in conducting performance audits: planning, implementation, and reporting.

**1.6** In the planning phase, audit staff obtain a thorough knowledge of the function, organization, or program selected for audit and the environment in which it operates. Auditors consider the risks facing the organization or program and the processes to mitigate those risks. Using this knowledge, an audit plan is developed which sets out the audit objectives, criteria, scope, and timing.

**1.7** Audit criteria are the standards against which performance is assessed. The audit criteria are determined by the auditor and are often based on regulations, policies, or other generally accepted sources. These are communicated to and discussed with management responsible for the subject matter prior to the commencement of the detailed audit work.

**1.8** During the implementation stage, the auditor gathers sufficient appropriate audit evidence using various audit procedures such as interviewing key personnel, reviewing documentation, analyzing data and information, and testing samples of files. Audit evidence is evaluated and assessed against the criteria established in the planning phase. Audit findings are identified and discussed with management.

**1.9** During the reporting phase, a draft audit report is prepared which includes audit conclusions, audit findings, and recommendations. The draft audit report is discussed with senior management responsible for the subject matter of the audit. At the conclusion of the audit, a final draft report is provided to the department, Crown corporation/entity and we request a written response to each recommendation.



## 2. ACCESSABILITY SUPPORTS PROGRAM

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### CHAPTER SUMMARY

#### *Why it's important*

The AccessAbility Supports Program provides financial and non-funded supports for Islanders living with disabilities. AccessAbility Supports Program benefits totalled approximately \$17 million in 2018-19. It is important that the Department of Social Development and Housing provides supports in accordance with relevant legislation and program policies. To help ensure Islanders are aware of supports available, it is also important that information on the program is readily accessible.

#### *What we found*

Implementation of the AccessAbility Supports Program was not well managed:

- The program was implemented without approved policies.
- The computer application used for case management was not updated for the new program.

Eighteen months after the program was implemented, some individuals receiving benefits had not been assessed using the new capability assessment tool.

Collaborative Support Plans, which are key to identifying needs and supports provided to individuals, were not always completed, monitored and updated.

Program inquiries were not adequately logged and monitored.

We made thirteen recommendations to the Department of Social Development and Housing. **Appendix A** lists these recommendations and responses from the Department.

## 2. AccessAbility Supports Program

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### BACKGROUND

**2.1** The AccessAbility Supports Program (AAS) was established to provide support to Islanders living with disabilities. The AAS Program was implemented in July 2018. Supports offered depend on the individual's strengths and needs as identified through a capability assessment as well as income and assets. Prior to the implementation of the AAS Program, disability related assistance was offered through the Disability Support Program (DSP) and the Social Assistance Program.

**2.2** To be eligible for the AAS Program, an individual must be:

- a person with a disability, diagnosed by a qualified health care practitioner and able to provide verification of a diagnosis;
- a resident of Prince Edward Island;
- lawfully entitled to be in, or to remain in Canada, with permanent residency status; and
- under 65 years of age on the day an application for AAS is submitted.

**2.3** The AAS Program provides both financial and non-funded supports for eligible applicants. Financial supports include assured income and disability related supports. Further information is provided in **Exhibit 2.1**.

## 2. AccessAbility Supports Program

### EXHIBIT 2.1 ACCESSABILITY SUPPORTS PROGRAM FINANCIAL SUPPORTS AS AT JUNE 30, 2019

Assured Income: <sup>1,2</sup>	
• Shelter Allowance	Up to \$588 per month
• Food <sup>3</sup>	\$233 per month
• Essentials <sup>4</sup>	\$83 per month
• Community Living Allowance	\$150 per month
Disability Related Supports:	
<ul style="list-style-type: none"> <li>• Personal Supports</li> <li>• Housing Supports</li> <li>• Community Supports</li> <li>• Caregiver Supports</li> <li>• Employment and Vocational Supports</li> <li>• Home Modification<sup>5</sup> (up to \$10,000 every 10 years)</li> <li>• Vehicle Modification<sup>5</sup> (up to \$6,000 every 8 years)</li> <li>• Hearing Aids<sup>5</sup> (up to \$1,500 every 4-6 years)</li> <li>• Other Aids and Devices<sup>5</sup> (recycled or 2 quotes)</li> </ul>	Up to \$3,100 per month

Source: Compiled based on AccessAbility Supports Program Policies

<sup>1</sup>Based on a single person. Rates vary based on family size.

<sup>2</sup>Does not include other benefit amounts such as non-local transportation, telephone, and items of special need.

<sup>3</sup>Foods rates were increased on January 1, 2020 to \$342 monthly for a single person.

<sup>4</sup>Includes local transportation, clothing, household and personal.

<sup>5</sup>Total cost amortized monthly.

**2.4** The AAS Program also offers non-funded supports, which do not require direct funding from the Department of Social Development and Housing (the Department). These supports help individuals meet their needs through accessing government and/or community based resources.

**2.5** The AAS Program is administered by the Social Programs Division (the Division) of the Department. For the year ended March 31, 2019, approximately \$17 million in financial supports were provided under the AAS Program.

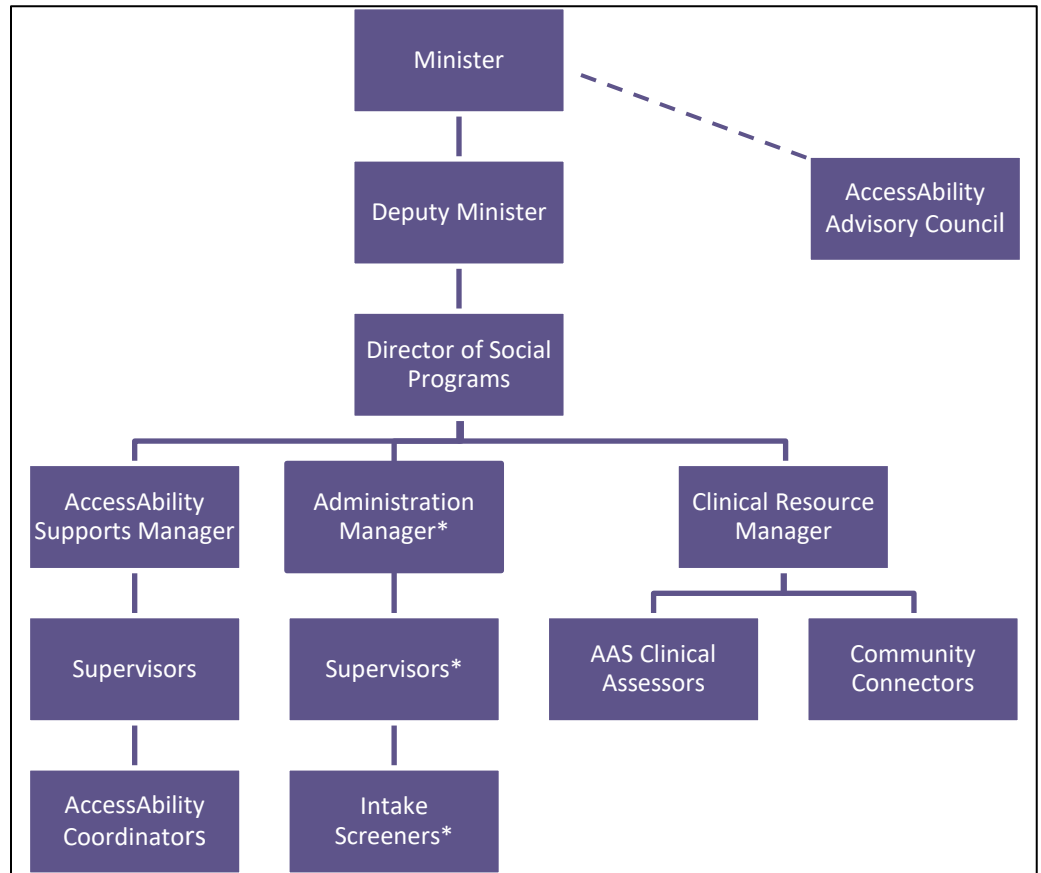
**2.6** As of June 30, 2019, there were 28 employees administering the AAS Program out of its five locations: Charlottetown, Summerside, Montague, Souris and O'Leary. All telephone inquiries are managed out of the Charlottetown office. This provides applicants and clients a centralized location to inquire about the program or personal cases. As at

## 2. AccessAbility Supports Program

June 30, 2019, the AAS Program had a caseload of almost 1,700 individuals.

2.7 Exhibit 2.2 shows the primary positions involved in the management and delivery of the AAS Program.

**EXHIBIT 2.2**  
**DEPARTMENT OF SOCIAL DEVELOPMENT AND HOUSING**  
**SOCIAL PROGRAMS DIVISION**  
**ACCESSABILITY SUPPORTS PROGRAM**  
**ORGANIZATION STRUCTURE**  
**JUNE 30, 2019**



Source: Adapted from the Department of Social Development and Housing organizational chart

\*Work with all social programs

## 2. AccessAbility Supports Program

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**2.8** At the time of our audit, the AAS Program was operational with authority under two acts: the *Rehabilitation of Disabled Persons Act* and the *Social Assistance Act*. These two acts gave the Minister of the Department of Social Development and Housing (the Minister) the authority to provide the benefits offered through the AAS Program.

**2.9** The *Rehabilitation of Disabled Persons Act* gives the Minister the authority to provide such goods and services considered necessary for the rehabilitation of disabled persons. Under the AAS Program, disability related financial supports are provided as well as non-funded supports.

**2.10** The *Social Assistance Act* provides financial assistance for people in need. Rates of assistance paid under this Act are required to be approved by Executive Council. The assured income component of the AAS Program grants financial support to eligible applicants for basic needs such as food and shelter. This funding is provided under the authority of the *Social Assistance Act*.

**2.11** The *Supports for Persons with Disabilities Act* received Royal Assent on November 28, 2019, but as of the date of this audit report, it was not yet proclaimed. This Act will bring two portions of the program, disability related supports and assured income, into one piece of legislation. This new Act includes a requirement for Executive Council to review the established rates of assured income annually. Transitional provisions are included to help ensure there will not be a disruption of supports provided to individuals.

### AUDIT OBJECTIVES AND SCOPE

**2.12** The objectives of the audit 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.

**2.13** A listing of recommendations is included in **Appendix A**. Details on the audit standards, objectives and scope, and audit criteria are included in **Appendix B** and **Appendix C** of this chapter. The following sections

## 2. AccessAbility Supports Program

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provide information on the findings, related recommendations and conclusions from our audit.

### OBSERVATIONS AND RECOMMENDATIONS

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#### ACCESSABILITY ADVISORY COUNCIL

#### *Summary of Findings*

**2.14** An AccessAbility Advisory Council was established to provide ongoing input, consultation and advice to the Minister on issues affecting persons with disabilities. However, the Council did not meet on a regular basis in accordance with its terms of reference.

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**2.15** In May 2017, Executive Council approved the creation of the AccessAbility Advisory Council with a maximum of eight members including a representative from the Department of Social Development and Housing (formerly the Department of Family and Human Services). The other members were to include representatives from non-governmental organizations, the business sector, and a person living with a disability. All members were appointed by the Minister.

**2.16** The Council's terms of reference state its mandate is to provide the Minister with ongoing input, consultation and advice on issues affecting individuals with disabilities, as related to the Ministry programs and services. The Council was to provide advice and input during the transformation of the DSP to the AAS Program, and continue to provide ongoing input after the transformation was complete.

#### **Council did not meet as required**

**2.17** According to the terms of reference, the Council is to meet a minimum of six times per year. The Council had five meetings between June 2017 and April 2018; however, there have been no meetings since that date, almost two years ago.

**2.18** The AccessAbility Advisory Council played an important role in engaging the community in the initial development of the AAS Program. Ongoing input and advice of the Council is part of its terms of reference and is important as the Program continues.

## 2. AccessAbility Supports Program

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### Recommendation

**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.**

### PROGRAM IMPLEMENTATION

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#### *Summary of Findings*

**2.20** Key elements of the AccessAbility Supports Program were not ready when the Program was implemented. Program policies were not finalized and formally approved for at least nine months after program implementation. The computer application used to administer the Program was not updated to support all types of payments.

Eighteen months into the Program some individuals were not assessed using the new capability assessment tool, meaning there is a risk that eligible supports may not be identified.

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**2.21** In early 2017, the Department requested Executive Council approval to transform the DSP. On April 3, 2017 Executive Council approved the transformation of the DSP, including the following program changes:

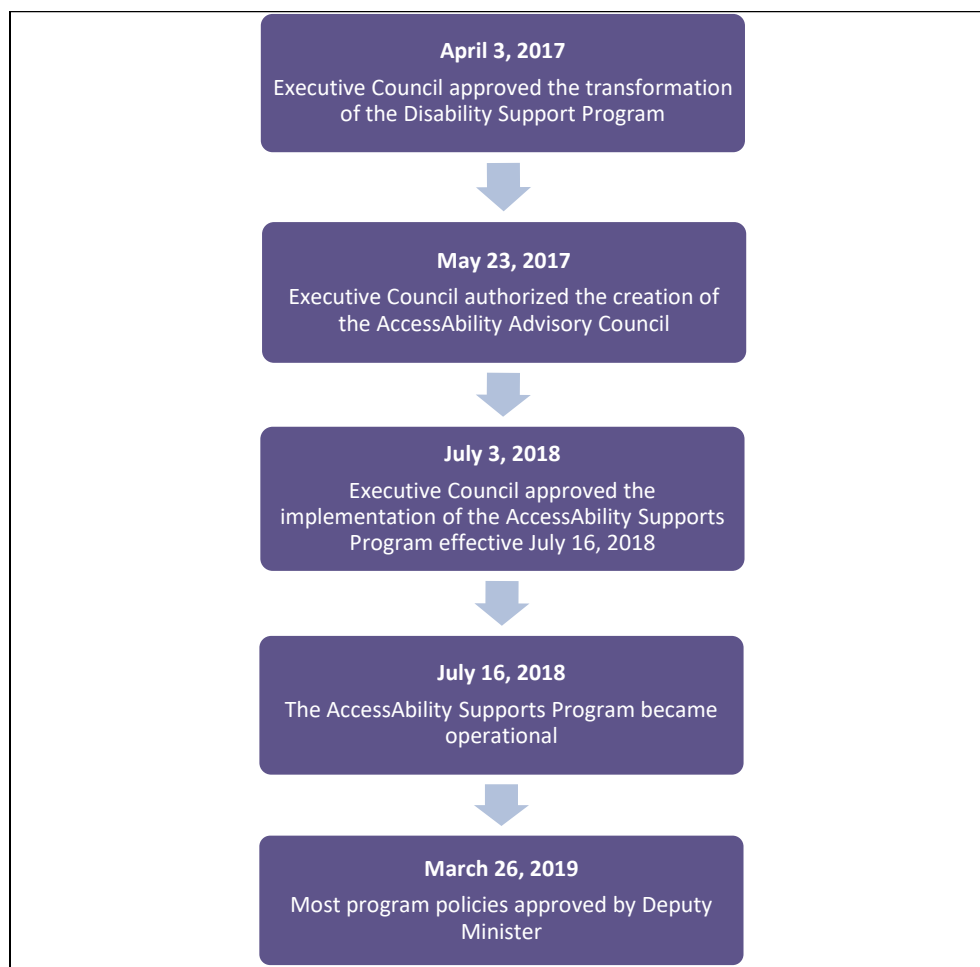
- a new capability assessment tool;
- the inclusion of disabilities not previously covered under the DSP (e.g. mental illness);
- a clinical support function to liaise with health professionals;
- enhanced case management and coordination to assist individuals find government and community-based resources and supports;
- a single point of access for Islanders accessing both disability and assured income benefits;
- the establishment of an AccessAbility Advisory Council to advise the Minister;
- training and job supports for employable clients; and
- the creation of a review board to hear reconsiderations.

**2.22** Work to transform the DSP began in the spring of 2017. The intention was that the new program would be implemented in the spring of 2018.

## 2. AccessAbility Supports Program

**2.23** The AAS Program was implemented on July 16, 2018. At that time, anyone seeking disability related benefits was to be assessed using the new assessment tool and enhanced benefits would be provided under this new program. See **Exhibit 2.3** for the implementation timeline.

### EXHIBIT 2.3 ACCESSABILITY SUPPORTS PROGRAM PROGRAM IMPLEMENTATION TIMELINE



Source: Department of Social Development and Housing

## Policies

### Program implemented without approved policies

**2.24** The Program was implemented on July 16, 2018. With the exception of one policy on Financial Assessment, new policies were developed and implemented for the AAS at this time. However, none of the new program policies were approved by the Department until at least



## 2. AccessAbility Supports Program

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March 2019, nine months after the program was implemented. Three policies were still in draft as of January 16, 2020.

**2.25** Regarding the Financial Assessment policy, the Department continued to use the old DSP policies for calculating client contributions until December 2018 when a new policy was implemented. Similarly, this policy was not approved by the Department until March 2019, three months after it was implemented.

**2.26** **Appendix D** summarizes the various policy categories and shows the implementation and approval dates for these policies. It demonstrates that the Department regularly implemented policies prior to formal approval.

**2.27** Program policies are important because they provide a framework of processes and procedures designed to achieve program objectives. Detailed program requirements are not specified in legislation for the AAS Program. The program policies are the basis for assessing applicant needs and authorizing supports, and help ensure clients are treated consistently. The AAS Program included major changes for individuals with disabilities. In particular, the Program was expanded to include individuals with mental illness as well as a new capability assessment tool. Program policies should have been approved by the Department prior to implementation.

### **Recommendation**

**2.28** **The Department of Social Development and Housing should ensure that program policies are finalized and formally approved prior to implementation.**

### **Computer System**

**2.29** The Integrated System Management (ISM) is an electronic system used for case management for various provincial programs, including the Social Assistance Program and the AAS Program. Data on individuals enrolled in the AAS Program is maintained in ISM, including tombstone data, case notes, assessments and payment information. Payments are initiated and approved within ISM. Through an interface with the province's financial system, the payments are processed and recorded in the financial accounts of the province.

## 2. AccessAbility Supports Program

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### Computer system not updated for AAS

**2.30** At the time of our audit, the ISM system had not been updated to support all types of payments for the AAS Program. Therefore, manual adjustments were required to process certain payments.

**2.31** We selected a sample of 30 recipients of AccessAbility Supports and reviewed related files to determine if benefits were offered and provided in accordance with policy and legislation.

### Manual adjustments increase risk of errors

#### *ISM - Assured Income Benefits*

**2.32** Assured income benefits are provided under the AAS Program for individuals with disabilities who require financial support for basic needs.

**2.33** We noted ISM was not set up to allow an assured income rate change to be automatically applied to individuals receiving assured income benefits. When there was a rate change, the AAS coordinator had to manually update the rates in each individual's file. This increases the risk that rates will not be updated for all individuals.

**2.34** Thirty percent of recipients in our sample received both disability related supports and assured income. We noted one instance where the person's food allowance, under assured income, was not manually updated as required when the rate was increased in January 2019.

#### *ISM - Client Contribution*

**2.35** Policy requires applicants of the AAS Program to pay a portion of their disability related expenses based on household income. The ability to contribute is determined annually through a financial assessment.

**2.36** In December 2018, four months after the AAS Program was implemented, the Department began using a new client contribution calculation. ISM was not updated to automatically calculate the new client contribution.

**2.37** Based on our testing, there was one file where the client contribution was not manually calculated by the Department as required. Based on policy, this individual should have been contributing \$37.95 per month from December 2018 to October 2019.

## 2. AccessAbility Supports Program

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**2.38** We were advised by management that the ISM system update for the AAS Program was in progress, but was not operational as of the date of our audit.

### **Recommendations**

**2.39** The Department of Social Development and Housing should ensure that the computer application is updated for the AccessAbility Supports Program.

**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.

**2.41** The Department of Social Development and Housing should ensure that client contributions are properly calculated and applied for the AccessAbility Supports Program.

### **Former DSP Clients - Assessments**

#### **Some individuals not assessed under new program**

**2.42** As of January 31, 2020 not all individuals had been fully transitioned to the AAS Program, even though the program had been operational for eighteen months. In these cases, the new capability assessment tool had not yet been used to assess the needs of individuals and supports available.

**2.43** We asked the Department whether all individuals receiving disability support benefits when the program was implemented had been assessed using the new capability assessment tool. Management could not provide information on the number of individuals who have yet to be assessed under the AAS Program.

**2.44** The new capability assessment tool is a major change from the previous DSP. This assessment provides the foundation for an individualized service plan to help ensure individuals are receiving eligible disability specific supports.

## 2. AccessAbility Supports Program

### Recommendation

**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.

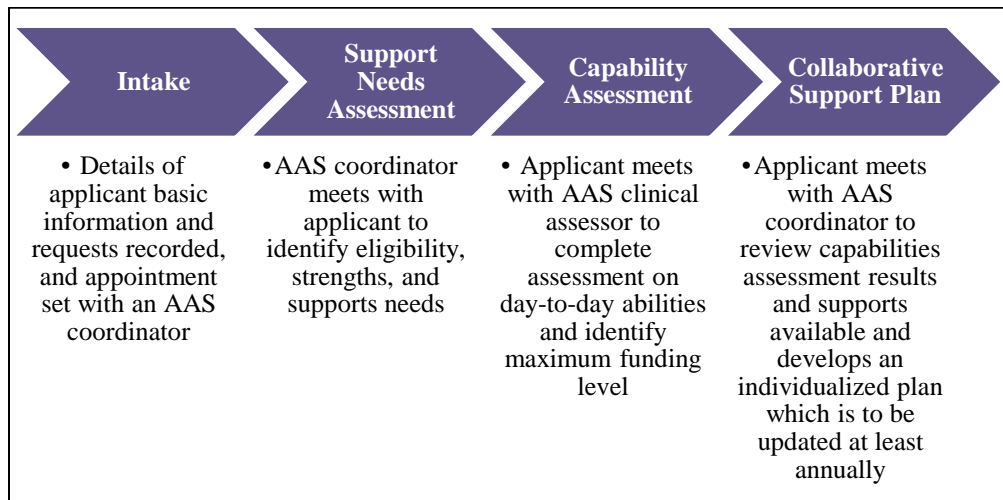
**DOCUMENTATION  
AND  
AUTHORIZATION**

*Summary of Findings*

**2.46** Collaborative Support Plans were not always completed, monitored and updated. Documentation was not always maintained to demonstrate that non-funded supports were considered. In addition, documentation was not on file to support some payments.

**2.47** The AAS Program was approved by Executive Council to provide enhanced supports and a streamlining of services to meet the needs of individuals. A new capability assessment tool, immediate assessment of needs, enhanced case management, and coordination with community-based resources and supports were noted as new elements of the program. **Exhibit 2.4** outlines the application process for supports.

### EXHIBIT 2.4 APPLICATION PROCESS FOR ACCESSABILITY SUPPORTS



Source: Department of Social Development and Housing AccessAbility Supports Program Policies

**2.48** After initial screening identifies that the individual may meet eligibility requirements, a Support Needs Assessment is to be completed for each applicant. The AAS coordinator verifies the applicant's

## 2. AccessAbility Supports Program

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disability, assists the applicant to understand the supports available, assesses income against financial eligibility criteria, and gathers information on employment and education history. This step also determines if the applicant would benefit from a Capability Assessment. To receive funded supports, the applicant must be willing to participate in the completion of a Capability Assessment.

**2.49** The Capability Assessment is completed using a standardized assessment tool. All assessments are to be completed by an AAS Clinical Assessor, who is either a social worker or an occupational therapist. The purpose of this comprehensive assessment is to:

- highlight an applicant's strengths and needs; and
- determine the maximum level of funding that can be used towards supports available under the program.

### Collaborative Support Plans

**2.50** After the assessments are complete, a Collaborative Support Plan (the Plan) is to be developed. This is an individualized plan that documents how, within the parameters of the AAS Program, supports can be provided to the individual. It is an integral part of the process as it specifically documents:

- areas of support/need;
- strategies for addressing the needs;
- expected outcomes;
- responsibilities; and
- financial and non-funded supports.

**2.51** The Plan is to be signed by both the AAS coordinator and the applicant, indicating that they have reviewed the details of the supports and expectations. Policy requires the Support Needs Assessment and Collaborative Support Plan to be updated at the time of yearly review, or earlier if there are significant changes in an applicant's circumstances. The Capability Assessment is required to be re-administered at a minimum of every two years for adults and annually for children and youth, or earlier if circumstances change.

## 2. AccessAbility Supports Program

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### **Collaborative Support Plans not always completed**

**2.52** We reviewed documentation to determine whether the Support Needs Assessment and Collaborative Support Plans were completed in accordance with program policy. We selected a sample of individuals who had a Capability Assessment completed during our scope period. In eight instances, or 27 percent of the files tested, a Collaborative Support Plan was not fully completed. In two instances, the plan was not signed by the AAS coordinator or the applicant so it was not clear if it was the final plan and if the applicant agreed with the supports identified. In the remaining six instances, there was no evidence on file to indicate that the Collaborative Support Plan had been completed. In one of these instances, there was also no Support Needs Assessment on file.

**2.53** These documents are important to record needs and ensure that individuals are receiving supports based on those needs. Where Collaborative Support Plans are not complete, it makes it difficult for the Department to monitor changes in individual circumstances and identify required changes for program supports.

#### **Recommendation**

**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.

### **Collaborative Support Plans not monitored and updated**

**2.55** It can take some time to determine how to best meet the needs of individuals with disabilities. In thirty two percent of the Collaborative Support Plans completed, although a need was identified, the actions required to address the need were noted as ‘to be determined’. This indicates that the Plan would be updated at a later date. In the cases we reviewed, the Plans were not updated during our scope period. In addition, in the majority of cases there was no funding provided or documentation in the individual’s file to demonstrate follow-up action had taken place.

**2.56** Collaborative Support Plans are important to document the needs of individuals and how, within the parameters of the program, these needs are being met. When Plans are not monitored or updated for outstanding

## 2. AccessAbility Supports Program

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supports, there is a risk the individual may not be receiving supports in accordance with the Program.

### **Recommendation**

**2.57 The Department of Social Development and Housing should ensure that Collaborative Support Plans are monitored and updated.**

### **Non-Funded Supports**

#### **Documentation did not indicate non-funded supports were considered**

**2.58** The AAS Program is to provide individuals with assistance navigating various services, such as government or community based resources that would help to meet needs. These services are referred to as non-funded supports as the Department does not provide direct financial resources for individuals to access the supports. Examples of non-funded supports include referrals to free budgeting services, community events and activities, and community connectors. Community connectors were hired by the Department to create a link between the individual and community organizations.

**2.59** The Support Needs Assessment should indicate if any referrals to non-funded supports have been identified or made on behalf of the individual. The Department did not demonstrate that non-funded supports were regularly considered for applicants. For 60 percent of the applicants in our sample, the non-funded supports section of the Support Needs Assessment was not completed.

**2.60** For 40 percent, or 12 of the files tested, the section of the Support Needs Assessment which indicates if non-funded supports were considered was completed. In three of these files, however, the assessment indicated that non-funded supports should be considered, but in these cases we found no evidence that supports were provided to the individual. There was also no documentation to indicate why the non-funded supports were not provided.

## 2. AccessAbility Supports Program

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**2.61** The Collaborative Support Plan should document all support needs identified, including non-funded. In all thirty of the Collaborative Support Plans we reviewed, there was no indication that non-funded supports were provided. We were advised that although non-funded supports are regularly offered, they have not been consistently documented. Documenting non-funded supports in individual files is important to:

- ensure consistency in supports offered by AAS coordinators;
- allow for an examination of the effectiveness of the non-funded supports at yearly review; and
- ensure that all information is available to AAS coordinators, especially if there is a change in staffing.

**2.62** It is important for the Department to consider and document that this element of the policy is being applied. When the file does not document all non-funded supports considered and/or received, there is a risk that eligible supports may not be offered and that coordinators do not have all of the information required to best serve applicants.

### **Recommendation**

**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.**

### **Payment Documentation**

#### **Documentation not on file to support some payments**

**2.64** Applicants are required to provide verification of expense for various supports provided under the AAS Program. For a sample of files, we checked whether documentation was obtained to verify payments, as required by policy. In 20 percent of files tested, documentation was not on file to support some payments to individuals. This included expenses related to communication, supervision, respite, and personal care supports.

**2.65** Documentation is important to ensure that policy is being adhered to and payments are accurate and supported.



## 2. AccessAbility Supports Program

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### Recommendation

**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.**

### Funding Authorization

#### Exceptions to policy not properly approved

**2.67** The Capability Assessment assigns a maximum monthly funding level for disability related supports that can be provided for an individual. Excluding assured income, there are seven funding levels and the maximum funding level for these supports is \$3,100 per month.

**2.68** During our review of client files, we noted two instances where funded supports provided exceeded the individual's maximum monthly funding level as determined by the Capability Assessment. In one of these, the monthly funded supports was also over the program maximum funding level of \$3,100 per month. In both of these situations, the funding was approved by the AAS Program supervisor.

**2.69** Based on circumstances, it may be necessary to consider exceptions to policy. In these cases, funding was based on documented assessed needs, but the funding did exceed policy limits. There is no authority in the policy for the supervisor to make exceptions to the maximum funding levels. Policies were approved by the Deputy Minister. Exceptions to program policies should be approved by the Deputy Minister.

### Recommendation

**2.70 The Department of Social Development and Housing should ensure funded supports are authorized in accordance with program policies.**

#### Assistance provided without proper approval

**2.71** The assured income component of the AAS Program is based on the *Social Assistance Act*. Under the *Social Assistance Act* regulations, a monthly personal comfort allowance is provided to eligible recipients of

## 2. AccessAbility Supports Program

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Social Assistance. In accordance with this legislation, Executive Council approved an allowance of \$91 per month.

**2.72** Under the AAS Program, a monthly community living allowance of \$150 was provided to eligible applicants in lieu of the personal comfort allowance. The community living allowance was not approved by Executive Council as required by legislation.

**2.73** Assured income is a major component of the AAS Program and it is important that rates are appropriately approved.

### **Recommendation**

**2.74 The Department of Social Development and Housing should ensure that assured income rates are approved by Executive Council.**

## PROGRAM INQUIRIES

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### *Summary of Findings*

**2.75** AccessAbility Supports Program information was reasonably accessible. The Department does not have a well-defined process for documenting, monitoring and responding to program inquiries.

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**2.76** As a service program, it is expected there will be questions from the public about the AAS Program on a regular basis. Management of program inquiries is essential to informing the public about the program and ensuring individuals who may be eligible for the program receive the necessary information. We expected that information on the program would be readily accessible and that there would be a process to respond to program inquiries on a timely basis.

### **Program information was reasonably accessible**

**2.77** We reviewed the different methods the Department uses to provide information on the Program. A number of communication channels are offered by the Department, including: in-person visits, central telephone line, email, fax, brochures, social media and news articles. Program information was reasonably accessible.

## 2. AccessAbility Supports Program

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### **Inquiries were not adequately logged and monitored**

**2.78** We noted the Department does not have a process to monitor and respond to program inquiries. We were informed by the Department that its goal is to respond to telephone inquiries within one business day. Management did not have information on the volume of program inquiries. Telephone inquiries were tracked, but other inquiries were not.

**2.79** In-person visits are not logged by staff members, and we were advised that when individuals visit offices, they would often be requested to complete their inquiry via telephone. Faxes are not often used for inquiries and are not tracked. Management indicated that if an email inquiry was received, it would be sent to the personal inbox of an intake worker. Although there would be record of the email received and any responses via email, this information is not gathered or tracked in a way for management to monitor whether all email inquiries are addressed.

**2.80** Information on telephone inquiries was manually recorded in a central voicemail book and/or various employee log books. With this method of logging telephone inquiries, information is not readily available for management to monitor and review inquiries received by the Division and ensure responses are provided on a timely basis.

**2.81** We tested a sample of telephone inquiries, as these were the only inquiries that were routinely documented. In 58 percent of the inquiries tested, a staff member made contact with the individual, in 31 percent they attempted and left a voicemail, and in 4 percent they attempted and noted there was no answer. The other 7 percent of phone calls had no indication of when the individual received a response to their inquiry.

**2.82** It is important that the Department has a well-defined process to log and monitor program inquiries. This would include ensuring inquiries are responded to on a timely basis.

### **Recommendation**

**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.

## 2. AccessAbility Supports Program

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### CONCLUSION

**2.84** The Department of Social Development and Housing obtained authorization from Executive Council to implement the AccessAbility Supports Program. However, key components of the Program were not in place prior to implementation. Policies were in draft when the Program was implemented and remained in draft for at least nine months after implementation. The computer system was not updated to support Program payments. At the time of our audit, a number of individuals had not been assessed under the Program using the new capability assessment tool.

**2.85** The Department of Social Development and Housing did not always authorize and provide AccessAbility Supports in accordance with legislation and policies:

- Collaborative Support Plans were not always completed, monitored and updated as required by policy.
- The Department could not demonstrate that non-funded supports were regularly considered and/or provided.
- Documentation was not always on file to support payments.
- Financial supports were provided which exceeded authorized limits.

**2.86** Finally, we concluded that information on the Program is reasonably accessible. However, we also noted the Department needs a process to log, monitor and respond to inquiries.

## 2. AccessAbility Supports Program

RECOMMENDATIONS*	MANAGEMENT'S RESPONSE
<p><b>Recommendation 2.19</b> 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.</p>	<p>The Department will identify regular meeting dates on a go forward basis.</p> <p><b>Timeline for completion: May 2020</b></p>
<p><b>Recommendation 2.28</b> The Department of Social Development and Housing should ensure that program policies are finalized and formally approved prior to implementation.</p>	<p>The Department is developing a work flow document to ensure future program policies are finalized and formally approved prior to implementation.</p> <p><b>Timeline for completion: May 2020</b></p> <p>The Department will review the remaining three draft policies and submit them for final approval.</p> <p><b>Timeline for completion: April 2020</b></p>
<p><b>Recommendation 2.39</b> The Department of Social Development and Housing should ensure that the computer application is updated for the AccessAbility Supports Program.</p>	<p>The Department has updated ISM and the new AccessAbility Supports (AAS) service is operational.</p> <p><b>Timeline for completion: Completed - Feb. 10, 2020</b></p>
<p><b>Recommendation 2.40</b> The Department of Social Development and Housing should ensure assured income supports are provided in accordance with the rates approved by Executive Council.</p>	<p>Approved rates will now be updated through the new AAS service on ISM.</p> <p><b>Timeline for completion: Completed - Feb. 10, 2020</b></p>
<p><b>Recommendation 2.41</b> The Department of Social Development and Housing should ensure that client contributions are properly calculated and applied for the AccessAbility Supports Program.</p>	<p>Client contributions are now calculated automatically through the new AAS service in ISM.</p> <p><b>Timeline for completion: Completed - Feb. 10, 2020</b></p>
<p><b>Recommendation 2.45</b> 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.</p>	<p>The Department will develop a work plan with established timelines to ensure all assessments are completed using AAS policies.</p> <p><b>Timeline for Completion: December 2020</b></p>

\*Recommendation numbers refer to the paragraph numbers in this chapter.

## 2. AccessAbility Supports Program

APPENDIX A  
Page 2 of 2

RECOMMENDATIONS*	MANAGEMENT'S RESPONSE
<p><b>Recommendation 2.54</b> The Department of Social Development and Housing should ensure that Collaborative Support Plans are completed for all applicants of the AccessAbility Supports Program.</p>	<p>The Department will develop a work plan to ensure all outstanding Collaborative Support Plans are completed for applicants of AAS. Further staff education will be completed, and compliance will be measured through the internal audit process and quality improvement measures.</p> <p><b>Timeline for Completion: December 2020</b></p>
<p><b>Recommendation 2.57</b> The Department of Social Development and Housing should ensure that Collaborative Support Plans are monitored and updated.</p>	<p>The Department will develop a work plan to ensure Collaborative Support Plans are monitored and updated. Further staff education will be completed, and compliance will be measured through the internal audit process and quality improvement measures.</p> <p><b>Timeline for Completion: December 2020</b></p>
<p><b>Recommendation 2.63</b> The Department of Social Development and Housing should ensure that non-funded supports are considered and documented for recipients of the AccessAbility Supports Program.</p>	<p>The Department will develop a work plan to educate staff and improve documentation practices demonstrating that non-funded supports are considered.</p> <p><b>Timeline for Completion: December 2020</b></p>
<p><b>Recommendation 2.66</b> 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.</p>	<p>The Department will ensure that documentation is obtained for all payments provided under the AAS program. Further staff education will be completed, and compliance will be measured through the internal audit process and quality improvement measures.</p> <p><b>Timeline for Completion: December 2020</b></p>
<p><b>Recommendation 2.70</b> The Department of Social Development and Housing should ensure funded supports are authorized in accordance with program policies.</p>	<p>The Department will ensure exceptions to funding supports are authorized as defined in legislation, regulations and department policy.</p> <p><b>Timeline for Completion: July 2020</b></p>
<p><b>Recommendation 2.74</b> The Department of Social Development and Housing should ensure that assured income rates are approved by Executive Council.</p>	<p>The Department will ensure changes to assured income rates are approved by Executive Council prior to implementation.</p> <p><b>Timeline for Completion: Ongoing</b></p>
<p><b>Recommendation 2.83</b> The Department of Social Development and Housing should establish a process to log, monitor and respond to inquiries received under the AccessAbility Supports Program.</p>	<p>The Department will investigate the development of a process to log, monitor and respond to inquiries received under the AAS Program.</p> <p><b>Timeline for Completion: December 2020</b></p>

\*Recommendation numbers refer to the paragraph numbers in this chapter.

### AUDIT STANDARDS, OBJECTIVES AND SCOPE

#### STANDARDS

This independent assurance report was prepared by the Office of the Auditor General of Prince Edward Island. Our role is to conclude on whether the Department of Social Development and Housing complies in all significant respects with the applicable criteria. Management at the Ministry of Social Development and Housing accepted responsibility for the subject under audit.

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 behaviour.

#### OBJECTIVES

The objectives of this audit 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.

We developed a number of criteria to assess whether the Department of Social Development and Housing had met the objectives. These criteria are listed in **Appendix C**.

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

### **SCOPE AND APPROACH**

The scope of our audit included analysis and testing of records for the period July 16, 2018 to June 30, 2019.

Our approach included:

- interviews with management and staff of the Social Programs Division of the Department of Social Development and Housing;
- review of relevant policies and procedures, including programs policies which were in draft for part of the scope period;
- review of relevant legislation; and
- analysis and detailed testing of client files.

It is important to note that our observations and conclusions relate only to the management practices of the Department of Social Development and Housing. 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 February 7, 2020, in Charlottetown Prince Edward Island.



## 2. AccessAbility Supports Program

### APPENDIX C

<b>AUDIT OBJECTIVES AND CRITERIA</b>
<b>Audit Objective 1:</b>
The Department of Social Development and Housing authorized and provided AccessAbility Supports in accordance with legislation and policies
1. The AccessAbility Supports Program was properly authorized prior to implementation.
2. Recipients of AccessAbility Supports met eligibility requirements.
3. Assessments of recipients were completed and documented by authorized assessors.
4. AccessAbility Supports were provided/offered to recipients in accordance with legislation and policies.
5. AccessAbility Supports payments were made to, or on behalf of the recipient, in the correct amount, and to the correct payee.
<b>Audit Objective 2:</b>
The Department of Social Development and Housing has an adequate process to receive and respond to AccessAbility Supports Program inquiries on a timely basis.
1. There were a reasonable number of communication channels available to make inquiries about the program.
2. Inquiries about the AccessAbility Supports Program were documented and monitored.
3. Responses to inquiries were provided on a timely basis.

## 2. AccessAbility Supports Program

### APPENDIX D

### DEPARTMENT OF SOCIAL DEVELOPMENT AND HOUSING ACCESSABILITY SUPPORTS PROGRAM POLICY CATEGORIES AND IMPLEMENTATION AND APPROVAL DATES

Key Policies	July 16/18	Dec. 1/18	Mar. 26/19	Nov. 18/19	Jan. 16/20
General policies: - General eligibility - Confidentiality - Support Needs Assessment - Capabilities Assessment	○		●		
Service Mix - Support Plan Policies - Personal Supports - Housing Supports - Community Supports - Caregiver Supports - Employment & Vocational Supports - Technical Aids & Assistive Devices - Home & Vehicle Modification	○		●		
Assured Income Policies	○		●		
Financial Assessment: Client Contribution ▪ Former DSP Policy ▪ AAS Policy	○	○	●		
Plan Management - Plan Administration - Support Repayment - Audits - Request for Reconsideration	○ ○ ○ ○			●	▲ ▲ ▲

Legend	
○	Policy implemented
●	Policy approved
▲	Policy approval outstanding

### 3. IT SECURITY ACCESS CONTROLS

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#### CHAPTER SUMMARY

##### *Why it's important*

The Prince Edward Island Government 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. It is important that this information is secure and accessible only to those individuals who have authorized access and need the information to do their jobs.

##### *What we found*

Government has 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 have not adequately implemented key information technology (IT) security access controls.

We provided detailed findings and recommendations on IT Security Access Controls to the Secretary to Treasury Board, the Department of Social Development and Housing, and the Department of Finance. Our recommendations are important to strengthen IT access controls and security practices. For security reasons, we are not disclosing detailed findings and recommendations, and we do not comment on the specific IT systems examined.

Given the noncompliance issues we noted, improvements are needed in communicating IT security requirements. In addition, a process to regularly assess compliance with IT security access controls is needed. This chapter includes two recommendations for improvement in these areas.

### 3. IT Security Access Controls

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The key IT access security controls we examined were included in government's IT security policy. These apply to all departments and various other government entities and information systems throughout government. The issues we identified were based on selected information systems that apply to one government department. Similar issues may exist in other departments/entities. Government should use these audit recommendations to assess, and where necessary improve, IT security access controls in other departments/entities.

#### OBJECTIVES AND SCOPE

**3.1** We conducted an audit on IT Security Access Controls. Our audit focused on key access controls for selected information systems used in the delivery of programs at the Department of Social Development and Housing. Our audit did not look for incidents of unauthorized access to security systems or security breaches.

**3.2** The objective of the audit 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.

**3.3** Details on the audit standards, objective and scope, and audit criteria are included in **Appendix A** and **Appendix B** of this chapter.

#### BACKGROUND

**3.4** The Secretary to Treasury Board is responsible for the governance and administration of information technology (IT) within the Government of Prince Edward Island. This includes overall responsibility for the strategic direction of IT in government and IT policies and standards development, maintenance and adherence.

**3.5** In November 2017, Treasury Board approved the Government Information Security Policy (GISP). The purpose of this policy is to protect the confidentiality, integrity and availability of the information assets in the care of the Government of Prince Edward Island. The policy is intended to establish minimum requirements to ensure that information

### 3. IT Security Access Controls

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security policies remain current as business needs evolve and technology changes.

**3.6** The Deputy Minister's Information and Technology Management Advisory Council (DMITMAC) is to provide advice and recommendations to the Secretary to Treasury Board concerning the GISP.

**3.7** Information Technology Shared Services (ITSS) is a branch of the Treasury Board Secretariat which is responsible for the management and coordination of IT services within government. Under the GISP, the Corporate Information Security Officer must establish an information security program to manage and coordinate information security activities across government. This includes ensuring that information security activities are in compliance with the GISP. The Office of Information Protection must assist the Corporate Information Security Officer in its role and provide the security infrastructure necessary to protect government information assets.

**3.8** Departments and entities also have a responsibility to ensure that government-wide IT security policies and standards are adopted and adhered to.

**3.9** The GISP is a policy document that establishes minimum security requirements in several key areas. The Access Control chapter of the GISP identifies the mechanisms that restrict access to government information assets. Access control policies are fundamental to information security within government and regulate who or what can view or use information stored electronically.

**3.10** Throughout the GISP, specific IT security responsibilities are assigned to either, or both, Information Owners and Information Custodians. Information Owners have the responsibility and decision making authority for information throughout its life cycle, including creating, classifying, restricting, and regulating its use or disclosure. Information Custodians maintain or administer information assets by

### 3. IT Security Access Controls

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- providing and managing security for the information asset through its lifecycle;
- maintaining and operating the technical infrastructure that information and information systems reside on; and
- maintaining and operating the security infrastructure protecting information and information systems.

**3.11** The protection of information assets requires a multi-disciplinary approach. The GISP describes the management structure needed to coordinate information security activities among all the parties which access or manage government's information assets.

**3.12** The Department of Social Development and Housing (the Department) collects, maintains, and uses sensitive information to deliver several programs to Islanders. Services delivered through the Department cover a broad scope of responsibilities including, but not limited to, the Social Assistance Program, Child Protection, and the AccessAbility Supports Program.

**3.13** The Department is the owner of sensitive information being continually used for service and program delivery. Most of this information is collected and maintained electronically. We selected key information systems used in the delivery of programs at the Department and assessed selected access controls. Controlling access to these systems also involves IT security responsibilities of ITSS and to a limited extent, the Department of Finance.

#### SUMMARY COMMENTS

**3.14** We reviewed selected policy requirements included in the GISP related to access controls. Overall, our audit noted

- there was lack of compliance with several access control policies;
- government was not regularly assessing compliance with security policies and standards; and
- communication of IT security policy requirements needs improvement.

**3.15** Specific areas of noncompliance to access control policies are not disclosed in this chapter because they could put IT systems at risk.

### 3. IT Security Access Controls

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**3.16** The GISP has specific requirements for regularly assessing compliance with security policies and standards. Management must ensure security policies and processes are implemented in their areas of responsibility and facilitate regular reviews to ensure compliance with policy. In addition, information systems must be regularly checked for compliance with security policies and standards.

**3.17** We asked ITSS if they conduct regular reviews to assess compliance. We were advised that regular reviews were not conducted. Regular reviews of compliance would help to ensure access control policies are adhered to and would identify areas where practices and procedures need improvement. Action is needed in this area as it is evident from the results of our work that many access control policies were not being followed.

**3.18** In addition, communication of policy requirements needs improvement. The GISP is a large comprehensive document with a number of security requirements and is available to all government employees. It is not clear how the policy requirements were explained or communicated to ITSS staff, administrators, departments, and other government entities. Improved communication on policy requirements would also assist in improving compliance with policy.

**3.19** Lack of compliance with security and control requirements introduces significant risk to government information assets and information systems.

#### **Recommendations**

**3.20** Information Technology Shared Services should develop a strategy to communicate security requirements of the access control policy to all key stakeholders.

**3.21** Information Technology Shared Services should establish a security compliance process to measure implementation of controls to effectively protect information systems and assets.

### 3. IT Security Access Controls

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#### MANAGEMENT RESPONSE

**3.22** Management have reviewed the observations and recommendations. We were advised that Information Technology Shared Services will work with the Department of Social Development and Housing to implement the recommendations provided.



#### AUDIT STANDARDS, OBJECTIVE AND SCOPE

##### STANDARDS

This independent assurance report was prepared by the Office of the Auditor General of Prince Edward Island. Our role is to conclude on whether the Department of Social Development and Housing and Information Technology Shared Services complies in all significant respects with the applicable criteria. Management at the Department of Social Development and Housing and Information Technology Shared Services accepted responsibility for the subject under audit.

Work conducted for this audit was performed to a reasonable level of assurance in accordance with 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 behaviour.

##### OBJECTIVE

The objective of this audit 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.

The criteria used to conclude on this audit objective are listed in **Appendix B**. Criteria were developed from selected relevant policies. Management accepted the relevance and suitability of the criteria used in the audit.

#### SCOPE AND APPROACH

The scope of our audit included analysis and testing of records for the period April 1, 2019 to November 30, 2019.

Our approach included

- engagement of an independent Information Technology Consultant;
- interviews with management and staff of Information Technology Shared Services, the Department of Social Development and Housing, and the Department of Finance;
- interviews with an external third party;
- review of relevant policies;
- examination of user accounts and associated privileges; and
- review of documents supporting staffing changes.

We did not conduct a full security assessment of IT systems. In addition, our audit did not include access controls specifically related to mobile computing and teleworking.

Our audit was not designed to detect improper use of accounts or security breaches.

It is important to note that our observations and conclusions relate only to the management processes of Information Technology Shared Services, the Department of Social Development and Housing, and to a limited extent, the Department of 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 March 10, 2020, in Charlottetown, Prince Edward Island.

#### **AUDIT CRITERIA**

Access controls in the following key areas should comply with the Government Information Security Policy:

- password controls;
- review of user access rights;
- control of generic accounts;
- privileged account monitoring; and
- security administration.

## 4. LABORATORY SERVICES - SURGICAL SPECIMEN PROCESSING

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### CHAPTER SUMMARY

#### *Why it's important*

Over 15,000 surgical pathology reports are issued each year in PEI. It is important that Health PEI Laboratory Services has effective processes for the timely analysis of surgical specimens. This impacts 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.

#### *What we found*

Overall, we concluded that Laboratory Services has 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 a 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.

We made six recommendations to Health PEI. The recommendations and responses from Health PEI are included in **Appendix A**.

## 4. Laboratory Services - Surgical Specimen Processing

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### BACKGROUND

**4.1** “The ability to provide patients with the best possible treatment for a wide variety of diseases rests on a foundation of high-quality diagnostics. Analyzing cells and tissues removed via biopsies and surgical resections yields key information required for diagnosis, prognosis, treatment planning and predicting each person’s likely response to therapy. While this applies to patients with a variety of cancers, it is also true for those with non-neoplastic conditions such as kidney, liver, gastrointestinal and respiratory diseases.” (*Pan-Canadian Quality Assurance Recommendations for Interpretive Pathology*)

**4.2** Health PEI is the crown corporation responsible to deliver publically funded health services in Prince Edward Island. Laboratory Services performs specialized tests to help diagnose, monitor, and guide treatment of diseases and other medical conditions.

**4.3** Laboratory Services falls under the Medical Affairs and Legal Services Division as well as the Hospital Services East/Emergency Health Services & Long-Term Care Division of Health PEI. Laboratory Services is managed by two directors: a Technical Director and a Medical Director. The Technical Director is responsible for the administrative function of Laboratory Services, including the integration of each location to ensure continuity of services across all sites. The Technical Director is also responsible for policy development and strategic planning. The Medical Director is responsible for the scope, standard, and quality of provincial laboratory programs from a medical perspective as well as for the overall management and quality of laboratory programs.

**4.4** Laboratory Services provides varying levels of services at each of the six provincial hospital facilities:

- Queen Elizabeth Hospital (QEH);
- Prince County Hospital (PCH);
- Western Hospital (WH);
- Community Hospital (CHO);
- King’s County Memorial Hospital (KCMH); and
- Souris Hospital (SH).

## 4. Laboratory Services - Surgical Specimen Processing

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**4.5** These laboratory services are used to examine, diagnose, and monitor disease and other health conditions. These services include:

- Anatomic Pathology;
  - Autopsy Pathology
  - Cytopathology
  - Surgical Pathology
- Blood Transfusion Services;
- Clinical Chemistry;
- Hematology;
- Immunology; and
- Microbiology.

It is important to note that not all sites provide all of these services.

**4.6** The QEH and PCH are the only two Island hospitals with Anatomic Pathology sections within their respective laboratories. Anatomic Pathology is the branch of Laboratory Medicine that is concerned with diagnosis of disease based on gross, microscopic, chemical and immunologic examination of organs and tissues including autopsies. Following removal of tissue from the patient, the histology section of the laboratory prepares these tissues into microscopic slides for interpretation by a pathologist or other medical personnel.

**4.7** Generally speaking, Anatomic Pathology encompasses Cytopathology, Surgical Pathology, and Autopsy Pathology. This audit focused on Surgical Pathology only and as such Autopsy Pathology and Cytopathology were not included in the scope of our audit. Surgical Pathology is the examination of body tissue from incisional or excisional biopsies to diagnose disease.

**4.8** During the period April 1, 2018 to March 31, 2019, the histology labs at the PCH and the QEH completed over 15,000 reports of surgical specimens. **Exhibit 4.1** provides the number of pathologists' reports completed by lab location, from April 1, 2016 to March 31, 2019.

#### 4. Laboratory Services - Surgical Specimen Processing

**EXHIBIT 4.1**  
**LABORATORY SERVICES - SURGICAL PATHOLOGY**  
**SURGICAL SPECIMENS - PATHOLOGY REPORTS**  
**APRIL 1 - MARCH 31**

Pathology Reports Completed	2016	2017	2018	2019
QEH Histology Laboratory	10,456	10,793	11,074	10,945
PCH Histology Laboratory	4,191	4,438	4,555	4,531
<b>Total</b>	<b>14,647</b>	<b>15,231</b>	<b>15,629</b>	<b>15,476</b>

Source: Derived from Laboratory Services specimen database

**4.9 Exhibit 4.2** depicts the average turnaround time (TAT) for routine and urgent surgical specimens cases. TAT is defined as the duration of time from the receipt of the specimen in the laboratory to ultimate verification of the report by a pathologist. The average TAT for surgical specimens for the year ended March 31, 2019 was 3.8 working days.

**EXHIBIT 4.2**  
**LABORATORY SERVICES - SURGICAL PATHOLOGY**  
**AVERAGE TURNAROUND TIMES - SURGICAL SPECIMENS**  
**MARCH 31, 2019**

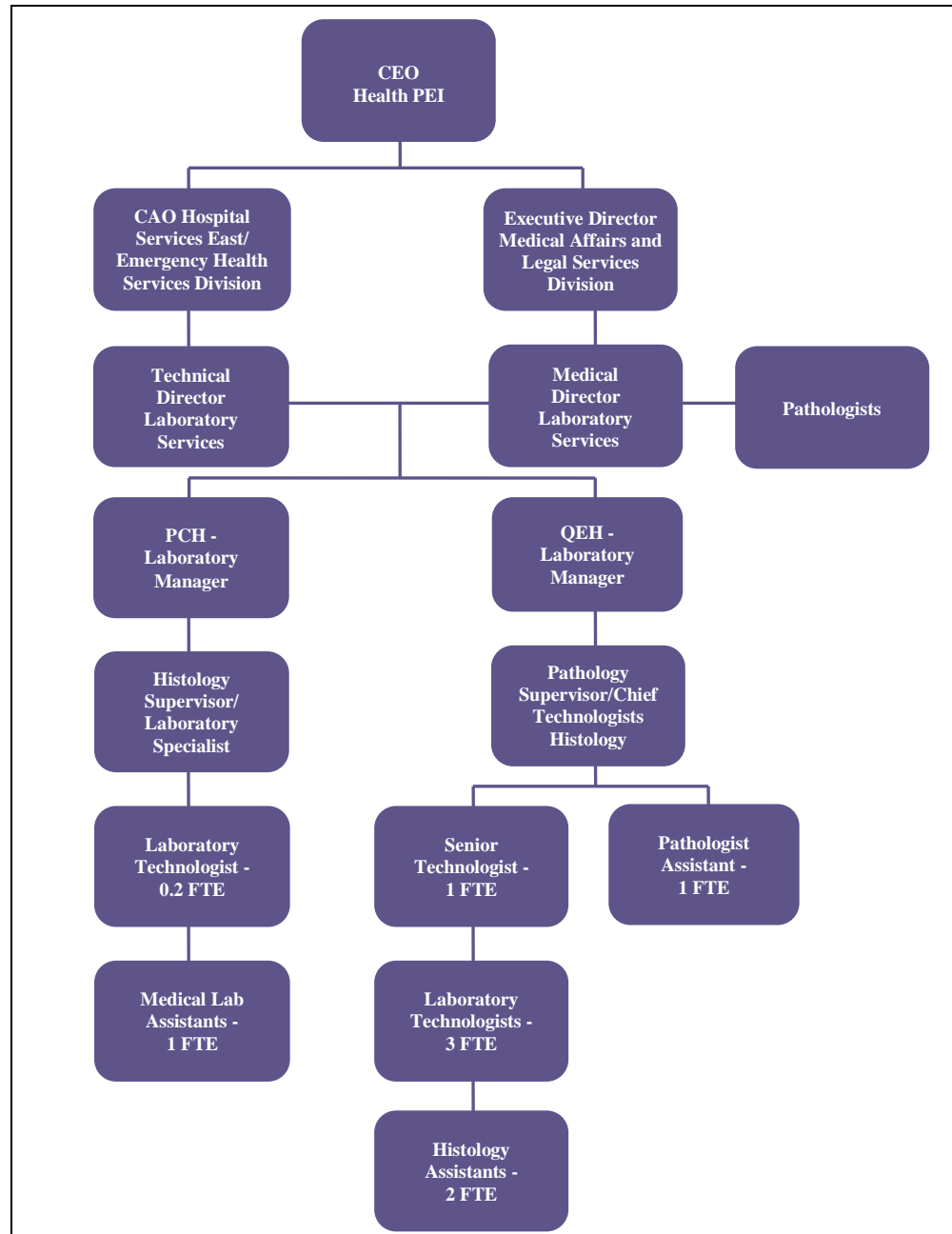
Surgical Specimen Type	Pathology Reports Completed April 1, 2018 to March 31, 2019	Average Turnaround Time
<b>Routine Surgical Specimens</b>	<b>15,373</b>	<b>3.8 working days</b>
<b>Urgent Surgical Specimens</b>	<b>103</b>	<b>2.9 working days</b>
<b>Routine and Urgent Surgical Specimens</b>	<b>15,476</b>	<b>3.8 working days</b>

Source: Derived and calculated using Laboratory Services specimen database

#### 4. Laboratory Services - Surgical Specimen Processing

4.10 Exhibit 4.3 depicts the organization structure of Surgical Pathology within Laboratory Services.

**EXHIBIT 4.3  
ORGANIZATION CHART  
HEALTH PEI LABORATORY SERVICES -  
SURGICAL PATHOLOGY  
MARCH 31, 2019**



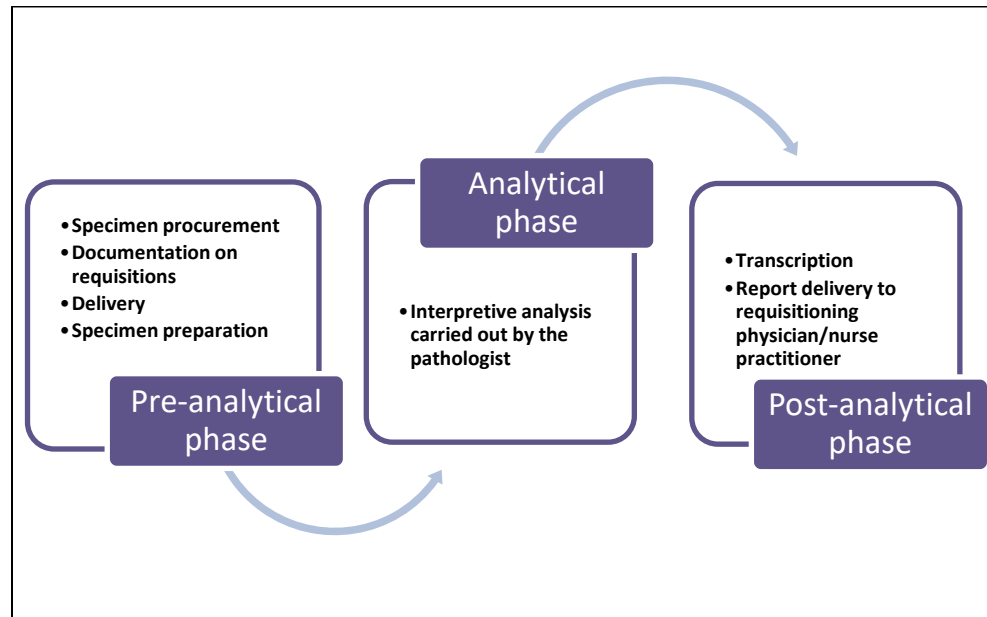
Source: Adapted from Laboratory Services organizational charts



## 4. Laboratory Services - Surgical Specimen Processing

4.11 Exhibit 4.4 depicts the surgical pathology testing cycle broken down into three phases.

**EXHIBIT 4.4**  
**SURGICAL PATHOLOGY TESTING CYCLE**  
**LABORATORY SERVICES**  
**MARCH 31, 2019**

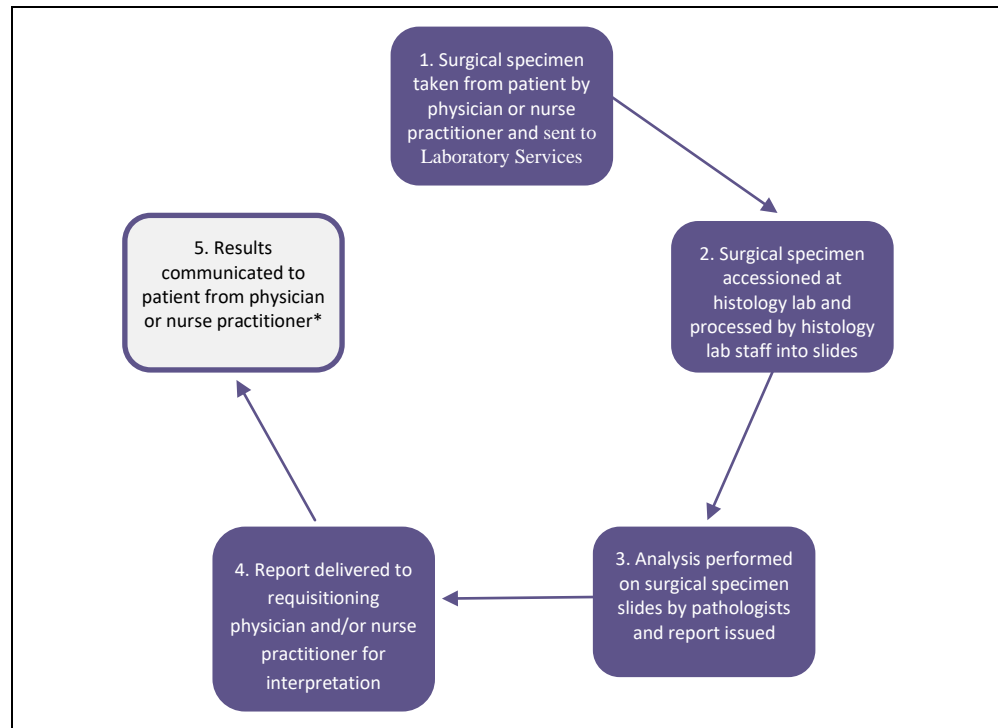


Source: Pan-Canadian Quality Assurance Recommendations for Interpretive Pathology July 2016

4.12 Laboratory Services has specific procedures for processing surgical specimens. Exhibit 4.5 depicts the surgical specimen process within Laboratory Services and the personnel involved.

## 4. Laboratory Services - Surgical Specimen Processing

### EXHIBIT 4.5 SURGICAL SPECIMEN PROCESSING LABORATORY SERVICES MARCH 31, 2019



Source: Information provided by Laboratory Services  
\*This step is beyond the scope of Laboratory Services.

#### AUDIT OBJECTIVE AND SCOPE

**4.13** The objective of this audit was to assess whether Laboratory Services had effective processes to analyze surgical specimens efficiently.

**4.14** We did not audit whether the appropriate diagnosis was made in each of the surgical specimens examined. Our work focused on the process from receipt of the specimen at the lab to verification of the report by the pathologist. The scope period of our audit included surgical pathology reports issued between April 1, 2018 and March 31, 2019.

**4.15** This report includes six recommendations which are listed in **Appendix A**. Details on the audit standards, objective and scope, and criteria are included in **Appendix B** and **Appendix C** of this chapter. The

## 4. Laboratory Services - Surgical Specimen Processing

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following report sections provide information on the findings, related recommendations, and conclusions from our audit.

### OBSERVATIONS AND RECOMMENDATIONS

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#### STANDARD OPERATING PROCEDURES

#### *Summary of Findings*

**4.16** There was no documentation to support that standard operating procedures were regularly reviewed, updated, and provided to staff at the QEH histology lab. Staff were also not aware of a provincial turnaround time policy that was established in 2009.

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**4.17** Important medical findings are made in the histology lab, where pathologists and their team work behind the scenes to identify the existence and extent of disease in tissue samples. It is important that physicians receive timely and high quality reports for patient care.

**4.18** Standard Operating Procedures (SOPs) by definition are considered the “how-to” of a discipline which include step-by-step procedures for performing specific tasks. SOPs should be developed, documented, and regularly updated for laboratory staff to help ensure compliance with regulatory requirements and standards for good medical practice. Policies and procedures should encompass the entire pathology workflow process as well as procedures for monitoring related outcomes.

**4.19** SOPs for the histology lab at Laboratory Services should be reviewed and re-issued at a minimum of every two years. In addition to a review every two years, the management team may review the SOPs following:

- near miss or adverse events;
- changes in methodology;
- changes in regulatory or legal requirements;
- updates from literature reviews;
- internal or external audits; and
- other situations as defined in the laboratory's policies.

## 4. Laboratory Services - Surgical Specimen Processing

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### Omni-assistant document server

**4.20** Laboratory Services uses a document server, called Omni-assistant, that houses SOPs for laboratory medical staff. Medical staff have access to this system and are to apply relevant SOPs to their functions. Levels of access and editing authority are granted to authorized staff. When policies and procedures are added or updated on the server by management, the system automatically generates emails to notify staff of documents to read and sign off.

**4.21** Policies and procedures in accordance with accepted standards should be used for analyzing surgical specimens within acceptable timeframes. These standards should also be readily accessible to Laboratory Services staff.

### *Standard Operating Procedures not regularly reviewed and updated for QEH histology lab staff*

**4.22** We inquired with management at both the PCH and QEH histology labs on whether they were using the Omni-assistant server to regularly review and update SOPs for their respective histology labs. We noted that management of the PCH histology lab was regularly reviewing and updating SOPs through the document server. However, management of the QEH histology lab was not regularly reviewing and updating SOPs through the document server or any other means. In addition, we noted an internal triaging process for specimens was being used in practice for surgical specimens at the QEH histology lab that had not been referenced in any SOPs for lab staff to refer to.

**4.23** Regularly reviewing standard operating procedures is important to help ensure staff stay up to date with industry best practice. Updated procedures should be documented and made available to histology lab staff to ensure consistent application in the processing of surgical specimens.

## 4. Laboratory Services - Surgical Specimen Processing

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### Recommendations

**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.**

**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.**

### Anatomic Pathology Turnaround Time (TAT) Policy

**4.26** According to the *Pan-Canadian Quality Assurance Recommendations for Interpretive Pathology*, there should be policies and procedures to define acceptable and reasonable turnaround times (TAT) based on local conditions, taking into account recommendations made by leading bodies and the needs of the respective clinicians. The monitoring of TATs is an important element of many laboratory accreditation programs.

**4.27** Furthermore, the *Pan Canadian Quality Assurance Recommendations for Interpretive Pathology* noted that TATs for surgical pathology reports are a critical component of quality practice because of their impact on patient care. Prompt diagnosis allows further investigation and treatment planning to be organized in a timely fashion, and may reduce patients' anxiety about their diagnosis.

*Turnaround time policy for surgical specimens provides reasonable detail but is outdated. Surgical Pathology staff were not aware of the policy.*

**4.28** We reviewed the document server for a SOP or policy on acceptable TATs for specimen processing within surgical pathology. We found various individual policies for surgical specimen processing, such as prioritization of rush frozen surgical specimens and timeframes for other rush specimens. However, there was no provincial TAT policy on surgical specimens on the document server.

**4.29** We also asked management for a documented policy on TATs for surgical specimen processing. Throughout our audit, we were advised that there was no TAT policy in effect. However, after the completion of our audit fieldwork, management located and provided our office with a documented TAT policy for surgical specimens. Management indicated they were unaware that this policy existed.

#### 4. Laboratory Services - Surgical Specimen Processing

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**4.30** This policy was authorized and implemented in 2009. It indicates that TATs should be calculated as the duration of time between receipt of the specimen in the lab until the time the pathologist's report is complete. The policy provides sufficient detail for staff to exercise reasonable prioritization for surgical specimens.

**4.31** We did note, however, this policy was out of date. The 2009 policy was not updated for a SOP issued in 2017 that standardized a 24-hour fixation time for all surgical specimens processed at the PCH and QEH laboratories. This additional 24-hour fixation process impacts TATs and was not reflected in the TATs listed in the 2009 policy. Also, the 2009 policy did not include a process for monitoring TATs.

**4.32** Good practice indicates a TAT policy on surgical specimens should detail a process to measure TATs and monitor the performance of the laboratory in meeting these TATs. Although we noted that management of anatomical pathology do have a process to measure TATs, and general TAT information is presented and reviewed at a quarterly quality committee meeting, the 2009 policy does not describe this process.

**4.33** We selected 30 surgical specimen cases reported during our audit scope period. We inspected reports, inquired with laboratory technicians, and spoke with senior management to determine whether there was reasonable evidence to support the TATs for the surgical specimen cases. From our review of the pathology reports, we were unable to determine why TATs were excessive in 4 of the 30 sample items. The directors of Laboratory Services indicated temporary staffing shortages and/or the complexity of the specimen case resulted in additional processing time.

**4.34** TATs may impact the timing of treatment and other therapeutic decisions for patients. Ensuring medical staff are informed of TAT policies and keeping policies up to date promotes effective and efficient processing of surgical specimens. This ultimately results in improved patient care.

## 4. Laboratory Services - Surgical Specimen Processing

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### Recommendation

**4.35 Management of Laboratory Services should update the turnaround time policy for surgical specimen processing to:**

- **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.**

### HISTOLOGY LABORATORY PERSONNEL

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#### *Summary of Findings*

**4.36** Histology labs at the QEH and PCH are staffed with qualified personnel including Medical Laboratory Technologists and Medical Laboratory Assistants. There are no guidelines developed by Laboratory Services on continuous professional development for laboratory staff.

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**4.37** Medical Laboratory Technologists (technologists) are assigned to prepare and process surgical specimens at the QEH and PCH histology labs and Medical Laboratory Assistants (assistants) work under their supervision. We expected Laboratory Services to utilize qualified personnel in the processing and analyzing of surgical specimens.

**4.38** We sampled staff files within the QEH and PCH histology labs to determine whether the staff member filling each position had the qualifications and medical training required. All staff files sampled included documentation supporting the necessary medical training qualifications at the time of hire.

**4.39** Continuing professional development is not currently mandatory for technologists and assistants. Technologists and assistants are not regulated in Prince Edward Island like in most provinces across the country.

**4.40** Regardless of regulation, laboratory staff should have access to continuous professional development opportunities to ensure they are kept abreast of current standards. In other regulated provinces, such as Ontario, Nova Scotia and Newfoundland, technologists and assistants require a minimum of 10 hours of continuous professional development per year. We were informed that staff can, and do, apply for paid leave and funding for training and education programs. In addition, they do have access to

## 4. Laboratory Services - Surgical Specimen Processing

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an on-line portal that provides learning resources applicable to their positions.

**4.41** Documentation of staff training, however, is not maintained by Laboratory Services. Documentation would provide assurance to senior management that all histology lab staff receive an appropriate amount of continuous professional development which impacts the quality of the work performed in the histology lab. As well, it is important to have accurate records available to assess qualifications and future staffing needs.

### Recommendation

**4.42 Management of the histology labs should develop continuous professional development guidelines and maintain records of training completed by lab staff.**

## TRACKING

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### *Summary of Findings*

**4.43** The QEH and PCH histology labs track surgical specimens from receipt through to processing and reporting.

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**4.44** According to *the Pan-Canadian Quality Assurance Recommendations for Interpretive Pathology*, each phase of surgical specimen processing carries risk of surgical specimen mix-up. Measures should be in place to mitigate these risks including multi-departmental policies and a comprehensive bar coding system, or similar positive patient identification system, to track specimens from time of collection through the pathologist's office to report release.

### *Surgical specimen cases are tracked from receipt to final report*

**4.45** The QEH histology lab uses a specimen tracking and workflow management system called Cerebro. Cerebro scans, verifies, and tracks surgical specimen case details. At each step, Cerebro confirms the link between the specimen and the patient, verifies that no items are overlooked, and ensures tasks are correctly completed. This reduces the risk of specimen misidentification and other errors. When the surgical specimen is processed by the histology lab, the Cerner system is used by the pathologists to complete their reporting on the specimen case. The Cerner system is an integrated database used by Health PEI that allows



## 4. Laboratory Services - Surgical Specimen Processing

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health care professionals to electronically store, capture, and access patient health information.

**4.46** The PCH histology lab uses a specimen bar coding system for the tracking of surgical specimens throughout surgical specimen processing. This system also reduces the risk of specimen misidentification errors and other errors. Subsequently, pathologists take the slides and update the Cerner system with their analysis and reports.

**4.47** We selected a sample of 30 surgical specimens cases completed between April 1, 2018 and March 31, 2019. We obtained requisition data for each surgical specimen case to determine whether there was evidence of control points from receipt, through to processing, and reporting.

**4.48** All sample items were controlled through all aspects of processing and included quality check signoffs by QEH and PCH histology lab staff. In addition, pathology reports included details that matched accessioning data, processing dates, and the pathologists assigned.

## REPORTING

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### *Summary of Findings*

**4.49** All specimens analyzed in our audit scope period were reported; however, we noted that the majority of reports were distributed inefficiently via courier or regular mail, rather than electronically.

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**4.50** Pathologist reports are distributed to requisitioning physicians and/or nurse practitioners through standardized reports in Cerner. Requisitioning physicians or nurse practitioners can request how they would like to be provided with the diagnosis report (i.e. email, mail, fax, pick-up). If no preference is stated, the default method for report delivery is through mail-out.

### *Pathologist report delivery to requisitioning physicians and/or nurse practitioners is inefficient*

**4.51** We examined 30 pathology reports and noted that 28 of 30 pathologists' reports were mailed out to requisitioning physicians and/or nurse practitioners. The other reports were sent to pre-specified printers linked to the Health PEI network.

#### 4. Laboratory Services - Surgical Specimen Processing

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**4.52** All requisitioning physicians or nurse practitioners are provided with a government email account which is encrypted and could be used to send pathology reports from Laboratory Services when the reports are complete. We were informed that pathology reports were not being sent electronically to physicians and nurse practitioners. Industry standards for report delivery recommend protocols be in place for delivery of both electronic and hard copy formats to ordering physicians or nurse practitioners.

**4.53** Mailing of reports is inefficient and increases the risk of misplacement and mix-up in comparison to electronic reports through an encrypted channel. We were informed by management that they intend to roll out a new Island-wide electronic medical record system in the upcoming fiscal year. The new system would allow for patient health records at physicians' offices and Health PEI's electronic health record system to be digitally connected. Pathologists at Laboratory Services could use this system to send their reports digitally to requisitioning physicians and/or nurse practitioners.

**4.54** Timely communication of results to the requisitioning physician and/or nurse practitioner impacts the timeliness of treatment or other medical interventions. Turnaround time for the reports of anatomic pathology specimens is a central concern of all anatomic pathology quality assurance standards and programs.

#### **Recommendation**

**4.55 Management of Laboratory Services should implement a process for the efficient delivery of pathology reports to requisitioning physicians and/or nurse practitioners.**

## 4. Laboratory Services - Surgical Specimen Processing

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### QUALITY ASSURANCE

#### *Summary of Findings*

**4.56** Laboratory Services maintains a quality assurance process for surgical specimen analysis through:

- quality checks within the histology labs; and
- quality assurance by pathologists on new cancer cases, difficult cases, and a selection of completed cases.

Laboratory Services also has quality improvement committees that discuss and follow up on quality control issues.

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**4.57** For the analysis of surgical specimens, quality assurance (QA) programs that incorporate technical, administrative and interpretive aspects of QA are integral to accurate pathological diagnosis, quality of care and patient safety. In addition, QA programs help ensure compliance with standards. We expected Laboratory Services to maintain a documented quality assurance process for the analysis and reporting of surgical specimens.

#### *Laboratory Services maintains a Quality Assurance program*

### QA Policies and Procedures

**4.58** There are documented SOPs on QA procedures for the processing of surgical specimens. According to tracking equipment and Cerner specimen case data, laboratory staff perform quality checks on surgical specimen cases prior to notifying the assigned pathologists that cases are ready for analysis.

**4.59** The *PanCanadian Quality Assurance Recommendations for Interpretive Pathology* recommends that policies and procedures should be in place to govern various types of internal and external reviews performed by another pathologist.

**4.60** We were provided with a QA policy document prescribing the peer review processes by pathologists. The document includes a section relating to the quality of the histology department's work as well as surgical specimen results. It also includes details on the specific types of reviews to be completed by another pathologist.

## 4. Laboratory Services - Surgical Specimen Processing

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**4.61** From our testing of surgical specimens and our review of QA committee meetings, we determined that QA procedures were being performed.

**4.62** All provinces have technical/administrative laboratory accreditation programs in place. The Accreditation Canada report issued in 2017 stated Health PEI's Laboratory Services met quality assurance standards. Health PEI's next accreditation assessment is scheduled for the fall of 2021.

### *Equipment not always maintained in accordance with policy*

#### **Histology Lab Equipment**

**4.63** The PCH and QEH Histology Labs manage and maintain laboratory equipment used to process and analyze surgical specimens. We sampled three pieces of equipment to determine if preventative maintenance was performed as required in applicable service contracts. There was documented evidence that preventative maintenance was completed in accordance with the service contract.

**4.64** Other lab equipment was required to have internal maintenance performed and documented by laboratory staff according to internal policy. We examined two pieces of equipment. In one case, we noted internal logs were not maintained to indicate whether regular internal maintenance was completed. For the second piece of equipment, internal maintenance was not recorded for 6 of the 52 weeks in our audit scope period.

### **Recommendation**

**4.65** In accordance with existing policies, management of the histology labs should ensure internal maintenance on laboratory equipment is completed and documented.

#### **Oversight**

**4.66** Quality assurance committees are important to encourage timely, accurate and complete pathology reports, policies and procedures that encompass the entire pathology workflow process as well as procedures for monitoring related outcomes. We expected Laboratory Services to have a process to identify bottlenecks and delays in biopsy analysis, to demonstrate that trends were tracked, and factors inhibiting efficient biopsy analysis were addressed.

#### 4. Laboratory Services - Surgical Specimen Processing

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##### *Laboratory Services has a process to follow-up on quality assurance issues identified*

**4.67** Through the use of Cerebro, the QEH histology lab identifies bottlenecks in the processing phases of surgical specimens prior to pathologists' analysis and reporting. Although the PCH does not have the same tracking system functionality, Cerner system data indicated pathologists report quality assurance issues to histology lab technicians. In addition, corrective actions by histology lab technicians were documented.

**4.68** We examined minutes from three quality improvement committees:

- Provincial Laboratory Continuous Quality Improvement;
- QEH Histology Team; and
- Quarterly Quality Improvement (specific to Pathology).

**4.69** Quality Assurance committees vary in composition and may include pathologists, directors, lab managers, technologists, and/or assistants as members. These committees met regularly to discuss and address current issues in their operations. Committee minutes provided evidence of trends being tracked and factors inhibiting efficient biopsy analysis being addressed.

##### *Laboratory Services reports key information to Senior Management*

**4.70** The purpose of management reporting is to allow an organization to track performance, analyze trends, analyze data and align overall performance goals of the organization. We expected Laboratory Services to regularly report key information to senior management.

**4.71** We were informed that the directors of Laboratory Services report annually, and communicate urgent matters as needed, to senior management of Health PEI. Key information, such as accreditation results, policy changes as well as staffing requirements was reported annually to Health PEI executives.

## 4. Laboratory Services - Surgical Specimen Processing

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### CONCLUSION

**4.72** Overall, we concluded that Laboratory Services had effective processes to analyze surgical specimens efficiently; however, we noted weaknesses in some areas.

**4.73** Responsibility was assigned for performing and reporting analysis of surgical specimens. However, there was no documentation to support that standard operating procedures were regularly reviewed, updated, and provided to QEH histology lab staff. Further, staff were not aware of a provincial turnaround time policy that was established in 2009.

**4.74** Through the use of specimen tracking systems at the PCH and QEH, histology lab staff maintain control of the surgical specimen from receipt of the specimen to the final pathology report. In addition, the histology labs at the QEH and PCH are staffed with qualified personnel. However, we did note that management of Laboratory Services had not developed guidelines on continuous professional development for histology lab staff. Laboratory Services also did not maintain documentation on any professional development completed.

**4.75** As well, we noted that even though specimen analysis results were reported to the requisitioning health care professionals as required, the method of providing these reports was inefficient. Most reports are still provided in paper copy and delivered either through courier or regular mail to the requisitioning physicians and/or nurse practitioners.

**4.76** Laboratory Services has a quality assurance program for surgical specimen processing. There are routine quality checks within the histology labs at both the QEH and PCH. Pathologists perform various quality assurance checks on specimen analysis. Laboratory Services also has various quality assurance committees where quality control issues are discussed and addressed. Further, annual reporting is provided to senior management of Health PEI on quality related issues within histology and pathology.

## 4. Laboratory Services - Surgical Specimen Processing

RECOMMENDATIONS*	MANAGEMENT'S RESPONSE
<p><b>Recommendation 4.24</b> Management of the histology labs should ensure all standard operating procedures are regularly reviewed, documented, and available on the Omni-assistant document server.</p>	<p>Paper standard operating procedures (SOP) are being reviewed, updated if needed, then uploaded to the Omni software to further consolidate with existing procedures that are present in the system. Existing electronic SOPs have established review dates. They are regularly reviewed and updated by management as appropriate at the established review date.</p> <p><b>Timeline for completion: April 2020</b></p>
<p><b>Recommendation 4.25</b> 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.</p>	<p>Although familiar and knowledgeable to these operating procedures, staff have been assigned re-reading of these procedures to allow documentation of sign off dates. Audit reports are available to management to track staff sign off on each SOP.</p> <p><b>Timeline for completion: February 1 - April 30, 2020</b></p>
<p><b>Recommendation 4.35</b> Management of Laboratory Services should update the turnaround time policy for surgical specimen processing to:</p> <ul style="list-style-type: none"> <li>• reflect current standard operating procedures; and</li> <li>• include details of a process for monitoring turnaround times.</li> </ul> <p>This policy should be issued and distributed to relevant staff.</p>	<p>The policy for turnaround time reporting reflects current SOP and has been approved by all pathologists. The policy will be posted to Omni reflecting the changes to our fixation process to ensure access by relevant staff and tracking of staff sign-off to indicate policy read.</p> <p><b>Timeline for completion: March 31, 2020</b></p>
<p><b>Recommendation 4.42</b> Management of the histology labs should develop continuous professional development guidelines and maintain records of training completed by lab staff.</p>	<p>Medical Laboratory Technologists will shortly become regulated under the <i>Regulated Health Professionals Act</i>. The College will determine the continuing education credits required from professionals.</p> <p><b>Timeline for completion: Changes to the Act are presently with the Department of Health and Wellness. Date for legislative approval establishing the regulatory body for Medical Laboratory Technologists is pending.</b></p>

\*Recommendation numbers refer to the paragraph numbers in this chapter.

## 4. Laboratory Services - Surgical Specimen Processing

RECOMMENDATIONS*	MANAGEMENT'S RESPONSE
<p><b>Recommendation 4.55</b> Management of Laboratory Services should implement a process for the efficient delivery of pathology reports to requisitioning physicians and/or nurse practitioners.</p>	<p>A Request for Proposal (RFP) for an Electronic Medical Record Solution is in process. This RFP includes provisions for electronic reporting capabilities to ordering providers outside of the Health PEI network (ie. family physician offices).</p> <p><b>Timeline for completion: RFP released February 11, 2020 and will close on March 11, 2020. Further timelines regarding vendor selection and implementation are to be determined by the Electronic Medical Record Steering Committees.</b></p>
<p><b>Recommendation 4.65</b> In accordance with existing policies, management of the histology labs should ensure internal maintenance on laboratory equipment is completed and documented.</p>	<p>Each piece of equipment is assigned a maintenance checklist which may include daily, weekly or monthly tasks. Technologists initial the completion of required tasks. The supervisors within the division review checklists on a consistent basis and will discuss with staff any incidents regarding missing documentation.</p> <p><b>Timeline for completion: Completed.</b></p>

\*Recommendation numbers refer to the paragraph numbers in this chapter.



### AUDIT STANDARDS, OBJECTIVE AND SCOPE

#### STANDARDS

This independent assurance report was prepared by the Office of the Auditor General of Prince Edward Island. The purpose of this audit is to independently conclude on whether Provincial Laboratory Services complies in all significant respects with the applicable criteria. Provincial Laboratory Services accepted responsibility for the subject matter under audit.

Work conducted for this audit was performed to a reasonable level of assurance in accordance with 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 the 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 behaviour.

#### OBJECTIVE

The objective of this audit was to assess whether Laboratory Services had effective processes to analyze surgical specimens efficiently.

## 4. Laboratory Services - Surgical Specimen Processing

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APPENDIX B  
Page 2 of 2

We developed a number of criteria to assess whether Laboratory Services had met the objective. These criteria are listed in **Appendix C**.

Criteria were primarily based on literature review of widely used practices and criteria used by other legislative audit offices. Management accepted the relevance and suitability of the criteria used in the audit.

### SCOPE AND APPROACH

The scope period of our audit was April 1, 2018 to March 31, 2019. We examined documentation outside that period as necessary.

Our approach included

- interviewing management and staff of Laboratory Services;
- conducting site visits at the Queen Elizabeth and Prince County hospitals;
- examining a sample of surgical specimens reported during the scope period;
- examining a sample of equipment maintenance documentation;
- examining a sample of staff files;
- examining minutes, policy and procedure documents, reports and other documentation as required; and,
- consulting with and receiving advice from an independent pathologist.

We did not audit whether the appropriate diagnosis was made in each of the surgical specimens examined. Our work focused on the process from receipt of the specimen at the respective lab to reporting by the Pathologist.

It is important to note that our observations and conclusions relate only to the management practices of Laboratory Services, particularly the Histology Labs, and 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 February 28, 2020, in Charlottetown, Prince Edward Island.

#### AUDIT CRITERIA

1. Laboratory Services plans for the efficient analysis of surgical specimens.
  - Responsibility is assigned for performing and reporting analysis of surgical specimens.
  - Accepted standards are used for analyzing surgical specimens within acceptable time frames.
  - Standards are readily accessible to Laboratory Services' staff.
  - Laboratory Services can track requests for and completion of analysis of surgical specimens.
2. Laboratory Services has processes to analyze surgical specimens in accordance with accepted standards.
  - Laboratory Services maintains control of the surgical specimen from receipt, through to analysis and final reporting.
  - Laboratory Services utilizes qualified personnel.
  - Laboratory Services provide specimen analysis results to requisitioning health care professionals
3. Laboratory Services monitors the specimen analysis process and implements improvements to the process as required.
  - Laboratory Services maintains a quality assurance program.
  - Laboratory Services identifies and addresses factors inhibiting efficient surgical specimen processing and reporting.
  - Laboratory Services reports key information to senior management.

## 5. REVIEW OF GOVERNMENT ADVERTISING

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### CHAPTER SUMMARY

**5.1** The *Government Advertising Standards Act* (Act) came into effect on January 1, 2020. The Act sets out standards that all government advertising must meet. Government advertising includes advertising that is produced or published by or on behalf of a government office, in return for payment of public money. The Act defines a government office as a department, the Executive Council Office, the Office of the Premier or a reporting entity listed in Schedule B of the *Financial Administration Act*.

**5.2** When requested under the Act, the Auditor General is responsible for examining certain government advertisements, to determine whether the legislated standards are met and that advertisements are not partisan in nature. The Act states that “an item is partisan if, in the opinion of the Auditor General, a primary objective of the item is to promote the partisan political interests of the governing party.”

**5.3** Under Section 5.(1), a head of a government office may request the Auditor General to examine a specific item not yet made public, to determine whether the item meets the standards set out in the Act.

**5.4** A Member of the Legislative Assembly may also make a written complaint to the Auditor General under Section 6.(1), that the item specified in the complaint does not meet the standards set out in the Act.

**5.5** The *Government Advertising Standards Act* requires the Auditor General to report annually to the Speaker of the Legislative Assembly. The report is to include matters the Auditor General considers appropriate relating to her powers and duties under the Act, as well as any contraventions to the advertising standards set out in Section 4 of the Act. This is the first report to the Legislative Assembly on the new responsibilities of the Auditor General under the Act.

**5.6** For the period January 1, 2020 to March 10, 2020, the Auditor General’s Office did not receive any requests under Section 5.(1) or 6.(1) of the *Government Advertising Standards Act*.

## **PREVIOUS RECOMMENDATIONS**



## 6. IMPLEMENTATION OF 2016 AND 2017 RECOMMENDATIONS

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### CHAPTER SUMMARY

#### *Why it's important*

Our performance audits and examinations include recommendations to improve the management of government programs and protect the interests of taxpayers. It is important that MLAs and Islanders receive a regular update on the progress government is making in implementing our recommendations.

#### *What we found*

The 2016 and 2017 annual reports of the Auditor General included 55 recommendations from 6 performance audits and examinations.

At October 31, 2019:

- 64 percent of 2016 recommendations were implemented; and
- 43 percent of 2017 recommendations were implemented.

Management of the audited department, Crown corporation or agency has had a number of years to implement these recommendations. Action has been taken on some of the outstanding recommendations, but they are not fully implemented. Management have advised that some of the delays are due to outstanding IT upgrades as well as outstanding changes to regulations.

### BACKGROUND

**6.1** Every year, we make recommendations specific to each of the performance audits and examinations conducted by our Office. The recommendations made in each audit report 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 issue.

## 6. Implementation of 2016 and 2017 Recommendations

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**6.2** We report on the implementation of recommendations three years after the audit was initially reported. We follow up again on any outstanding recommendations for one additional year.

**6.3** This year, we are providing information on the status of implementation of recommendations made in our 2016 and 2017 annual reports. We requested management to indicate whether the recommendations were complete or not complete as of October 31, 2019. For each recommendation that management reported as complete, we requested details on the action taken and we conducted follow-up work to determine if the recommendation was implemented. We did not do any follow-up work on any recommendations reported by management as not complete.

**6.4** 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 conclusion.

**6.5** The following section provides information on the results of our work. **Appendix A** and **Appendix B** list all recommendations from performance audits and examinations included in our 2016 and 2017 annual reports and the status of implementation as of October 31, 2019. Further details on our objective, scope, and conclusion are included in **Appendix C** of this chapter.

**6.6** **Appendix D** lists all recommendations reported by management as not complete. We have not conducted any work and provide no assurance on these management responses.

### OBSERVATIONS

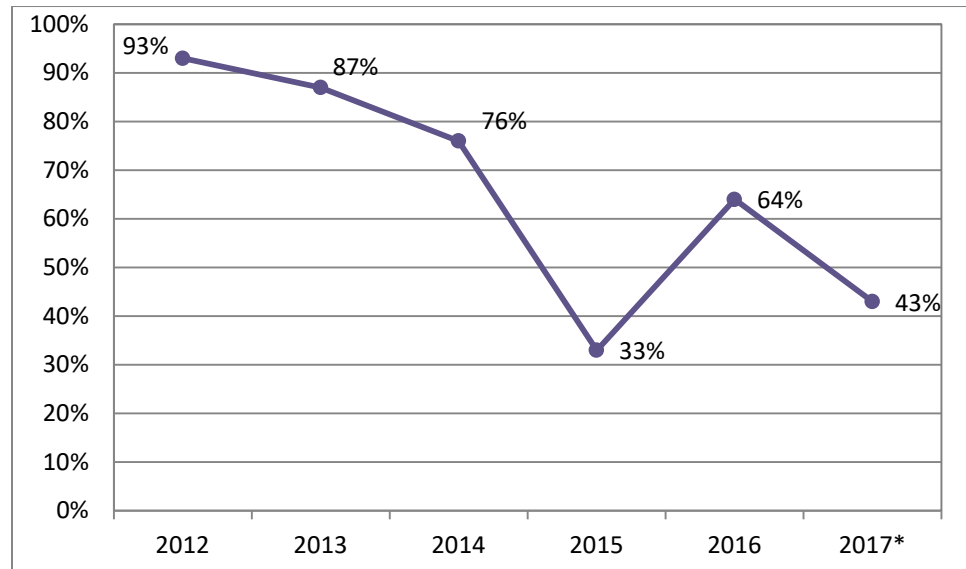
#### IMPLEMENTATION RATES

**6.7** For several years we have been reporting, based on limited assurance, the status of implementation of recommendations included in previous annual reports. **Exhibit 6.1** shows the implementation rates of our 2012 to 2017 recommendations. These rates are based on the information in our annual report at the time our follow-up work was completed. We will follow up on outstanding 2017 recommendations again next year.



## 6. Implementation of 2016 and 2017 Recommendations

### EXHIBIT 6.1 PERFORMANCE AUDITS AND EXAMINATIONS IMPLEMENTATION OF RECOMMENDATIONS ANNUAL REPORT YEARS



\*2017 to be updated in 2021

**6.8** Exhibit 6.2 shows a breakdown of the implementation rates by entity. These implementation rates are based on the results reported at the time the follow-up work was completed. Further action may have been taken subsequent to our last follow-up.

## 6. Implementation of 2016 and 2017 Recommendations

### EXHIBIT 6.2 IMPLEMENTATION OF 2012 TO 2017 RECOMMENDATIONS BY ENTITY

Entity*	Year	Total	Outstanding	No Longer Applicable	Implemented**	
					#	Percent
<b>Department of Environment, Water and Climate Change</b>		<b>16</b>	<b>10</b>	<b>-</b>	<b>6</b>	<b>38%</b>
Management of Contaminated Sites	2015	8	7	-	1	13%
Climate Change	2017	8	3	-	5	63%
<b>Department of Finance</b>		<b>15</b>	<b>2</b>	<b>-</b>	<b>13</b>	<b>87%</b>
Information Technology - Governance and IT Contracting	2014	14	2	-	12	86%
Write-offs and Cancellations	2015	1	-	-	1	100%
<b>Department of Health and Wellness</b>		<b>24</b>	<b>7</b>	<b>-</b>	<b>17</b>	<b>71%</b>
Long Term Planning and Access - Community Mental Health	2012	2	1	-	1	50%
Management of Ground Ambulance Services	2013	22	6	-	16	73%
<b>Department of Justice and Public Safety</b>		<b>20</b>	<b>13</b>	<b>-</b>	<b>7</b>	<b>35%</b>
Maintenance Enforcement Program	2016	8	4	-	4	50%
Office of the Public Trustee	2017	12	9	-	3	25%
<b>Department of Social Development and Housing</b>		<b>26</b>	<b>9</b>	<b>-</b>	<b>17</b>	<b>65%</b>
Child Protection - Internal Controls	2014	16	4	-	12	75%
Seniors Housing Program	2017	10	5	-	5	50%
<b>Department of Transportation, Infrastructure and Energy</b>		<b>43</b>	<b>9</b>	<b>6</b>	<b>28</b>	<b>76%</b>
Grants and Loans - Office of Energy Efficiency	2012	6	-	4	2	100%
Highway Construction	2012	21	-	-	21	100%
Island Community Fund Grant program	2014	2	-	2	-	N/A
Access PEI	2015	13	8	-	5	38%
Management of Contaminated Sites	2015	1	1	-	-	0%
<b>Department of Education and Lifelong Learning</b>		<b>21</b>	<b>-</b>	<b>3</b>	<b>18</b>	<b>100%</b>
Skills PEI	2013	21	-	3	18	100%
<b>Finance PEI/Island Investment Development Inc.</b>		<b>13</b>	<b>-</b>	<b>-</b>	<b>13</b>	<b>100%</b>
PNP: Follow-up on the use of proceeds agreement	2013	3	-	-	3	100%
Developmental Lending	2016	10	-	-	10	100%
<b>Health PEI</b>		<b>33</b>	<b>13</b>	<b>-</b>	<b>20</b>	<b>61%</b>
Long Term Planning and Access - Community Mental Health	2012	10	1	-	9	90%
Management of Ground Ambulance Services	2013	2	-	-	2	100%
Diabetes - Strategy and Organization of Care	2014	7	3	-	4	57%
Out-of-Province Health Services	2015	7	4	-	3	43%
Payments to Private Nursing Homes	2016	7	5	-	2	29%
<b>Tourism PEI</b>		<b>10</b>	<b>1</b>	<b>-</b>	<b>9</b>	<b>90%</b>
Contract Management of Professional Services	2012	10	1	-	9	90%
<b>Grand Total</b>		<b>221</b>	<b>64</b>	<b>9</b>	<b>148</b>	<b>70%</b>

\*Reflects current entity responsible

\*\*Percent implemented excludes recommendations that are no longer applicable. Rates are based on results reported at the time the follow-up work was completed.

## 6. Implementation of 2016 and 2017 Recommendations

### 2016 ANNUAL REPORT

**6.9** Exhibit 6.3 shows the overall rate of implementation of recommendations for each audit included in our 2016 Annual Report.

#### EXHIBIT 6.3 STATUS OF IMPLEMENTATION OF RECOMMENDATIONS\* BASED ON LIMITED ASSURANCE 2016 ANNUAL REPORT

Audit	Total	Outstanding	Implemented	
			#	Percent
Maintenance Enforcement Program	8	4	4	50%
Developmental Lending**	10	0	10	100%
Payments to Private Nursing Homes	7	5	2	29%
<b>Total*</b>	<b>25</b>	<b>9</b>	<b>16</b>	<b>64%</b>

\*As of October 31, 2019

\*\* All recommendations completed as of October 31, 2018

**6.10** This is the second year we followed up on the recommendations reported in our 2016 Annual Report. The implementation rate did not change from last year. The paragraphs that follow provide additional information on the outstanding recommendations.

#### **Maintenance Enforcement Program**

##### *What our original audit examined*

**6.11** At the time of our audit, the Maintenance Enforcement Program was processing over \$7 million in court ordered payments each year. These payments impact the well-being of Island families. We examined the processes for managing enforcement actions on maintenance orders in arrears, and the controls at the Maintenance Enforcement Office over the receipt and disbursement of funds.

##### *Status of recommendations*

**6.12** As a result of our audit, we made eight recommendations. Management indicated that five recommendations were complete. We determined that four recommendations were complete as of October 31, 2019.

## 6. Implementation of 2016 and 2017 Recommendations

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Status Date	Implemented	Outstanding	Total
October 31, 2019	4	4	8

**6.13** The outstanding recommendations relate to

- supporting key decisions in case files with appropriate documentation;
- management review of files and monitoring of the maintenance enforcement program; and
- ensuring that there are internal controls to safeguard assets and maintain complete and accurate financial records.

**6.14** The Maintenance Enforcement Office has developed a policy manual to address several of the outstanding recommendations. These new policies became effective July 1, 2018. As of October 31, 2019, staff were still working on implementing these policies. Some action was taken to improve internal controls, however more work is required.

**6.15** Because these recommendations are still outstanding, the risks they were intended to address remain:

- The interests of the beneficiary, the payor, and the enforcement officer may not be protected.
- Management may not be aware of errors, inconsistencies, and inadequate enforcement action in case files.
- Unauthorized transactions and payment adjustment errors may not be detected.

### **Payments to Private Nursing Homes**

*What our original audit examined*

**6.16** Health PEI is responsible for administering payments to private nursing homes. These homes provide accommodation, personal care, and medical services to residents on a 24-hour basis. Payments to private nursing homes were approximately \$20 million per year at the time of our audit.

## 6. Implementation of 2016 and 2017 Recommendations

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**6.17** We examined Health PEI's processes for reviewing and approving claims from private nursing homes, assessing eligibility for accommodation subsidies, and monitoring and reporting on long-term care subsidies.

### *Status of recommendations*

**6.18** Our original audit included seven recommendations. Management indicated that four of the seven recommendations were outstanding and three recommendations were complete. Based on our work, we concluded that there were two recommendations completed by October 31, 2019.

Status Date	Implemented	Outstanding	Total
October 31, 2019	2	5	7

**6.19** The outstanding recommendations relate to

- maintaining adequate documentation to support payments;
- completing annual file reviews and case audits on subsidized residents at private nursing homes; and
- paying transportation expenses in accordance with policy.

**6.20** As a result of the follow-up work conducted, we determined processes have been developed and implemented for case audits. As of October 31, 2019, some case audits had been completed. However, they were not completed on a regular basis.

**6.21** Because these recommendations have not been implemented, the following risks remain:

- inaccurate payments to private nursing homes; and
- transportation costs not approved based on policy.

## 6. Implementation of 2016 and 2017 Recommendations

### 2017 ANNUAL REPORT

**6.22** This is the first year we assessed the implementation of our 2017 recommendations. Overall, we concluded that 43 percent of these recommendations were implemented. **Exhibit 6.4** provides a breakdown of the results.

#### EXHIBIT 6.4 STATUS OF IMPLEMENTATION OF RECOMMENDATIONS\* BASED ON LIMITED ASSURANCE 2017 ANNUAL REPORT

Audit	Total	Outstanding	Implemented	
			#	Percent
Climate Change	8	3	5	63%
Office of the Public Trustee	12	9	3	25%
Seniors Housing Program	10	5	5	50%
<b>Total*</b>	<b>30</b>	<b>17</b>	<b>13</b>	<b>43%</b>

\*As of October 31, 2019

#### Climate Change

*What our original audit examined*

**6.23** The Department of Communities, Land and Environment (now the Department of Environment, Water, and Climate Change) is responsible for administering the *Environmental Protection Act*. The purpose of the *Environmental Protection Act* is to manage, protect, and enhance the environment.

**6.24** In 2015, the Office of the Auditor General of Canada and all provincial legislative offices agreed to work together on a collaborative audit initiative regarding climate change. In the spring of 2016, all partners agreed to work together to determine the extent to which federal, provincial, and territorial governments in Canada are meeting their commitments to reduce greenhouse gas emissions and to adapt to climate change. Each participating office issued a separate report based on the work conducted within their respective jurisdiction. A collaborative audit report was issued as well which incorporated the issues identified by all participating offices.

## 6. Implementation of 2016 and 2017 Recommendations

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**6.25** The objectives of our audit were to determine whether the Government of Prince Edward Island:

- had made progress towards commitments to reduce greenhouse gas emissions; and
- had taken action to adapt to climate change risks.

### *Status of recommendations*

**6.26** As a result of our audit, we made eight recommendations. Management indicated that five recommendations were complete. Based on our work, we agreed that five recommendations were complete as of October 31, 2019.

Status Date	Implemented	Outstanding	Total
October 31, 2019	5	3	8

**6.27** The outstanding recommendations relate to:

- documented implementation plans for key climate mitigation actions that would include at a minimum: assignment of responsibility, timelines for each action, financial and other resources required, and performance measures;
- preparation of a province-wide risk assessment for adaptation to climate change. This assessment should identify, analyze and prioritize the key risks; and
- documented implementation plans for key adaptation actions for climate change that should include at a minimum: assignment of responsibility, timelines for each action, financial and other resources required, and performance measures.

**6.28** Because these recommendations are still outstanding, the risks they were intended to address remain:

- Some mitigation items are not assigned a timeline, estimated financial cost, method for measuring results and assignment of responsibility. This could impact the likelihood of action being taken on a timely basis.

## 6. Implementation of 2016 and 2017 Recommendations

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- Without a comprehensive province-wide risk assessment, resources for adaptation may not be directed to the most significant climate change risks. This could leave Islanders potentially vulnerable and subject to higher financial costs to address the negative effects of climate change.
- Without implementation plans for some key adaptation actions, responsibilities and timelines may not be clear, and financial and other resources may not be identified.

### Office of the Public Trustee

#### *What our original audit examined*

**6.29** The Public Trustee is responsible to protect the financial interests of some of Prince Edward Island's most vulnerable residents. The Office of the Public Trustee responds to the needs of those who are deemed medically incapable of making their own financial decisions or where required by order of the court. At the time of our audit, the Public Trustee was responsible for approximately 300 clients.

**6.30** The objectives of our audit were to determine whether the Public Trustee Office:

- had adequate processes to safeguard and administer client assets held in trust; and
- publicly reported on its performance.

#### *Status of recommendations*

**6.31** Our original audit included 12 recommendations. Management indicated that 7 recommendations were complete. Based on our work, we concluded 3 recommendations were implemented.

Status Date	Implemented	Outstanding	Total
October 31, 2019	3	9	12

**6.32** The outstanding recommendations relate to:

- lack of documentation and regular updating of key summary information on each client;



## 6. Implementation of 2016 and 2017 Recommendations

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- client revenues and expenses either not recorded or not recorded on a timely basis;
- lack of timely preparation of monthly bank reconciliations;
- lack of documented policies; and
- lack of performance reporting.

**6.33** Because these recommendations are still outstanding, the risks they were intended to address remain:

- incomplete financial and other information to allow the Public Trustee to safeguard the interests of clients and provide adequate oversight;
- incomplete accounting records and risk of unauthorized disbursements;
- lack of guidance for staff on actions required on client files can impact consistency and appropriateness of file management; and
- lack of performance measurement and accountability.

### Seniors Housing Program

*What our original audit examined*

**6.34** The Seniors Housing Program was established to provide quality housing to low income seniors who are unable to maintain their existing homes and are unable to obtain suitable housing through their own resources. At the time of our audit, the province owned 1,117 seniors housing units located in 32 communities across the province.

**6.35** The objectives of our audit were to determine whether the Housing Services Division

- developed a long-term plan for seniors housing to address the housing needs of Island seniors;
- performed assessments on applicants and selected new tenants in compliance with policy; and
- maintained an accurate, up-to-date listing of applicants waiting for placement.

## 6. Implementation of 2016 and 2017 Recommendations

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### *Status of recommendations*

**6.36** Our original audit included 10 recommendations. Management indicated that two of the ten recommendations were outstanding and eight recommendations were complete. Based on our work, we have determined that five recommendations were complete.

Status Date	Implemented	Outstanding	Total
October 31, 2019	5	5	10

**6.37** The outstanding recommendations relate to:

- ensuring housing officers comply with policy in assessing applicants;
- implementing a quality control review process for assessments;
- providing guidance to housing officers regarding challenging applicants;
- establishing performance indicators as a basis to measure and report on program performance; and
- reporting publicly on the performance of its low income Seniors Housing Program.

**6.38** Because these recommendations have not been implemented, the following risks remain:

- assessments used in the program to place applicants for housing may have inaccurate and incomplete information which could impact housing placement decisions;
- lack of guidance for staff on actions required on client files may result in inconsistent and inappropriate file management; and
- lack of performance measurement and accountability.

**6.39** We will follow up again on the outstanding 2017 recommendations in our 2021 Annual Report.

**2016 ANNUAL REPORT  
PERFORMANCE AUDITS AND EXAMINATIONS  
RECOMMENDATIONS**

Audit	Para.	Recommendation	Status of Implementation as at Oct 31, 2019
<b>Maintenance Enforcement Program</b>			
Department of Justice and Public Safety	2.29	The Maintenance Enforcement Office should develop and document policies and procedures to guide enforcement officers in administering and enforcing court orders and agreements.	Complete
	2.34	The Maintenance Enforcement Office should support key decisions in the case files with appropriate documentation.	Not Complete
	2.35	The Maintenance Enforcement Office should obtain documented consent from beneficiaries before arrears balances are reduced and no longer enforced.	Complete
	2.38	The Maintenance Enforcement Office should perform and document an independent review of ledger adjustments.	Complete
	2.42	The Maintenance Enforcement Office should implement a risk-based quality control review process on case files.	Not Complete
	2.47	The Maintenance Enforcement Office should define and obtain the necessary reports for effective management and oversight of the Maintenance Enforcement Program.	Not Complete
	2.58	The Maintenance Enforcement Office should determine the appropriate distribution of the unassigned balance in the trust account at March 31, 2015, and complete the required adjustments.	Complete
	2.59	The Maintenance Enforcement Office should develop and implement internal controls to safeguard assets and maintain complete and accurate financial records. This at a minimum should include <ul style="list-style-type: none"> <li>• regular bank reconciliations;</li> <li>• periodic review of unallocated amounts in the trust account;</li> <li>• appropriate segregation of duties; and</li> <li>• review and approval of significant adjustments to client ledgers.</li> </ul>	Not Complete

**2016 ANNUAL REPORT  
PERFORMANCE AUDITS AND EXAMINATIONS  
RECOMMENDATIONS**

Audit	Para.	Recommendation	Status of Implementation as at Oct 31, 2019*
<b>Developmental Lending</b>			
Finance PEI and IIDI	3.25	Finance PEI and Island Investment Development Inc. should identify key economic development indicators for the developmental loan programs and report on performance in relation to these indicators.	Complete
	3.32	Finance PEI Developmental Lending Division and Island Investment Development Inc. should prepare and provide additional policy guidance to staff on lending processes regarding risk assessments at the application stage, security requirements, and problem accounts.	Complete
	3.37	When placing reliance on guarantees as part of the loan security, Island Investment Development Inc. should obtain sufficient financial information to support the guarantee.	Complete
	3.54	For significant projects, Island Investment Development Inc. should obtain detailed cost estimates prior to approving financing.	Complete
	3.55	Island Investment Development Inc. should monitor actual project costs against original cost estimates and obtain explanations for significant variances.	Complete
	3.70	Finance PEI and Island Investment Development Inc. should update their loan policies to define problem loans. This definition should differentiate between performing and non-performing loans.	Complete
	3.71	Finance PEI should enhance reporting to its board of directors to include reporting on non-performing loans.	Complete
	3.72	Island Investment Development Inc. should provide its board of directors with regular reporting on its loan portfolio including non-performing loans.	Complete
	3.77	Finance PEI and Island Investment Development Inc. should strengthen their loan reporting process to comply with Treasury Board requirements.	Complete
	3.78	Finance PEI and Island Investment Development Inc. should highlight in their loan reporting to Treasury Board any problem loans which have been refinanced.	Complete

\*All recommendations completed as of October 31, 2018.

**2016 ANNUAL REPORT  
PERFORMANCE AUDITS AND EXAMINATIONS  
RECOMMENDATIONS**

Audit	Para.	Recommendation	Status of Implementation as at Oct 31, 2019
<b>Payments to Private Nursing Homes</b>			
Health PEI	4.31	Health PEI should <ul style="list-style-type: none"> <li>• establish clearly defined review procedures for monthly claims submitted by private nursing homes;</li> <li>• take appropriate action to ensure the review procedures are consistently applied; and</li> <li>• obtain sufficient documentation to support the amounts claimed.</li> </ul>	Complete
	4.34	Health PEI should pay transportation expenses for subsidized residents in accordance with policy.	Not Complete
	4.39*	Health PEI should periodically review the trust accounts of subsidized residents at private nursing homes and maintain documentation supporting the review.	Not Complete
	4.46	Health PEI should maintain adequate documentation to support that each applicant's income was verified in accordance with the <i>Long-Term Care Subsidization Act Regulations</i> .	Not Complete
	4.49	Health PEI should conduct annual file reviews on all subsidized residents to comply with the <i>Long-Term Care Subsidization Act Regulations</i> .	Not Complete
	4.53	Health PEI should conduct, document, and report on case audits in accordance with the <i>Long-Term Care Subsidization Act Regulations</i> .	Not Complete
	4.59	Health PEI should report annually on the administration of the Long-Term Care Subsidization Program in accordance with the <i>Long-Term Care Subsidization Act</i> .	Complete

\*On February 1, 2020 amendments to the *Long-Term Care Subsidization Act* regulations came into effect and as of that date this recommendation is no longer applicable.

**2017 ANNUAL REPORT  
PERFORMANCE AUDITS AND EXAMINATIONS  
RECOMMENDATIONS**

Audit	Para.	Recommendation	Status of Implementation as at Oct 31, 2019
<b>Climate Change</b>			
Department of Environment, Water and Climate Change (formerly Communities, Land, and Environment)	2.43	The Department of Communities, Land and Environment should coordinate provincial strategy development and implementation related to climate change.	Complete
	2.44	The Department of Communities, Land and Environment should develop a climate change strategy including both mitigation and adaptation which focuses on the key risks and vulnerabilities of the province. The strategy should include at a minimum <ul style="list-style-type: none"> <li>• objectives;</li> <li>• planned actions;</li> <li>• timeframe;</li> <li>• roles and responsibilities; and</li> <li>• public reporting requirements.</li> </ul>	Complete
	2.45	Executive Council should approve provincial climate change strategies.	Complete
	2.46	The Department of Communities, Land and Environment should provide annual public reports on progress made to mitigate and adapt to climate change.	Complete
	2.66	Executive Council should establish clearly defined provincial targets for the reduction of greenhouse gas emissions. These targets should be publicly communicated.	Complete
	2.67	The Department of Communities, Land and Environment should ensure documented implementation plans are completed for all key mitigation actions. This would include at a minimum: <ul style="list-style-type: none"> <li>• assignment of responsibility;</li> <li>• timelines for each action;</li> <li>• financial and other resources required; and</li> <li>• performance measures.</li> </ul>	Not Complete
	2.76	The Department of Communities, Land and Environment should prepare a province-wide risk assessment for adaptation to climate change. This assessment should identify, analyze and prioritize key risks.	Not Complete
	2.77	The Department of Communities, Land and Environment should ensure documented implementation plans are completed for all key adaptation actions. This would include at a minimum: <ul style="list-style-type: none"> <li>• assignment of responsibility;</li> <li>• timelines for each action;</li> <li>• financial and other resources required; and</li> <li>• performance measures.</li> </ul>	Not Complete

**2017 ANNUAL REPORT  
PERFORMANCE AUDITS AND EXAMINATIONS  
RECOMMENDATIONS**

Audit	Para.	Recommendation	Status of Implementation as at Oct 31, 2019
<b>Office of the Public Trustee</b>			
Department of Justice and Public Safety	3.25	The Public Trustee Office should document and regularly update key summary information on each client.	Not Complete
	3.26	The Public Trustee Office should record the revenues and expenses for each client.	Not Complete
	3.27	The Public Trustee Office should provide adequate oversight for all clients.	Complete
	3.32	The Public Trustee Office should act in a timely manner to establish a complete listing and take control of assets and liabilities for each client.	Not Complete
	3.33	The Public Trustee Office should reconcile auction proceeds to the inventory of significant assets and maintain appropriate documentation.	Complete
	3.40	The Public Trustee Office should develop and implement adequate internal controls to safeguard and maintain client's financial assets. This, at a minimum, should include <ul style="list-style-type: none"> <li>• appropriate segregation of duties;</li> <li>• review and approval of documentation to support disbursements; and</li> <li>• timely preparation and review of monthly bank reconciliations.</li> </ul>	Not Complete
	3.43	The Public Trustee should obtain regular summary reports to facilitate oversight of client accounts.	Not Complete
	3.47	The Public Trustee Office should maintain organized client files containing all relevant documentation to support transactions.	Complete
	3.57	The Public Trustee Office should take action to implement an accounting system that facilitates timely, accurate information for management decision making and reporting.	Not Complete
	3.67	The Public Trustee Office should establish documented policies and procedures to guide staff in conducting the work of the Office. At a minimum, these should include <ul style="list-style-type: none"> <li>• administration of client files;</li> <li>• financial controls;</li> <li>• managing client investments; and</li> <li>• contacting known heirs.</li> </ul>	Not Complete
3.71	The Office of the Public Trustee should establish documented performance measures.	Not Complete	

**2017 ANNUAL REPORT  
PERFORMANCE AUDITS AND EXAMINATIONS  
RECOMMENDATIONS**

Audit	Para.	Recommendation	Status of Implementation as at Oct 31, 2019
<b>Office of the Public Trustee (cont'd)</b>			
Department of Justice and Public Safety	3.72	The Public Trustee Office should annually report to the public on its performance.	Not Complete
<b>Seniors Housing Program</b>			
Department of Social Development and Housing (formerly Family and Human Services)	4.28	The Housing Services Division should prepare a long-term plan to address the current and expected future demand for low income seniors housing.	Complete
	4.40	The Housing Services Division should establish a process for housing offices to verify income, assets, and housing costs at the time of application.	Complete
	4.41	The Housing Services Division should ensure that housing officers comply with policy in assessing applicants.	Not Complete
	4.42	The Housing Services Division should implement a quality control review process for assessments.	Not Complete
	4.52	The Housing Services Division should develop a process to ensure accurate, relevant wait list information is available for the Seniors Housing Program on a timely basis.	Complete
	4.70	The Housing Services Division should ensure placements are made based on program policy. Exceptions to policy should be documented and authorized by senior management.	Complete
	4.71	The Housing Services Division should ensure sufficient documentation is maintained to support placement decisions.	Complete
	4.72	The Housing Services Division should provide guidance to housing officers regarding challenging applicants.	Not Complete
	4.75	The Housing Services Division should establish performance indicators as a basis to measure and report on program performance.	Not Complete
	4.76	The Housing Services Division should report publicly on the performance of its low income Seniors Housing Program.	Not Complete



### 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 2016 and 2017 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, do not intend to implement, or action no longer required, 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 complete.

#### SCOPE AND APPROACH

The scope of our work included only recommendations from performance audits and examinations included in the 2016 and 2017 annual reports. We provide limited assurance on those recommendations assessed by management as complete as at October 31, 2019.

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 in extent 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 of October 31, 2019

- 64 percent of 2016 recommendations were implemented; and
- 43 percent of 2017 recommendations were implemented.

Based on the limited assurance procedures performed and evidence obtained on completed 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 March 4, 2020, in Charlottetown, Prince Edward Island.

**RECOMMENDATIONS REPORTED BY MANAGEMENT  
AS NOT COMPLETE AT OCTOBER 31, 2019  
2016 AND 2017 AUDITS**

We requested a written assessment from management on whether recommendations from our 2016 and 2017 performance audits and examinations were complete or not complete at October 31, 2019. 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
<b>Maintenance Enforcement Program</b>		
2.34	The Maintenance Enforcement Office should support key decisions in the case files with appropriate documentation.	The Maintenance Enforcement Program (MEP) has implemented new procedures and policies going forward that address documentation in support of key decisions in files. The office, while working on ongoing operational demands within the work section, continues to work to bring all files within the office up to standard.
2.47	The Maintenance Enforcement Office should define and obtain the necessary reports for effective management and oversight of the Maintenance Enforcement Program.	Reports must presently be collated manually and, due to the operational demands, not all reports were complete at the time of the follow up review. Further, the development of the required reports within the existing MEP system are time intensive and will be included in the new case management platform. We anticipate the roll out of the new system in the winter of 2020.
2.59	The Maintenance Enforcement Office should develop and implement internal controls to safeguard assets and maintain complete and accurate financial records. This at a minimum should include <ul style="list-style-type: none"> <li>• regular bank reconciliations;</li> <li>• periodic review of unallocated amounts in the trust account;</li> <li>• appropriate segregation of duties; and</li> <li>• review and approval of significant adjustments to client ledgers.</li> </ul>	The MEP's current software program used to case-manage the office is not an accounting platform. This creates significant challenges in the timely provision of information for the necessary maintenance and control over financial assets. Information must be manually collated to undertake accurate reconciliation of MEP accounts. Due to operational demands, MEP was unable to fully implement our intended response to this recommendation.  We anticipate the roll out of the new system in the winter of 2020.
<b>Private Nursing Homes</b>		
4.34	Health PEI should pay transportation expenses for subsidized residents in accordance with policy.	Policy review and development required due process. The proposed policy change and the associated budget requirements need approval by the Department of Health and Wellness.

**RECOMMENDATIONS REPORTED BY MANAGEMENT  
AS NOT COMPLETE AT OCTOBER 31, 2019  
2016 AND 2017 AUDITS**

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

Rec. #	Recommendation	Management Response
<b>Private Nursing Homes (cont'd)</b>		
4.39	Health PEI should periodically review the trust accounts of subsidized residents at private nursing homes and maintain documentation supporting the review.	New review process to be implemented by April 1, 2020 with the intent to review at least half of the private long-term care facilities' trust accounts each fiscal year.
4.46	Health PEI should maintain adequate documentation to support that each applicant's income was verified in accordance with the <i>Long-Term Care Subsidization Act Regulations</i> .	<i>Long-Term Care Subsidization Act</i> regulations requires both Notice of Assessment as well Income Tax and Benefit Return documents. Working with the Department of Health and Wellness to complete a revision of the regulations and seek approval from the Cabinet Committee on Policy and Priorities to allow for assessments to be completed by accessing the Notice of Assessments directly from CRA with the client's permission. Aim is to have this completed by January 31, 2020.
4.49	Health PEI should conduct annual file reviews on all subsidized residents to comply with the <i>Long-Term Care Subsidization Act Regulations</i> .	Revisions to the <i>Long-Term Care Subsidization Act</i> regulations sought as per 4.46 are anticipated to alleviate the administrative burden to the subsidy program; additional staff time will be allocated to increase file reviews beyond current risk-based thresholds when those changes have been implemented.
<b>Climate Change</b>		
2.67	The Department of Communities, Land and Environment should ensure documented implementation plans are completed for all key mitigation actions. This would include at a minimum: <ul style="list-style-type: none"> <li>• assignment of responsibility;</li> <li>• timelines for each action;</li> <li>• financial and other resources required; and</li> <li>• performance measures.</li> </ul>	An implementation Framework for the Climate Change Action Plan was approved in October 2018. This Framework requires the development of a workplan and implementation plans for each of the 32 actions in the Action Plan.  28 implementation plans, including those that are mitigation-related, have been developed or drafted as of October 31, 2019. Each implementation plan includes the assignment of responsibility (i.e. lead organization and project lead), timelines, required resources (financial and other resources), and performance measures.  Additional implementation plans will be created in the next year as new projects are initiated. There are plans to update the Implementation Framework. This would include changes to the implementation plan template and the creation of an internal dashboard for tracking progress.

**RECOMMENDATIONS REPORTED BY MANAGEMENT  
AS NOT COMPLETE AT OCTOBER 31, 2019  
2016 AND 2017 AUDITS**

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

Rec. #	Recommendation	Management Response
<b>Climate Change (cont'd)</b>		
2.76	The Department of Communities, Land and Environment should prepare a province-wide risk assessment for adaptation to climate change. This assessment should identify, analyze and prioritize key risks.	<p>As part of the Climate Change Action Plan 2018-2023, the Province committed to “<i>identify vulnerable public assets and infrastructure along the coast</i>” (Action Item No. 1) and “<i>assess future climate impacts upon sectors and stakeholders to help prioritize efforts to adapt to climate change</i>” (Action Item No. 30). Efforts to assess flood risk associated with public assets and infrastructure began in 2018. The Province is awaiting a final report on this project.</p> <p>Earlier this year, Natural Resources Canada invited provinces to apply for federal support for risk assessment projects. The Department responded to this call and submitted a proposal to conduct a province-wide risk assessment. This proposal was successful and an existing adaptation-related contribution agreement was amended to facilitate federal support for this initiative.</p> <p>The province-wide risk assessment will identify, analyze, and prioritize key risks. It will also incorporate previous efforts to assess flood risk to public assets.</p> <p>The Department plans to engage a consultant to conduct this assessment. A request for proposals is in development. The province-wide risk assessment is expected to be completed by December 2021.</p>

**RECOMMENDATIONS REPORTED BY MANAGEMENT  
AS NOT COMPLETE AT OCTOBER 31, 2019  
2016 AND 2017 AUDITS**

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

Rec. #	Recommendation	Management Response
<b>Climate Change (cont'd)</b>		
2.77	<p>The Department of Communities, Land and Environment should ensure documented implementation plans are completed for all key adaptation actions. This would include at a minimum:</p> <ul style="list-style-type: none"> <li>• assignment of responsibility;</li> <li>• timelines for each action;</li> <li>• financial and other resources required; and</li> <li>• performance measures.</li> </ul>	<p>An Implementation Framework for the Climate Change Action Plan was approved in October 2018. This Framework requires the development of implementation plans for each of the 32 actions in the Action Plan.</p> <p>28 implementation plans, including those that are adaptation-related, have been developed or drafted as of October 31, 2019. Each implementation plan includes the assignment of responsibility (i.e., lead organization and project lead), timelines, required resources (financial and other resources), and performance measures.</p> <p>Additional implementation plans will be created in the next year as new projects are initiated.</p> <p>There are plans to update the Implementation Framework. This would include changes to the implementation plan template and the creation of an internal dashboard for tracking progress.</p>
<b>Office of the Public Trustee</b>		
3.43	The Public Trustee should obtain regular summary reports to facilitate oversight of client accounts.	The implementation process is ongoing. Given the work done in the Office and ongoing responses to all of the recommendations, manual creation of summary reports is not possible. The issue has been identified and will be automated in the updated software platform.
3.57	The Public Trustee Office should take action to implement an accounting system that facilitates timely, accurate information for management decision making and reporting.	The updating and implementation of the new software platform is time intensive and a comprehensive change. In addition, addressing all of the recommendations and maintaining operational demands in the Office is significant. Continued progress is being made on all fronts.

**RECOMMENDATIONS REPORTED BY MANAGEMENT  
AS NOT COMPLETE AT OCTOBER 31, 2019  
2016 AND 2017 AUDITS**

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

Rec. #	Recommendation	Management Response
<b>Office of the Public Trustee (cont'd)</b>		
3.67	The Public Trustee Office should establish documented policies and procedures to guide staff in conducting the work of the Office. At a minimum, these should include <ul style="list-style-type: none"> <li>• administration of client files;</li> <li>• financial controls;</li> <li>• managing client investments; and</li> <li>• contacting known heirs.</li> </ul>	Development of this policy manual is ongoing and will be concluded following the implementation of the software program to ensure the existence of automated controls is considered in policy development. The Office practices, which have been developed, will be formalized into policy for inclusion in the manual. We are endeavouring to have the policy manual complete or substantially complete by the end of fiscal year 2019/20.
3.71	The Office of the Public Trustee should establish documented performance measures.	The current case management system does not contain sufficient data reports to comply with this recommendation at this time. The new case management system is scheduled to be implemented by the end of 2019.
3.72	The Public Trustee Office should annually report to the public on its performance.	The Office expects that in the full year after the deployment of the new software and policy manual, the Public Trustee Office will be better positioned to provide an accurate and current annual performance report.
<b>Seniors Housing Program</b>		
4.75	The Housing Services Division should establish performance indicators as a basis to measure and report on program performance.	Performance indicators that speak to the effectiveness of housing programs will be determined, and developed, as part of both the Provincial Housing Strategy and National Housing Strategy.
4.76	The Housing Services Division should report publicly on the performance of its low income Seniors Housing Program.	

## 7. IMPLEMENTATION OF RECOMMENDATIONS 2016 SPECIAL ASSIGNMENT

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### CHAPTER SUMMARY

#### *Why it's important*

In October 2016, we issued a report on Government Involvement with the E-gaming Initiative and Financial Services Platform. This special assignment was requested by Executive Council pursuant to the *Audit Act*. It is important that MLAs and Islanders receive an update on the progress government is making in implementing the recommendations arising from that report.

#### *What we found*

Our report on Government Involvement with the E-gaming Initiative and Financial Services Platform included 15 recommendations. We concluded that action was taken on all recommendations as of October 31, 2019. We have assessed some recommendations as ongoing as there is a continuing requirement to comply with legislation and policies.

### BACKGROUND

**7.1** We are providing information on the status of implementation of recommendations made in our 2016 Special Assignment on Government Involvement with the E-gaming Initiative and Financial Services Platform. The 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.

**7.2** The recommendations in the original report were directed to various government entities. We requested management of these entities to indicate whether the recommendations were complete or not complete as of October 31, 2019. Management indicated that all 15 recommendations were complete. We requested details on the action taken and we conducted follow-up work to determine the status of implementation of each recommendation.



## 7. Implementation of Recommendations 2016 Special Assignment

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**7.3** 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 conclusion.

**7.4** The following section provides information on the results of our work. **Appendix A** in this chapter lists all of the recommendations from this special assignment and the status of implementation as of October 31, 2019. **Appendix B** provides further details on the objective and scope of our work.

**7.5** In March 2015, our Office was asked by Executive Council to undertake a special assignment. The assignment involved an examination of “government support to the Mi’kmaq Confederacy of Prince Edward Island in relation to E-gaming, along with steps taken by government, throughout its relationship with MCPEI, to protect the interests of taxpayers.” We were further asked to “consider government’s dealing with Simplex, Capital Markets Technologies (CMT) and related companies in relation to E-gaming and financial services, including the conduct of current and former elected officials and staff.”

Our original report examined:

- Financial Support to Mi’kmaq Confederacy of PEI: E-gaming Initiative

We assessed whether due diligence was applied in approving, disbursing, and monitoring the loan and grants provided to MCPEI.

- Financial Services Platform: MOU with Trinity Bay Technologies

We assessed whether appropriate due diligence was applied prior to entering into and extending the Memorandum of Understanding signed with Trinity Bay Technologies.

- Conduct: E-gaming/Financial Services Platform Initiatives

We assessed whether elected officials (both current and former) and selected government employees (both current and former) respected the applicable conflict of interest legislation and/or policies and basic

## 7. Implementation of Recommendations 2016 Special Assignment

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principles of good governance, including, but not limited to integrity, stewardship and transparency.

- Consultants and Third Parties

We assessed whether government complied with selected aspects of Treasury Board policy on contracting for consultants and other third parties engaged to conduct work in relation to the E-gaming initiative, the loyalty card program, and/or the financial services platform MOU.

### OBSERVATIONS

**7.6** Government's involvement with E-gaming and the financial services platform was a unique, one-time initiative. Many of the recommendations in the 2016 report reflected the need to strengthen existing policies and procedures, and also comply with legislation and policies. Strong management of financial reporting practices and controls as well as compliance with legislation and policies are fundamental to the management of government programs.

**7.7** We used three categories to conclude on the status of implementation of recommendations: complete, not complete, and ongoing. The categories are defined as follows:

- Complete - action taken and no further action required OR action taken to strengthen practices and we expect these practices will be followed on a go forward basis.
- Not complete - no action taken.
- Ongoing - action taken to strengthen or reinforce existing government legislation and policies, and the need to comply is ongoing.

**7.8** We concluded that action was taken on all 15 recommendations. We assessed 53% of the recommendations as complete as of October 31, 2019 and 47% as ongoing as shown in **Exhibit 7.1**.

## 7. Implementation of Recommendations 2016 Special Assignment

### EXHIBIT 7.1 STATUS OF IMPLEMENTATION OF RECOMMENDATIONS\* BASED ON LIMITED ASSURANCE 2016 SPECIAL ASSIGNMENT

Original Report Section	Complete	Not Complete	Ongoing	Total
Relationship between Government and External Parties	-	-	1	1
Funding and Costs	3	-	1	4
Financial Reporting	2	-	2	4
Approval Process	2	-	-	2
Records Management	-	-	2	2
Whistleblower Protection	1	-	1	2
<b>Total</b>	<b>8</b>	<b>-</b>	<b>7</b>	<b>15</b>
<b>Percentage</b>	<b>53%</b>	<b>-</b>	<b>47%</b>	<b>100%</b>

\* As of October 31, 2019

**7.9** The recommendation noted as complete under the whistleblower protection section relates to a recommendation made for government to consider adopting whistleblower legislation. Government did consider legislation and a *Public Interest Disclosure and Whistleblower Protection Act* has received Royal Assent, but it had not been proclaimed and implemented at the time of our follow up work.

## 7. Implementation of Recommendations 2016 Special Assignment

APPENDIX A  
Page 1 of 2

### 2016 SPECIAL ASSIGNMENT RECOMMENDATIONS

Audit	Para.	Recommendation	Status of Implementation as at Oct 31, 2019
<b>Relationship between Government and External Parties</b>			
	3.24	When engaging in joint initiatives with external parties, government should ensure taxpayers' interests are protected through written agreements. These agreements should address, at a minimum, roles and responsibilities, conflict of interest, confidentiality and government access to files and information.	Ongoing
<b>Funding and Costs</b>			
	3.56	Innovation PEI should ensure grant approval documents and agreements accurately reflect the project being funded.	Complete
	3.57	Innovation PEI should monitor grant funding in accordance with the terms and conditions in the letter of offer.	Complete
	3.58	IIDI should not disburse loan proceeds prior to signing loan agreements and obtaining security.	Complete
	3.59	In accordance with the <i>Financial Administration Act</i> and Treasury Board policy, government loan guarantees should be authorized by the Lieutenant Governor in Council.	Ongoing
<b>Financial Reporting</b>			
	3.66	The Department of Finance should strengthen its financial reporting practices to ensure all loss provisions are reflected in the consolidated financial statements of the province.	Ongoing
	3.67	IIDI should strengthen its financial reporting practices and ensure all significant information is disclosed.	Complete
	3.68	In accordance with the <i>Financial Administration Act</i> , IIDI should recommend to Executive Council the write off of the loan to MCPEI.	Complete
	3.69	IIDI should provide the required information on its loan portfolio in its quarterly reporting to Treasury Board.	Ongoing
<b>Approval Process</b>			
	5.17	Innovation PEI should perform adequate due diligence prior to entering into commitments or agreements with external parties.	Complete
	5.18	Treasury Board policy on contracting should be expanded to address conflict of interest situations with contractors.	Complete

2016 SPECIAL ASSIGNMENT  
RECOMMENDATIONS

Audit	Para.	Recommendation	Status of Implementation as at Oct 31, 2019
<b>Records Management</b>			
	7.14	The Public Archives and Records Office, in cooperation with public bodies, should monitor compliance with records management policies and procedures and submit compliance reports to the Minister of Education.	Ongoing
	7.15	The Minister of Education, as the Minister responsible for the <i>Archives and Records Act</i> , should take necessary action to enforce compliance with the Act.	Ongoing
<b>Whistleblower Protection</b>			
	8.9	Treasury Board should take action to enforce compliance with its policies on contracting.	Ongoing
	8.10	Government should consider adopting whistleblower legislation.	Complete

**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 2016 Special Assignment. 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, do not intend to implement, or action no longer required, to determine if government's assessment was free from material misstatement.

**SCOPE AND APPROACH**

The scope of our work included only recommendations from the 2016 Special Assignment. We provide limited assurance on those recommendations assessed by management as complete as at October 31, 2019.

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 in extent 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 action was taken on all recommendations as of October 31, 2019. Overall, 53% of the recommendations are complete as of October 31, 2019 and 47% are ongoing.

Based on the limited assurance procedures performed and evidence obtained on completed 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 March 5, 2020, in Charlottetown, Prince Edward Island.





# FINANCIAL AUDITS



## 8. INTRODUCTION TO FINANCIAL AUDITS

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**8.1** Government is responsible for the management and control of public resources. Financial statements provide information to describe changes in a government's financial position and its revenues and expenses for a fiscal period. Information contained in the annual financial statements is used by Members of the Legislative Assembly and the public to hold government accountable for its use and control of public resources.

**8.2** Management is responsible for the preparation and fair presentation of financial statements with oversight from those charged with governance. Management is also responsible to establish internal controls necessary to enable the preparation and fair presentation of financial statements. Users of financial statements need to know the information in the financial statements is reliable in order to make economic decisions based on what is prepared and presented by management.

**8.3** The work of an independent auditor provides assurance that the financial statements are fairly presented. Using Canadian Auditing Standards, the auditor:

- identifies and assesses the risks of material misstatement;
- obtains an understanding of internal control;
- examines evidence supporting the amounts and disclosures in the financial statements;
- objectively assesses the accounting principles used, the estimates made, and other management assertions reflected in the financial statements; and
- evaluates the overall presentation, structure and content of the financial statements.

**8.4** Canadian Auditing Standards require the auditor to obtain a high level of assurance to determine whether the financial information is free from material misstatement. The auditor obtains sufficient appropriate audit evidence to express an opinion in an independent auditor's report.

**8.5** The *Audit Act* requires the Auditor General to perform financial audits of the province's consolidated financial statements. We also perform the annual financial statement audit for the following entities:

## 8. Introduction to Financial Audits

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- Health PEI
- PEI Advisory Council on the Status of Women
- PEI Agricultural Insurance Corporation
- PEI Civil Service Superannuation Fund
- PEI Crown Building Corporation
- PEI Grain Elevators Corporation
- PEI Housing Corporation
- PEI Liquor Control Commission
- PEI Lotteries Commission
- PEI Self-Insurance and Risk Management Fund
- PEI Teachers Superannuation Fund
- Pension Plan for Members of the Legislative Assembly
- Public Trustee
- Supreme Court of PEI Trust Accounts

**8.6** The *Audit Act* also requires the Auditor General to bring to the attention of the Legislative Assembly any matter identified during an audit which in her opinion should be brought to its attention.

**8.7** In addition to the above financial statement audits, the Office has responsibilities under the *Climate Leadership Act*. This legislation became effective April 1, 2019. Section 2 of the Act establishes new reporting requirements for the Auditor General relating to the levy on fuel implemented under the Act. The first year of reporting will cover the period April 1, 2019 to March 31, 2020.

**8.8** In the chapters that follow, we provide summary financial highlights and comments on indicators of financial condition for the province. We also report on observations and recommendations resulting from our audits of:

- the province's consolidated financial statements;
- the financial statements of government organizations, government business enterprises and trust funds; and
- the processing and recording of appropriations and special warrants.

## 9. INDICATORS OF FINANCIAL CONDITION

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### CHAPTER SUMMARY

#### *Why it's important*

The condition of the province's finances is important because it affects all residents of the province through the level of taxation, spending, and the provincial economy. This chapter presents information to assist legislators, the public, and other users to better understand the financial condition of the province.

#### *What we found*

- The province reported a surplus of \$57 million in 2018-19, a significant difference from the budgeted surplus of \$1.5 million.
- As of March 31, 2019 net debt totaled \$2.12 billion. Net debt decreased by \$5.1 million compared to the prior year.
- Net debt to gross domestic product declined in 2019 and has continued to decline since 2015.
- Net debt per capita decreased from the prior year and was \$13,532 per person at March 31, 2019.

### BACKGROUND

**9.1** Several resources are used in assessing the financial condition of a province. The Public Sector Accounting Board's Statement of Recommended Practice suggests a number of indicators to assist in assessing a government's financial condition. These indicators help provide insight into government's ability to maintain its programs and services, the flexibility it has to respond to economic changes, and its vulnerability to external sources of funding. We highlight a number of these indicators in this chapter.

**9.2** Consolidated financial statements are helpful to provide an overview of the financial condition of the province at its year-end and for

## 9. Indicators of Financial Condition

the prior period. However, financial statements do not provide a complete perspective on how the province is performing in relation to the overall economic and fiscal environments. To assist users in understanding the financial condition of the province, we provide information on a number of indicators of financial condition.

**9.3** This current update provides financial information and indicators for the last five fiscal periods. The most recent estimates of nominal gross domestic product (GDP) and population were used in the determination of various indicators. Consistent with other jurisdictions, nominal GDP is presented on a calendar year basis.

### SUMMARY FINANCIAL INFORMATION

#### FINANCIAL HIGHLIGHTS

**9.4** Exhibit 9.1 summarizes the province's financial position and operating results for the last five years.

#### EXHIBIT 9.1 SUMMARY FINANCIAL INFORMATION YEAR ENDED MARCH 31 (\$ Millions)

	2015	2016	2017	2018	2019
Financial Assets	\$1,121.8	\$1,068.8	\$1,096.2	\$1,114.6	\$1,119.1
Liabilities	<u>3,265.8</u>	<u>3,251.2</u>	<u>3,271.2</u>	<u>3,243.5</u>	<u>3,242.9</u>
Net Debt	2,144.0	2,182.4	2,175.0	2,128.9	2,123.8
Non-Financial Assets	<u>1,005.9</u>	<u>1,028.2</u>	<u>1,029.2</u>	<u>1,067.1</u>	<u>1,111.5</u>
Accumulated Deficit	<u>\$1,138.1</u>	<u>\$1,154.2</u>	<u>\$1,145.8</u>	<u>\$1,061.8</u>	<u>\$1,012.3</u>
Revenues	1,726.4	1,758.7	1,837.4	1,987.1	2,078.7
Expenses	<u>1,746.7</u>	<u>1,771.8</u>	<u>1,838.7</u>	<u>1,912.5</u>	<u>2,021.7</u>
Annual Surplus (Deficit)	<u>\$ (20.3)</u>	<u>\$ (13.1)</u>	<u>\$ (1.3)</u>	<u>\$ 74.6</u>	<u>\$ 57.0</u>
Nominal Gross Domestic Product*	<u>\$ 5,858</u>	<u>\$ 6,088</u>	<u>\$ 6,376</u>	<u>\$ 6,715</u>	<u>\$ 6,994</u>

Source: Derived from 2018-19 Public Accounts Volume I with restatements as identified in Public Accounts

\*Statistics Canada, published November 7, 2019

## 9. Indicators of Financial Condition

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### Net Debt

**9.5** An important and widely accepted measure of financial condition is net debt. Net debt is the difference between liabilities and financial assets. It provides a measure of the amount of future revenue that will be required to pay for past operations.

**9.6** Net debt decreased by \$5.1 million or 0.2 percent from the prior year and was \$2.12 billion at March 31, 2019. The reason for the decrease in net debt is a combination of a decline in the accumulated deficit of \$49.5 million offset by an increase in the net investment in non-financial assets of \$44.4 million.

**9.7** Net debt has declined by approximately \$20.2 million or 0.9 percent since March 31, 2015. This decline is attributed to a net decrease in the accumulated deficits of \$125.8 million offset by increases in the net investment in non-financial assets of \$105.6 million.

**9.8** **Exhibit 9.1** also shows total liabilities have decreased by approximately \$22.9 million or 0.7 percent since March 31, 2015.

**9.9** At March 31, 2019, the province had outstanding short-term loans, loans payable, and debentures totaling approximately \$2.9 billion making up 88.5 percent of total liabilities. These borrowings are partially offset by sinking fund assets of \$0.27 billion.

### Annual Surplus / Deficit

**9.10** The annual surplus/deficit indicates the extent to which a government spends more or less than what is raised in revenue in a particular year. It shows whether a government is living within its means.

**9.11** For the year ended March 31, 2019, the province incurred a surplus of \$57 million, the second consecutive surplus. This surplus is significantly more than the surplus of \$1.5 million budgeted for 2018-19. This was mostly due to tax revenue which exceeded budget by \$46.8 million. Sales tax revenue and personal income tax revenue were over budget by \$13.9 million and \$8.5 million, respectively. Corporate tax revenue also exceeded the budget amount by \$23.3 million.

## 9. Indicators of Financial Condition

**9.12** Exhibit 9.2 provides a summary breakdown of the change in the province's annual surplus from the prior period.

**EXHIBIT 9.2**  
**CHANGE IN ANNUAL SURPLUS**  
**YEAR ENDED MARCH 31**  
**(\$ Millions)**

	Revenues	Expenses	Surplus
<b>2017-18 Surplus</b>	<b><u>\$1,987.1</u></b>	<b><u>\$1,912.5</u></b>	<b><u>\$74.6</u></b>
<b>Increase in:</b>			
Tax Revenue	19.0	-	19.0
Government of Canada	54.7	-	54.7
Other income	14.3	-	14.3
Other provincial revenue	3.6	-	3.6
Agriculture and Fisheries		28.7	-28.7
Health and Wellness		19.6	-19.6
Family and Human Services		16.1	-16.1
Education, Early Learning and Culture		12.2	-12.2
Communities, Land and Environment		11.2	-11.2
Finance		9.9	-9.9
Other program expenses		10.1	-10.1
Interest and Amortization	-	1.4	-1.4
Total Change	<u>91.6</u>	<u>109.2</u>	<u>-17.6</u>
<b>2018-19 Surplus</b>	<b><u>\$2,078.7</u></b>	<b><u>\$2,021.7</u></b>	<b><u>\$57.0</u></b>

Source: Derived from the consolidated financial statements 2018-19 with restatements where identified in consolidated financial statements

### Increased Revenues

**9.13** Overall, revenues increased by \$91.6 million or 4.6 percent from 2017-18 to 2018-19. Increased taxes, transfers from the Government of Canada, and other income were the main drivers of the increase for the year ended March 31, 2019. The paragraphs that follow expand on the main increases in revenue.

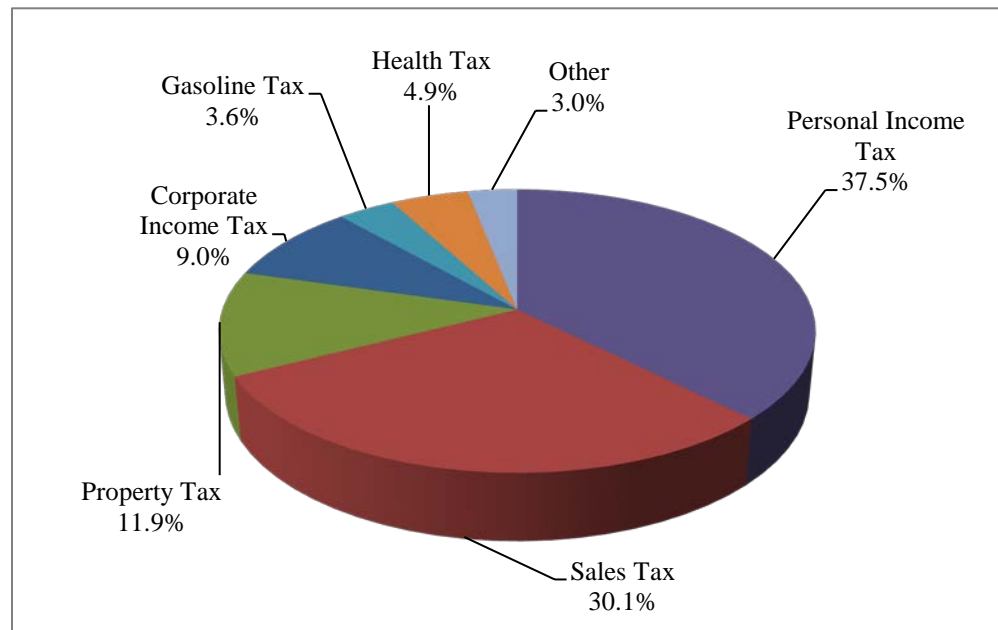
**9.14** Tax revenue increased by \$19.0 million compared to the prior year. The majority of the increase was attributable to an increase in sales tax revenue of \$10.8 million, and a \$6.7 million increase in personal income tax.



## 9. Indicators of Financial Condition

**9.15** Provincial tax revenues totaled \$1.0 billion for the year ended March 31, 2019. This represented approximately half of the province's total revenue. **Exhibit 9.3** shows the source of provincial tax revenues for the year.

**EXHIBIT 9.3**  
**PROVINCIAL TAX REVENUES BY SOURCE**  
**YEAR ENDED MARCH 31, 2019**

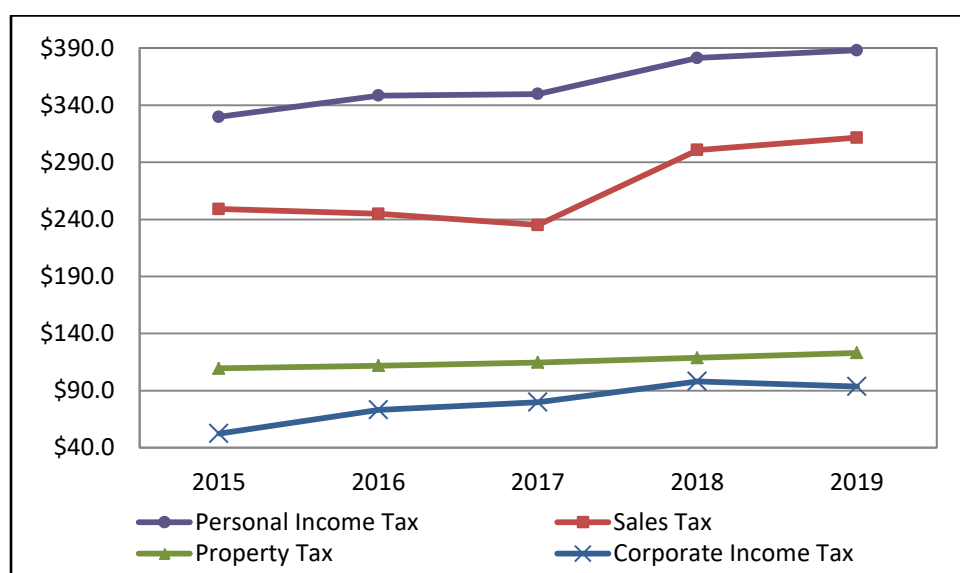


Source: Derived from consolidated financial statements 2018-19

## 9. Indicators of Financial Condition

**9.16** Exhibit 9.4 shows the total revenue for the four largest sources of provincial taxes from 2015 to 2019. The most significant increase from the prior period is sales tax revenue. At March 31, 2019, sales tax revenue totaled \$311.6 million, making up approximately 30 percent of the total provincial tax revenue.

**EXHIBIT 9.4**  
**TOTAL TAX REVENUES**  
**YEAR ENDED MARCH 31**  
**(\$ Millions)**



	2015	2016	2017	2018	2019
Personal Income Tax	\$329.8	\$348.5	\$349.9	\$381.4	\$388.1
Sales Tax	\$249.1	\$244.9	\$235.0	\$300.8	\$311.6
Property Tax	\$109.5	\$111.8	\$114.6	\$118.7	\$123.1
Corporate Income Tax	\$52.5	\$73.2	\$79.9	\$98.1	\$93.6

Source: Consolidated financial statements

**9.17** Revenue from the Government of Canada totaled \$773.3 million at March 31, 2019, an increase of \$54.7 million from the prior period. The increase in revenue from the Government of Canada is mainly due to an increase of \$28.7 million in equalization receipts and an increase of \$8.5 million in Canada Health and Social Transfers. The Funding Agreement for the Canada-Prince Edward Island Low Carbon Economy Leadership

## 9. Indicators of Financial Condition

Fund provided new funding of \$5.7 million in 2019. The remaining increase relates to net increases/decreases in federal funding of various projects.

**9.18** Other income increased by \$14.3 million with the most significant increase relating to Agricultural Insurance Corporation reinsurance recoveries of \$12.3 million during 2018-19.

### Increased Expenses

**9.19** Expenses increased by \$109.2 million or 5.7 percent from 2017-18 to 2018-2019 and were mainly driven by an increase of

- \$27.5 million in Agricultural Insurance Corporation expenses due to increased indemnity payouts mostly related to potato crops;
- \$19.1 million in Health PEI expenses consisting mainly of increased compensation costs of \$13.6 million;
- \$13.9 million in expenses of the Department of Family and Human Services relating mainly to increased utilization of social assistance programs and other program initiatives;
- \$6.1 million in expenses of the Department of Education, Early Learning and Culture, and \$5.5 million in expenses of the Public Schools Branch. Additional early childhood development grants and increased salaries and benefits made up the majority of the increases; and
- \$11.2 million in expenses of the Department of Communities, Land and Environment due mainly to grants totaling \$7.3 million under the Climate Change Secretariat.

### FINANCIAL INDICATORS

**9.20** Consistent with prior years, we continue to provide information on a number of selected indicators of financial condition. We provide indicators that help assess the province's sustainability, flexibility, and vulnerability.

### SUSTAINABILITY

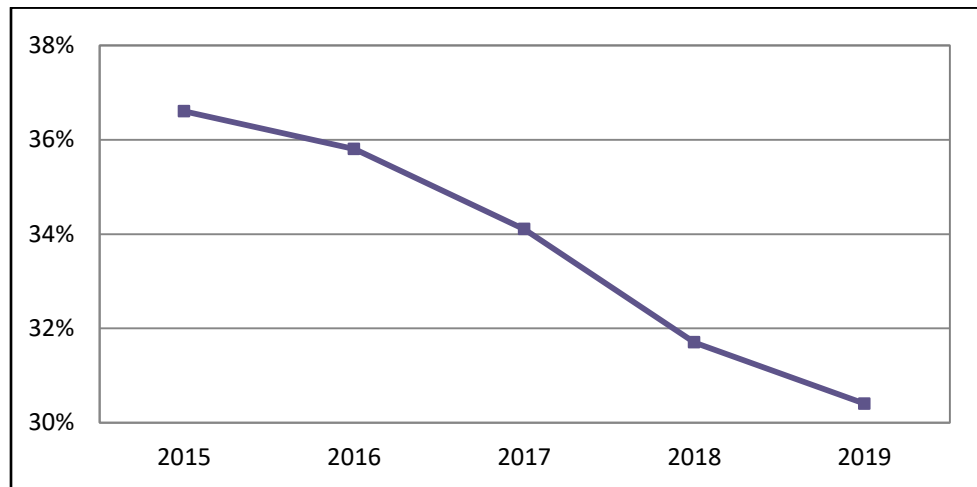
**9.21** Sustainability is an important indicator to include in an assessment of financial condition because it shows the extent to which programs and services can be maintained and existing creditor, employee, and other obligations can be met without increasing the debt or tax burden. Sustainability is a significant consideration because of its potential impact on current and future generations.

## 9. Indicators of Financial Condition

### Net Debt to GDP

**9.22** Net debt to GDP provides a measure of the financial demands placed on the economy by the province's spending and taxation policies. A decreasing ratio indicates net debt is growing at a rate slower than the growth in the economy. The province's net debt to GDP ratio has declined since 2015 as shown in **Exhibit 9.5**.

**EXHIBIT 9.5  
NET DEBT TO GDP  
YEAR ENDED MARCH 31**

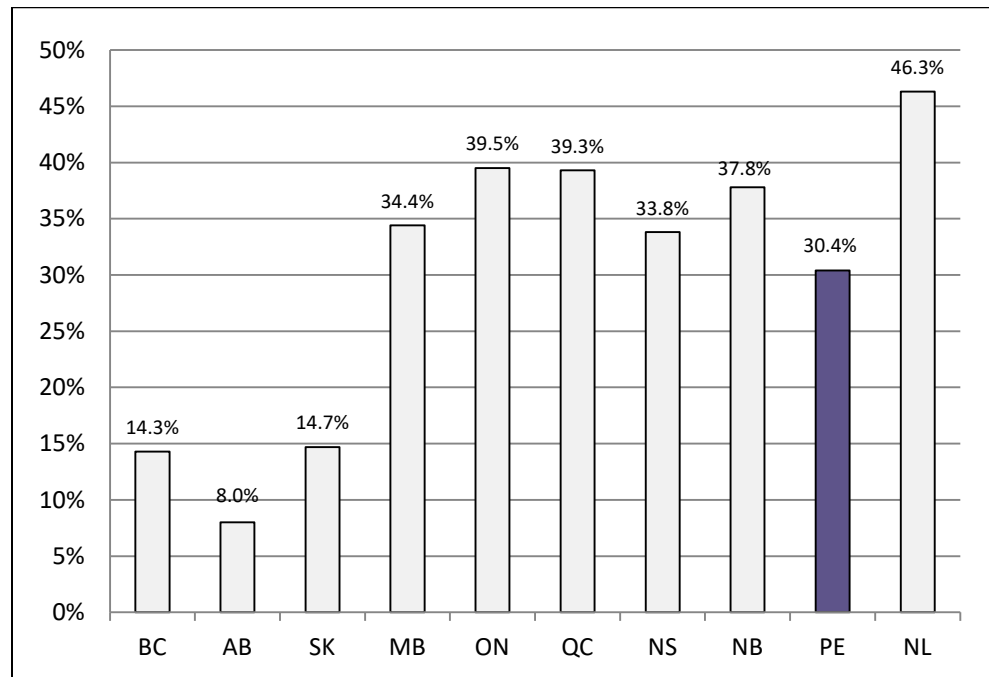


	2015	2016	2017	2018	2019
<b>Net Debt to GDP</b>	36.6%	35.8%	34.1%	31.7%	30.4%

## 9. Indicators of Financial Condition

**9.23** Exhibit 9.6 compares the province's net debt to GDP with other Canadian provinces. At March 31, 2019, PEI's net debt to GDP ratio is lower than six other provinces and higher than British Columbia, Alberta, and Saskatchewan.

**EXHIBIT 9.6**  
**NET DEBT TO GDP CANADIAN PROVINCES**  
**MARCH 31, 2019**



Source: Net debt derived from each province's consolidated financial statements at March 31, 2019. GDP data from Statistics Canada published November 7, 2019.

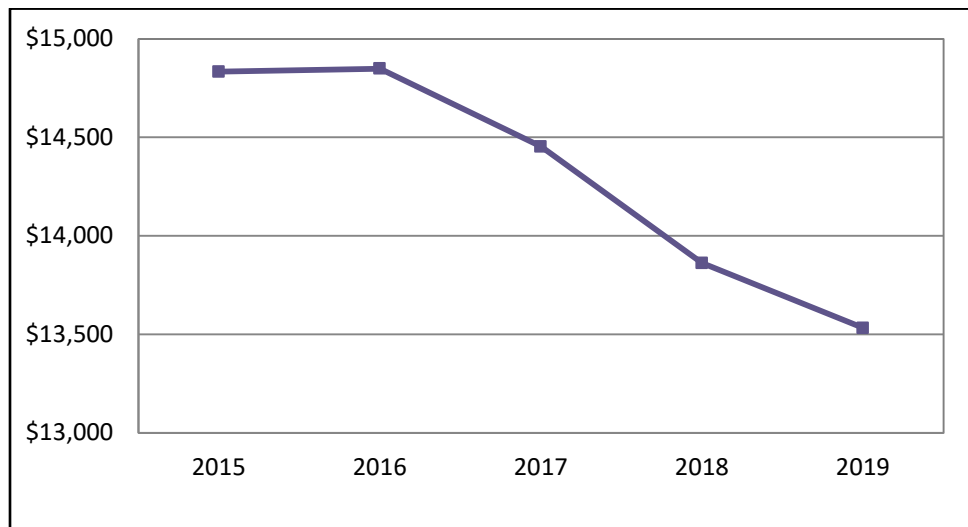
## 9. Indicators of Financial Condition

### Net Debt per Capita

**9.24** Net debt per capita is the amount of net debt attributable to each resident of the province. The province’s net debt per capita decreased by \$330 from the previous year. This indicates the population is growing at a faster rate than net debt.

**9.25** Exhibit 9.7 shows the province’s net debt per capita has been decreasing since 2016. The net debt attributable to each Island resident was \$13,532 at March 31, 2019, down from \$13,862 at March 31, 2018.

**EXHIBIT 9.7  
NET DEBT PER CAPITA  
YEAR ENDED MARCH 31**



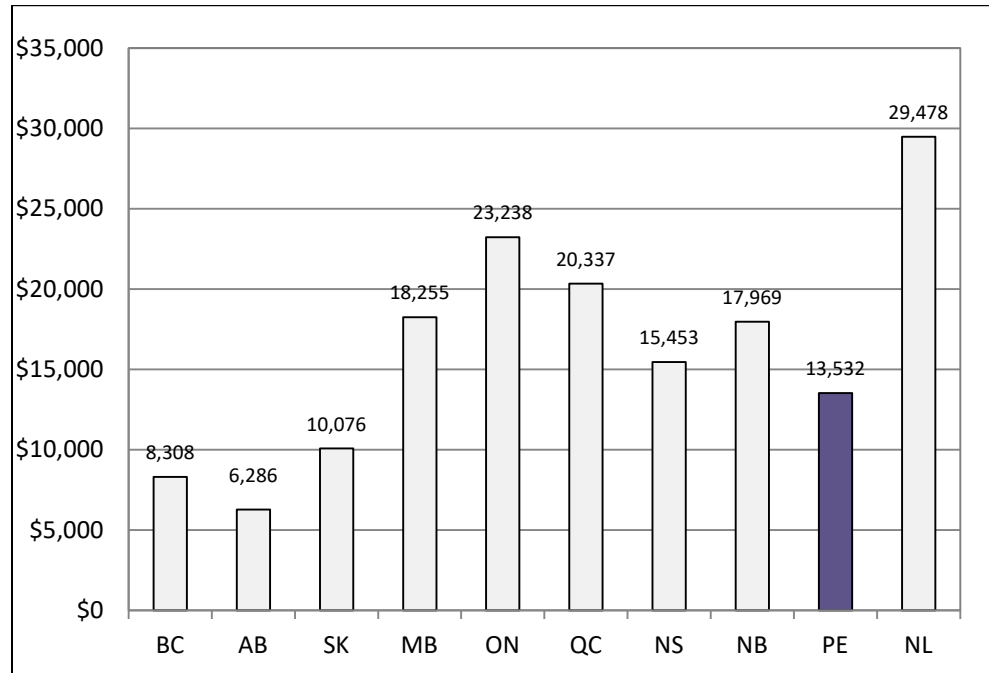
Source: Population data from Statistics Canada published September 30, 2019

	2015	2016	2017	2018	2019
<b>Net Debt per Capita</b>	\$14,833	\$14,849	\$14,453	\$13,862	\$13,532

## 9. Indicators of Financial Condition

**9.26** A comparison of PEI's net debt per capita to other Canadian provinces is provided in **Exhibit 9.8**. PEI's net debt per capita ratio is more favorable than the other provinces, except for British Columbia, Alberta, and Saskatchewan.

**EXHIBIT 9.8**  
**NET DEBT PER CAPITA CANADIAN PROVINCES**  
**MARCH 31, 2019**



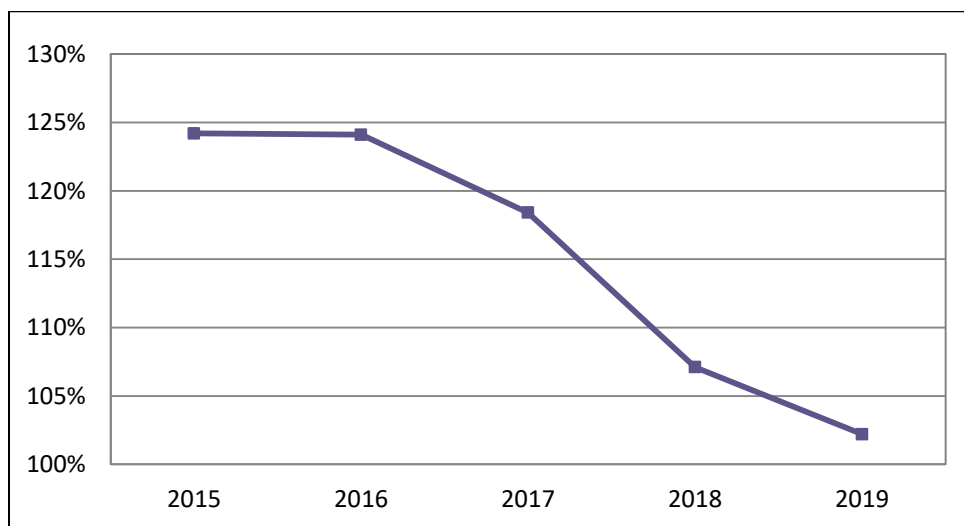
Source: Net debt derived from each province's consolidated financial statements at March 31, 2019. Population data from Statistics Canada published September 30, 2019.

## 9. Indicators of Financial Condition

### Net Debt to Total Revenues

**9.27** Exhibit 9.9 depicts the ratio of net debt to total revenues. This ratio is a measure of the future revenue which will be required to pay for past transactions. The province's ratio has decreased overall from 2015 to 2019 which is a favorable trend.

**EXHIBIT 9.9  
NET DEBT TO TOTAL REVENUES  
YEAR ENDED MARCH 31**



	2015	2016	2017	2018	2019
<b>Net Debt to Total Revenues</b>	124.2%	124.1%	118.4%	107.1%	102.2%

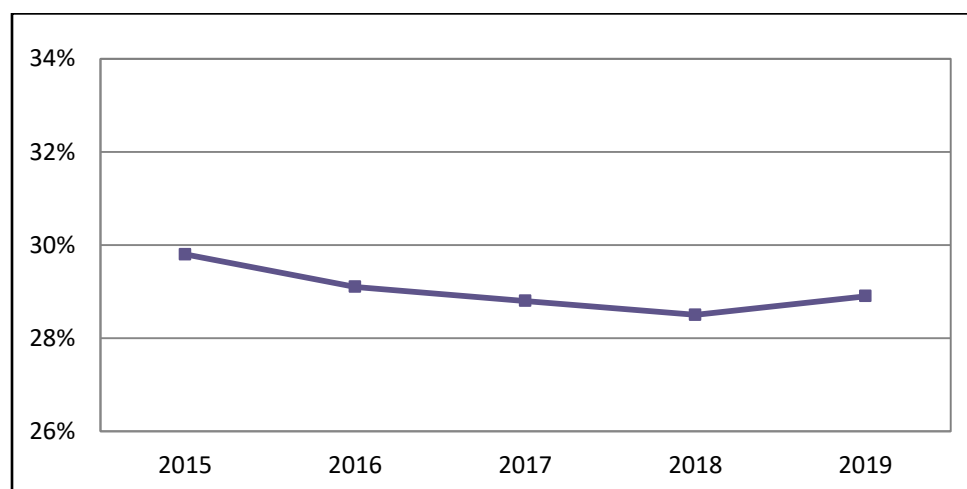


## 9. Indicators of Financial Condition

### Expenses to GDP

**9.28** During 2018-19, government expenses increased by \$109.2 million from the prior period. Comparing expenses to GDP provides the trend of government spending over time in relation to the growth in the economy. An increasing ratio indicates government spending is growing at a rate faster than the growth in the economy. Expenses as a percentage of GDP have increased compared to the previous year and have declined since 2015. **Exhibit 9.10** shows government spending at March 31, 2019 represented approximately 28.9 percent of GDP compared to 28.5 percent in 2018 and 29.8 percent in 2015.

**EXHIBIT 9.10  
EXPENSES TO GDP  
YEAR ENDED MARCH 31**



	2015	2016	2017	2018	2019
<b>Expenses to GDP</b>	29.8%	29.1%	28.8%	28.5%	28.9%

### FLEXIBILITY

**9.29** Flexibility is the degree to which a government can increase its financial resources to respond to rising commitments by either increasing its debt or raising additional revenue. A government meets the test of flexibility when it can respond to changing economic conditions, such as a recession or higher interest rates, without making substantial changes to the way it operates.

**9.30** Flexibility provides insight into the management of financial resources. A government that increases its current borrowings reduces its future flexibility to respond to adverse economic circumstances. Similarly, increasing taxation or fees reduces a government's ability to do

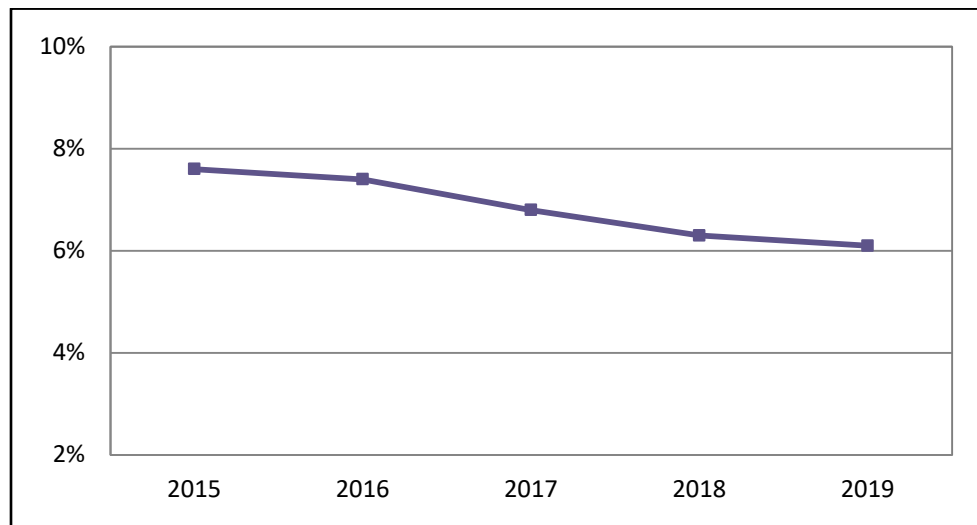
## 9. Indicators of Financial Condition

so in the future as citizens and businesses approach the limit that they can or are willing to bear.

### Interest Costs to Total Revenues

**9.31** One measure of a government’s flexibility is the “interest bite”. This is the interest cost as a percentage of total revenues and is shown in **Exhibit 9.11**. This indicator illustrates the extent to which past borrowing decisions constrain a government’s ability to provide programs and services in the future.

**EXHIBIT 9.11  
INTEREST COSTS TO TOTAL REVENUES  
YEAR ENDED MARCH 31**



	2015	2016	2017	2018	2018
<b>Interest Costs to Total Revenues</b>	7.6%	7.4%	6.8%	6.3%	6.1%

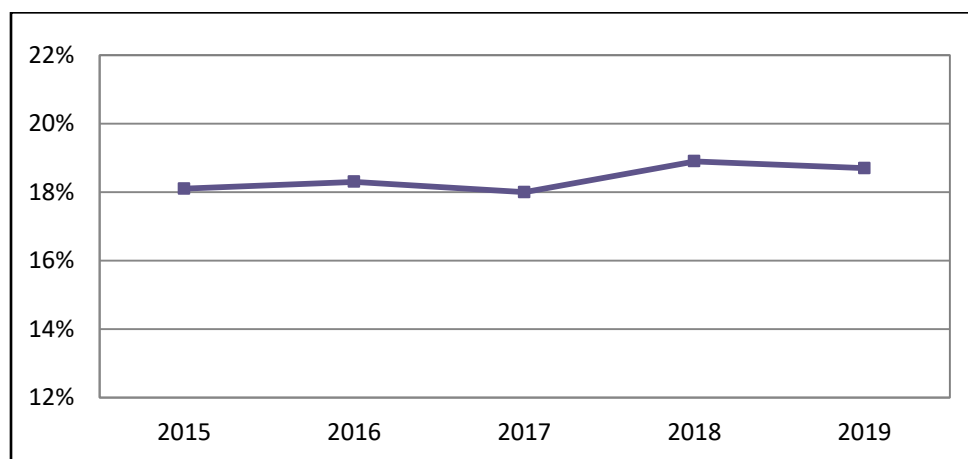
**9.32** Interest costs totaled \$126.0 million during 2018-19. This means the first \$126.0 million of revenue must be used to pay interest costs and is not available for government programs and services. Interest charges were approximately 6.1 percent of total revenues for the March 31, 2019 fiscal year. The interest costs to total revenues ratio has continued to decline since 2015.

## 9. Indicators of Financial Condition

### Own Source Revenues to GDP

**9.33** Own source revenues as a percentage of GDP indicates the extent to which a government is taking money out of the local economy through taxation, fees, and/or other charges. **Exhibit 9.12** indicates the percentage has declined slightly compared to 2018.

**EXHIBIT 9.12  
OWN SOURCE REVENUES TO GDP  
YEAR ENDED MARCH 31**



	2015	2016	2017	2018	2019
<b>Own Source Revenues to GDP</b>	18.1%	18.3%	17.9%	18.9%	18.7%

### VULNERABILITY

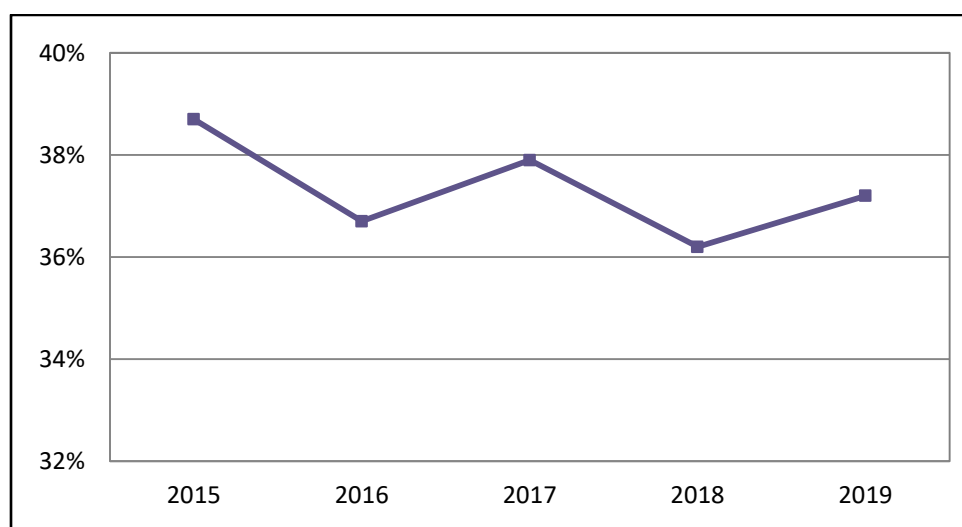
**9.34** Vulnerability is the degree to which a government depends on sources of funding outside its control or influence. It provides insight into the risks the province is exposed to that could affect its ability to meet existing service commitments to the public and financial commitments to creditors, employees, and others.

## 9. Indicators of Financial Condition

### Federal Revenues to Total Revenues

**9.35** As indicated in **Exhibit 9.13**, federal revenues as a percentage of total revenues have increased over the previous year but have declined compared to 2015. An increasing ratio indicates more vulnerability. In 2018-19, the federal government provided 37.2 percent of the province's total revenues, an increase from 36.2 percent in the prior year.

**EXHIBIT 9.13**  
**FEDERAL REVENUES TO TOTAL REVENUES**  
**YEAR ENDED MARCH 31**  
**(\$ Millions)**



	2015	2016	2017	2018	2019
<b>Provincial Revenues</b>	\$1,058.1	\$1,113.8	\$1,141.5	\$1,268.5	\$1,305.4
<b>Federal Revenues</b>	<u>668.3</u>	<u>644.9</u>	<u>695.9</u>	<u>718.6</u>	<u>773.3</u>
<b>Total Revenues</b>	<u>\$1,726.4</u>	<u>\$1,758.7</u>	<u>\$1,837.4</u>	<u>\$1,987.1</u>	<u>\$2,078.7</u>
<b>Federal Revenues as Percent of Total</b>	38.7%	36.7%	37.9%	36.2%	37.2%

Source: Consolidated financial statements with restatements as identified in consolidated financial statements

## 9. Indicators of Financial Condition

### GLOSSARY

**Annual surplus or deficit** is the difference between a government's revenues and expenses. This measure shows the extent to which revenues raised in the year were sufficient to cover expenses in that year.

**Total liabilities** is the amount owed by government. Government's liabilities include outstanding debentures and other amounts payable.

**Financial assets** are cash and other assets which could provide resources to pay liabilities or finance future operations.

**Net debt** is the difference between the government's total liabilities and its financial assets.

**Government borrowings** is the total of short-term loans, long-term loans payable, and debentures.

**Non-financial assets** are tangible capital assets such as buildings, roads, and equipment as well as prepaid expenses and inventories. The book value of tangible capital assets increases as they are acquired and is reduced over a period of time through amortization. These assets do not normally provide resources to discharge liabilities.

**Accumulated deficit** is the sum of all surpluses, deficits, and other comprehensive gains (losses) incurred over the years.

**Other comprehensive gain (loss)** includes revenue, expenses, gains, and losses that have yet to be realized and are recognized in accumulated deficit but excluded from annual surplus or deficit.

**Interest charged on borrowings** is the amount required to service the debt and must be taken from revenues before any expenditure can be made on government programs and services.

**Gross domestic product (GDP)** is a measure of the value of all goods and services produced in a jurisdiction in a given period. The province's GDP is measured and reported by Statistics Canada.

**Nominal gross domestic product** is gross domestic product that has not been adjusted for inflation.

## 10. AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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### CHAPTER SUMMARY

#### *Why it's important*

The consolidated financial statements consolidate the accounts of the Operating Fund with those of the agencies, boards, and Crown corporations owned or controlled by government. These financial statements provide the most complete information about the financial position and operating results of the province.

#### *What we found*

- The 2018-19 consolidated financial statements fairly present the province's financial results. An unqualified audit opinion was issued on October 25, 2019.
- Some transactions were not recorded in accordance with Canadian Public Sector Accounting Standards.
- Improvements in financial statement notes and schedules are required.
- Financial statement discussion and analysis should include more explanation and interpretation of financial results.

### BACKGROUND

**10.1** The *Financial Administration Act* requires the Comptroller to annually prepare the province's Public Accounts. Volume I of the Public Accounts contains the province's audited consolidated financial statements. All information in and decisions related to these statements are the responsibility of government. The Public Accounts also include Volume II which contains the unaudited Operating Fund financial statements and details of revenues and expenses of the Operating Fund, and Volume III which includes the audited financial statements of agencies, boards, Crown corporations, and funds.

## 10. Audit of the Consolidated Financial Statements

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**10.2** The Auditor General is required to conduct an audit of the consolidated financial statements. Each year, we audit the province's consolidated financial statements and issue an independent auditor's report.

**10.3** The *Financial Administration Act* requires the Minister of Finance to annually table the Public Accounts in the Legislative Assembly. The Public Accounts for March 31, 2019, were tabled on October 31, 2019.

### OBJECTIVES AND SCOPE

**10.4** The *Audit Act* requires the Auditor General to annually audit the province's consolidated financial statements and provide an independent auditor's report stating whether the statements are fairly presented.

**10.5** Under Section 17 of the Act, the Auditor General is not required to audit or report on the accounts of any agency of government where another auditor has been designated to audit its accounts. As part of the audit of the consolidated financial statements, the Auditor General reviews as necessary audit work performed by the external auditors of government entities.

**10.6** In the following sections, we provide information on our independent audit opinion on the province's consolidated financial statements for the fiscal year ended March 31, 2019. We also include observations and recommendations arising from our work and information to address other reporting requirements under the *Audit Act*.

### AUDIT OPINION

**10.7** Our audit was conducted in accordance with Canadian auditing standards. On October 25, 2019, the Auditor General issued an unqualified audit opinion on the province's consolidated financial statements. The independent audit opinion stated the province's consolidated financial statements for the year ended March 31, 2019, were fairly presented in accordance with Canadian public sector accounting standards.

## 10. Audit of the Consolidated Financial Statements

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### OBSERVATIONS AND RECOMMENDATIONS

**10.8** The consolidated financial statements are the responsibility of government and are prepared by the Comptroller. Our audit involves performing procedures to obtain sufficient and appropriate audit evidence to provide a basis for the audit opinion.

**10.9** As part of the audit process, we evaluate the financial statements and the information supporting the amounts and note disclosures. We identify any audit adjustments required and provide these adjustments to management. We request that all adjustments be posted to the financial statements. We also identify issues requiring improvements in the areas of internal control and financial reporting. The following paragraphs detail some of the more significant recommendations resulting from our audit.

#### PUBLIC SECTOR ACCOUNTING STANDARDS

**10.10** During our audit of the consolidated financial statements for the year ended March 31, 2019, we noted that some financial statement transactions were not recorded in accordance with Canadian Public Sector Accounting Standards (PSAS). These transactions were discussed with staff of the Comptroller's Office and recommendations for correction were provided to the Comptroller. In some cases corrections were made. The uncorrected transactions did not affect our audit opinion on the consolidated financial statements.

#### **Some transactions not recorded in accordance with Canadian Public Sector Accounting Standards**

#### Other Comprehensive Income (Loss)

**10.11** PSAS and related guidelines recommend that other comprehensive income (loss) from investments in government business enterprises does not form part of the province's annual surplus. Instead, it should be reported in the statement of changes in accumulated deficit.

**10.12** We noted other comprehensive income (loss) from government business enterprises was incorrectly recorded as part of the province's annual surplus in the draft consolidated financial statements provided for audit. This error had significant impact on the statements, schedules, and note disclosures, as well as the financial statement discussion and analysis. We provided an adjustment to the Comptroller's Office to correct the consolidated financial statements. Appropriate changes were reflected in the final consolidated financial statements.



## 10. Audit of the Consolidated Financial Statements

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### Leases

**10.13** Leased tangible capital assets are assets where substantially all of the benefits and risks to ownership are, in substance, transferred to the government without necessarily transferring legal ownership. PSAS requires that leased tangible capital assets be classified as assets and the related obligations as liabilities.

**10.14** We noted the Comptroller's Office does not have a process to analyze leases to ensure all leased tangible capital assets are accurately recorded. We identified a leased property that met the above criteria, but an asset and liability was not recorded by the province. We estimated the fair market value of this property to be approximately \$7 million and recommended the asset and liability be recognized. An adjustment was not recorded.

### Prior Year Recommendations

**10.15** There were some other issues that were raised in the prior year and not addressed. These included:

- a \$3 million dollar liability recorded that did not meet the definition of a liability; and
- some transactions not recorded on the accrual basis of accounting.

These issues were brought to the attention of the Comptroller's Office, but adjustments were not recorded in the consolidated financial statements. Improvements are required, and repetitive issues need to be addressed.

#### **Recommendation**

**10.16** The Comptroller's Office should ensure transactions are recorded in accordance with Public Sector Accounting Standards in the preparation of the consolidated financial statements.

### FINANCIAL STATEMENT NOTES AND SCHEDULES

**10.17** The consolidated financial statements contain a number of note disclosures and schedules which are an integral part of the financial statements. These notes and schedules provide information useful to clarify and explain items in the financial statements. For this information to be useful it must be complete, accurate, clear and understandable for users.

## 10. Audit of the Consolidated Financial Statements

### Contractual Obligations and Contractual Rights

**10.18** Disclosure of significant contractual obligations provides information to the users of the financial statements about government resources that have already been committed for future spending. Contractual rights disclosures provide information about future resources that will be available to meet obligations or finance operations. Consistent with prior periods, we noted incomplete information and errors in the schedules of contractual obligations and rights provided for audit. As a result of our audit work, we identified and recommended significant changes to note disclosures of approximately \$118 million for contractual obligations and \$76 million for contractual rights. The Comptroller's Office recorded the recommended changes.

### Prior Year Recommendations

**10.19** There were several other issues that were raised in the prior year and not addressed. These included:

- Note disclosures on pensions and other retirement benefit plans are lengthy and complex and should be improved.
- There are a number of required disclosures not included in the presentation of supplementary financial information for government business enterprises.
- The cost of roads and bridges in the tangible capital assets schedule includes significant assets totaling \$609.8 million which are fully amortized. These assets should be reviewed to determine if they should be removed from the tangible capital asset schedule.

These issues were brought to the attention of the Comptroller's Office, but changes were not made in the notes and schedules to the consolidated financial statements. Improvements are required, and repetitive issues need to be addressed.

#### Recommendation

**10.20** The Comptroller's Office should review the note disclosures and schedules in the consolidated financial statement to ensure the information included is complete, accurate and clearly presented.

### FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

**10.21** Volume I of the Public Accounts provides a financial statement discussion and analysis (FSD&A) prepared by the Comptroller's Office. The main purpose of the FSD&A is to expand on and explain information

## 10. Audit of the Consolidated Financial Statements

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in the consolidated financial statements. It is provided to assist users in understanding and evaluating the financial condition of the province.

**10.22** Although not part of the consolidated financial statements, the FSD&A is prepared by management and accompanies the financial statements. We reviewed the FSD&A included in Volume I of the March 31, 2019 Public Accounts and, as in the prior years, noted that the information presented is limited.

**10.23** The FSD&A provided very little interpretation and narrative explanations relating to the financial data presented. For example, there were no explanations documented for variances such as current year actual results to budgeted and prior year results. These variances were significant for items such as annual surplus, tax revenue and revenue from the Government of Canada. Explanations of significant variances would be helpful to users of the financial statements. The Canadian Public Sector Accounting Board provides guidance on the type of information to be provided in the FSD&A.

### Recommendation

**10.24 The Comptroller's Office should improve the Financial Statement Discussion and Analysis to provide more useful, relevant information to users of the consolidated financial statements.**

### BUDGET PRESENTATION

**10.25** Canadian public sector accounting standards require original budget information to be presented in the province's consolidated financial statements. This provides more accountability by government as it allows users to compare the actual results to the planned results for the fiscal year. Information on detailed budgets of government business enterprises also helps to hold government accountable for their planned spending.

### Prior Year Recommendations

**10.26** For several years, we noted the province's budget document, the Estimates of Revenue and Expenditures, is not presented on the same basis as its consolidated financial statements. A separate reconciliation was necessary in the schedules to the consolidated financial statements. The original budgeted revenues and expenses were increased by \$34.7 million to put them on a comparative basis with the actual financial results.

## 10. Audit of the Consolidated Financial Statements

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**10.27** The province's original budget document does not present the budgeted revenues and expenses of some consolidated entities on a line by line basis. To provide the comparison of budget to actual in the consolidated financial statements, the original budget was reallocated.

**10.28** In addition, we noted grants related to municipal tax credits were not included in the budgeted expense of the Department of Communities, Land and Environment. Therefore, the budget reconciliation presented in the schedules to the consolidated financial statements included an \$18.4 million adjustment to budgeted expenses as well as an offsetting adjustment to budgeted property tax revenue.

### **Recommendation**

**10.29 Budget documents should be presented on the same basis as the consolidated financial statements.**

**10.30** The operating budgets for government business enterprises are presented on a net basis in the Estimates of Revenue and Expenditures and the details of each entity's revenues and expenses are not disclosed to the Legislature nor are they publicly available. This is significant because government business enterprises had revenues of \$197.1 million and expenses of \$132.1 million for the year ended March 31, 2019. Government business enterprises also controlled \$747.5 million in total assets at year end.

**10.31** For several years we recommended that more information on the operating budgets of government business enterprises should be provided to Members of the Legislative Assembly. We were advised that government is considering this recommendation.

**10.32** Detailed budget information of government business enterprises would enhance accountability and transparency. It would also assist Members of the Legislative Assembly and the public to assess and debate the budgets of these entities.

## 10. Audit of the Consolidated Financial Statements

### OTHER REPORTING REQUIREMENTS

#### DEBTS CANCELLED, DISCHARGED, WRITTEN OFF

**10.33** Section 16 of the *Audit Act* requires the Auditor General to report the total amount of any claims, debts, or monies due to the province that have been discharged, cancelled, and/or released under Section 26 of the *Financial Administration Act*. For the year ended March 31, 2019, the amount cancelled or discharged under Section 26 is detailed in **Exhibit 10.1**. Also included are amounts written off under Section 26.1(1).

#### EXHIBIT 10.1 AMOUNTS CANCELLED, DISCHARGED OR WRITTEN OFF YEAR ENDED MARCH 31, 2019

	Cancellations Section 26(1)	Write-offs Section 26.1(1)
PEI Grain Elevators Corporation	\$ 30,793	\$ 18,549
Finance PEI	1,396,654	-
Various Departments	9,647	120,767
<b>Total</b>	<b>\$1,437,094</b>	<b>\$139,316</b>

#### SURPLUS (DEFICIT) AGENCIES, BOARDS, AND CROWN CORPORATIONS

**10.34** Section 16 of the *Audit Act* also requires the Auditor General to include information in the Annual Report on surpluses/deficits of agencies, boards, and Crown corporations. **Exhibit 10.2** includes the surplus or deficit of each entity.

## 10. Audit of the Consolidated Financial Statements

### EXHIBIT 10.2 SURPLUS (DEFICIT) AGENCIES, BOARDS, AND CROWN CORPORATIONS YEAR ENDED MARCH 31, 2019

	Annual Surplus (Deficit)
Charlottetown Area Development Corporation*	\$ 900,262
Finance PEI	9,022,430
French Language School Board	(253,224)
Health PEI	21,054,289
Innovation PEI	76,617
Island Investment Development Inc.	20,256,010
Island Waste Management Corporation	29,290
PEI Advisory Council on the Status of Women	1,497
PEI Agricultural Insurance Corporation	(15,869,793)
PEI Aquaculture and Fisheries Research Initiative Inc.	(165,807)
PEI Cannabis Management Corporation**	(529,095)
PEI Crown Building Corporation	-
PEI Energy Corporation	8,837,299
PEI Grain Elevators Corporation (July 31, 2018)	(355,500)
PEI Housing Corporation ***	(282,200)
PEI Human Rights Commission	12,185
PEI Liquor Control Commission**	22,132,576
PEI Lotteries Commission**	13,113,620
PEI Marine Science Organization***	356,401
PEI Museum and Heritage Foundation	225,930
PEI Regulatory and Appeals Commission	(226,902)
PEI Self-Insurance and Risk Management Fund	923,051
PEI Student Financial Assistance Corporation	-
PEI 2014 Inc.	(2,721)
Public Schools Branch	1,558
Summerside Regional Development Corporation	(110,081)
Tourism PEI	-

\* Includes the provincial portion only

\*\*Surplus(deficit) distributed to(covered by grant from) operating fund

\*\*\*Based on draft financial statements

# 11. ISSUES NOTED IN OTHER FINANCIAL AUDITS

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## CHAPTER SUMMARY

### *Why it's important*

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

### *What we found*

We issued management letters for the majority of financial statement audits completed. Issues identified during our audits and reported to management can be summarized into three main areas: accounting concerns, compliance issues, and internal control weaknesses.

We continue to identify recurring issues that were raised in previous management letters. Although these issues were previously communicated to management, sufficient work had not been performed to adequately address them at the time of our last financial statement audit.

## BACKGROUND

**11.1** Our Office conducts independent audits and examinations that provide objective information, advice and assurance to the Legislative Assembly. A significant portion of our work relates to financial audits.

**11.2** It is important to note that an audit is not designed to express an opinion on the adequacy or effectiveness of the system of internal control established by management. It cannot be relied upon to detect all internal control weaknesses, defalcations, irregularities, and/or other areas which may be of interest to management.

## 11. Issues Noted In Other Financial Audits

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**11.3** Our financial audits are conducted in accordance with Canadian auditing standards and include such tests and other procedures we consider necessary in the circumstances. These standards require the auditor to communicate to management and those charged with governance any significant issue or matter identified during an audit.

**11.4** At the completion of an audit, any issues assessed as significant are communicated to management. This management letter provides recommendations for improvements in various areas, such as the entity's system of internal control, proper accounting for transactions, adequate disclosures, compliance with policies and agreements, or any other matter the auditor concludes should be brought to the attention of management and those charged with governance. Our audits may also identify matters of a less significant nature which are verbally communicated to management.

**11.5** Prior to finalizing a management letter, we discuss each finding and recommendation with management. We also request a written response to our management letters. A copy of each management letter is provided to the Secretary to Treasury Board and to the Office of the Comptroller.

### SCOPE

**11.6** In this chapter, we provide summary comments on issues noted in the management letters arising from the financial statement audits completed by our Office. This does not include findings and recommendations related to our audit of the province's consolidated financial statements. These are presented in a separate chapter. This chapter also excludes the management letters, if any, related to the financial statement audits of entities included in the province's consolidated financial statements that are audited by a separate external auditor. It also excludes management letter issues noted from the audit of the Public Trustee as they are covered in Chapter 6.



## 11. Issues Noted in Other Financial Audits

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### SUMMARY OBSERVATIONS

**11.7** For the majority of the financial statement audits completed, management letters were issued. The main issues identified and detailed in our management letters can be categorized into accounting concerns, compliance issues, and internal control weaknesses. Following is a description of each category of issues identified in the financial statement audits. In some cases, the issues have been noted for a number of years in our management letters. This chapter highlights the recurring issues identified.

#### Accounting Concerns

**11.8** Financial statements are prepared in accordance with a set of accounting standards. An objective of these standards is to enable users of the financial statements to understand the information and for the information to be fairly presented. The majority of accounting concerns identified and reported related to how amounts were determined and recorded, the adequacy of supporting documentation and the application of accounting standards.

**11.9** Consistent with prior years, we noted employment arrangements with some employees of the Prince Edward Island Grain Elevators Corporation were not documented in a contract. Similarly, some Health PEI physician contracts were not updated and signed.

#### Compliance Issues

**11.10** Governments have objectives and establish regulations, policies, and procedures to clearly communicate expectations. We noted a number of compliance issues during our financial statement audits. These issues related to compliance with legislation, Treasury Board policies, agreements, and entity policies.

**11.11** Similar to prior years, there is noncompliance with certain policies. Health PEI did not comply with Treasury Board policies for both appropriation transfers and signing authority. The Prince Edward Island Liquor Control Commission did not comply with Treasury Board Human Resource Policy and Procedures regarding classification and pay rates. The Prince Edward Island Agricultural Insurance Corporation did not comply with its internal Investment Management Policy regarding the investment of surplus funds.

## 11. Issues Noted In Other Financial Audits

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### Internal Controls

**11.12** Internal controls help to ensure transactions are appropriately recorded and authorized. They also help to ensure business processes operate as intended. Weaknesses in internal control can expose an entity to business and financial risks. Internal control issues identified included inadequate segregation of duties, unauthorized transactions, limited tracking of inventory and asset disposals, and the need to update policies and procedures.

**11.13** A repetitive internal control issue that applies to three significant pension funds administered by government is the absence of a formal policy and procedure manual. These funds include the Prince Edward Island Civil Service Superannuation Fund, the Prince Edward Island Teachers' Superannuation Fund, and the Pension Plan for Members of the Legislative Assembly.

### Follow-up

**11.14** We acknowledge that, in some instances, management is working to address the noted issues and some progress is being made. However, sufficient work had not been completed at the time of our audits to warrant removal of the issues from our management letters.

**11.15** In each subsequent financial audit, we follow up on the implementation of recommendations in our management letters. We encourage the auditees to implement these recommendations on a timely basis.

## 12. APPROPRIATIONS AND SPECIAL WARRANTS

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### CHAPTER SUMMARY

#### *Why it's important*

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

#### *What we found*

- Special warrants provided an additional \$35.5 million in authorized spending for current expenditures and \$2.2 million for capital expenditures.
- Consistent with prior years, expenditures were incurred for the year ended March 31, 2019 without a special warrant as required by the *Financial Administration Act*.

### BACKGROUND

**12.1** The *Appropriation Act (Current Expenditures) 2018* authorized \$1,867.1 million in current expenditures for the fiscal year ended March 31, 2019. The *Appropriation Act (Capital Expenditures) 2018* authorized capital spending of \$133.9 million.

**12.2** Authorization for a department/entity to exceed the initial amount set by an appropriation act is provided by a special warrant or transfer of a previously appropriated amount.

**12.3** Special warrants are used when the Legislative Assembly is not in session and funds are needed for operations in addition to amounts that were included in the *Appropriation Act*. Unlike appropriation acts, which require the approval of the Legislative Assembly, special warrants must be approved by the Lieutenant Governor in Council through an Order-in-Council.

## 12. Appropriations and Special Warrants

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**12.4** We examined the processes for recording current and capital appropriations for the fiscal year ended March 31, 2019. We also examined the approvals, processing, and recording of special warrants, appropriation transfers, and sequestrations. This chapter provides comments and recommendations resulting from our audit work. In addition to the information provided in this chapter, readers should also consider the province's consolidated financial statements and our independent auditor's report on those financial statements.

### OBSERVATIONS AND RECOMMENDATION

**12.5** **Appendix A** of this chapter provides a comparison of current and capital appropriations to actual expenditures.

### SPECIAL WARRANTS

**12.6** For the year ended March 31, 2019, special warrants totaling \$37.7 million were issued for current and capital expenditures. **Exhibit 12.1** provides a summary of these special warrants. The *Audit Act* requires the Auditor General to list in detail appropriations made by special warrant and the purpose of such appropriations. This information is included in **Appendix B** of this chapter.

## 12. Appropriations and Special Warrants

### EXHIBIT 12.1 SUMMARY OF SPECIAL WARRANTS MARCH 31, 2019

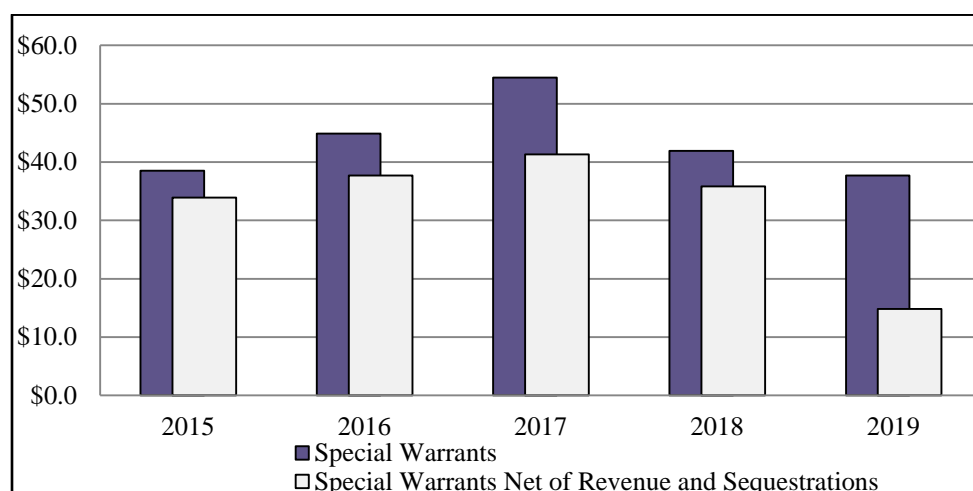
Department/Entity	Special Warrant
Current:	
Communities, Land and Environment	\$ 21,900,000
Economic Development and Tourism	5,200
Education, Early Learning and Culture	1,325,000
Employment Development Agency	94,200
Executive Council Office	244,700
Family and Human Services	6,870,900
Interministerial Women's Secretariat	100,400
Legislative Assembly	700,000
Rural and Regional Development	500,000
Tourism PEI	185,900
Workforce and Advanced Learning	3,603,000
<b>Total Current</b>	<b>35,529,300</b>
Capital:	
Communities, Land and Environment	68,200
Tourism PEI	477,000
Transportation, Infrastructure and Energy	1,693,000
<b>Total Capital</b>	<b>2,238,200</b>
<b>Total Special Warrants</b>	<b>\$37,767,500</b>

**12.7** The largest special warrant of \$21.9 million was for the Department of Communities, Land and Environment. This special warrant included \$19.6 million to fund real property tax credits for municipalities. This warrant was required because these credits, although correctly recorded in the consolidated financial statements as an actual expense, were not included in the expense budget of the department. The special warrant noted a revenue offset of \$19.6 million for real property tax revenue. If revenues and expenses were presented in the budget document on the same basis as the consolidated financial statements, these types of special warrants would not be necessary. As previously recommended in Chapter 10, budget documents should be presented on the same basis as the consolidated financial statements.

## 12. Appropriations and Special Warrants

**12.8** Special warrants were partially offset by a \$22.9 million increase in revenue for a net increase in spending authority of \$14.8 million. The total special warrants and special warrants net of revenue and sequestrations for each of the last five years are presented in **Exhibit 12.2**.

**EXHIBIT 12.2**  
**SPECIAL WARRANTS**  
**YEAR ENDED MARCH 31**  
**(\$ Millions)**



	2015	2016	2017	2018	2019
Total Special Warrants	\$38.5	\$44.9	\$54.5	\$41.9	\$37.7
Revenue and Sequestrations	4.6	7.2	13.2	6.1	22.9
Special Warrants Net of Revenue and Sequestrations	\$33.9	\$37.7	\$41.3	\$35.8	\$14.8

### Delay in Issuing Special Warrants

**12.9** The *Financial Administration Act* prohibits expenditures from being incurred unless provided for by an appropriation. When it is expected that an appropriation will be exceeded, a special warrant should be obtained prior to the expenditure being incurred.

**12.10** Consistent with prior years, our audit identified instances where special warrants were not authorized prior to the expenditure being incurred. There were 6 instances, the most significant of which relates to the Department of Education, Early Learning and Culture (EELC).

## 12. Appropriations and Special Warrants

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**12.11** A special warrant of \$1.3 million relating to the March 31, 2019 fiscal year was authorized by Executive Council for EELC. This was authorized on February 11, 2020, over 10 months after year end.

### **Recommendation**

**12.12** In accordance with the *Financial Administration Act*, special warrants should be obtained prior to expenditures being incurred.

**12.13** We have discussed our findings and recommendation with the Treasury Board Secretariat.

## 12. Appropriations and Special Warrants

**APPENDIX A**  
**Page 1 of 2**

### CURRENT APPROPRIATIONS

	APPROPRIATION ACT 2018	SPECIAL WARRANTS	TOTAL APPROPRIATIONS	EXPENDITURES 2019	UNDER EXPENDITURES 2019
<b><u>CURRENT</u></b>					
AGRICULTURE AND FISHERIES	\$ 32,513,200	\$ -	\$ 32,513,200	\$ 29,060,370	\$ 3,452,830
AUDITOR GENERAL	2,135,700	-	2,135,700	1,943,146	192,554
COMMUNITIES, LAND AND ENVIRONMENT	35,034,000	21,900,000	56,934,000	56,355,968	578,032
ECONOMIC DEVELOPMENT AND TOURISM	1,047,800	5,200	1,053,000	1,052,931	69
EDUCATION, EARLY LEARNING AND CULTURE	273,482,200	1,325,000	274,807,200	274,805,745	1,455
EMPLOYEE BENEFITS	60,963,800	-	60,963,800	57,178,807	3,784,993
EMPLOYMENT DEVELOPMENT AGENCY	5,481,500	94,200	5,575,700	5,449,938	125,762
EXECUTIVE COUNCIL	7,478,800	244,700	7,723,500	7,425,894	297,606
FAMILY AND HUMAN SERVICES	121,425,800	6,870,900	128,296,700	127,008,839	1,287,861
FINANCE	52,414,300	-	52,414,300	51,611,607	802,693
GENERAL GOVERNMENT	14,793,700	-	14,793,700	11,183,659	3,610,041
HEALTH AND WELLNESS	14,441,400	-	14,441,400	13,301,043	1,140,357
HEALTH PEI	696,005,900	-	696,005,900	695,141,349	864,551
INNOVATION PEI	46,377,100	-	46,377,100	41,873,447	4,503,653
INTERMINISTERIAL WOMEN'S SECRETARIAT	514,000	100,400	614,400	614,388	12
ISLAND REGULATORY AND APPEALS COMMISSION	1,400,300	-	1,400,300	1,400,300	-
JUSTICE AND PUBLIC SAFETY	56,634,300	-	56,634,300	54,875,222	1,759,078
LEGISLATIVE ASSEMBLY	6,269,200	700,000	6,969,200	6,491,929	477,271
PEI PUBLIC SERVICE COMMISSION	7,526,000	-	7,526,000	7,375,437	150,563
RURAL AND REGIONAL DEVELOPMENT	3,948,300	500,000	4,448,300	4,277,674	170,626
TOURISM PEI	20,408,500	185,900	20,594,400	20,594,349	51
TRANSPORTATION, INFRASTRUCTURE AND ENERGY	144,574,600	-	144,574,600	135,765,106	8,809,494
WORKFORCE AND ADVANCED LEARNING	135,022,900	3,603,000	138,625,900	138,576,199	49,701
INTEREST CHARGES ON DEBT	<u>127,250,100</u>	<u>-</u>	<u>127,250,100</u>	<u>124,812,735</u>	<u>2,437,365</u>
<b>TOTAL CURRENT</b>	<b><u>\$1,867,143,400</u></b>	<b><u>\$35,529,300</u></b>	<b><u>\$1,902,672,700</u></b>	<b><u>\$1,868,176,082</u></b>	<b><u>\$34,496,618</u></b>

Expenditures are presented in accordance with the classifications in the Appropriation Acts 2018 and approved special warrants for the 2018-19 fiscal year. This differs from the format used in the Operating Fund financial statements.



## 12. Appropriations and Special Warrants

**APPENDIX A**  
**Page 2 of 2**

### CAPITAL APPROPRIATIONS

	APPROPRIATION ACT 2018	SPECIAL WARRANTS	TOTAL APPROPRIATIONS	EXPENDITURES 2019	UNDER EXPENDITURES 2019
<b>CAPITAL</b>					
AGRICULTURE AND FISHERIES	\$ 50,000	\$ -	\$ 50,000	\$ 34,285	\$ 15,715
COMMUNITIES, LAND AND ENVIRONMENT	245,000	68,200	313,200	313,125	75
EDUCATION, EARLY LEARNING AND CULTURE	28,447,500	-	28,447,500	21,229,263	7,218,237
FAMILY AND HUMAN SERVICES	1,100,000	-	1,100,000	824,514	275,486
FINANCE	9,318,500	-	9,318,500	8,972,381	346,119
HEALTH PEI	38,459,200	-	38,459,200	31,981,220	6,477,980
JUSTICE AND PUBLIC SAFETY	2,050,000	-	2,050,000	1,281,464	768,536
TOURISM PEI	1,410,000	477,000	1,887,000	1,886,998	2
TRANSPORTATION, INFRASTRUCTURE AND ENERGY	<u>52,785,000</u>	<u>1,693,000</u>	<u>54,478,000</u>	<u>54,477,784</u>	<u>216</u>
<b>TOTAL CAPITAL</b>	<b><u>\$ 133,865,200</u></b>	<b><u>\$ 2,238,200</u></b>	<b><u>\$ 136,103,400</u></b>	<b><u>\$ 121,001,034</u></b>	<b><u>\$15,102,366</u></b>
<b>GRAND TOTAL</b>	<b><u>\$2,001,008,600</u></b>	<b><u>\$37,767,500</u></b>	<b><u>\$2,038,776,100</u></b>	<b><u>\$1,989,177,116</u></b>	<b><u>\$49,598,984</u></b>

Expenditures are presented in accordance with the classifications in the Appropriation Acts 2018 and approved special warrants for the 2018-19 fiscal year. This differs from the format used in the Operating Fund financial statements.

## 12. Appropriations and Special Warrants

APPENDIX B

Page 1 of 6

ORDER-IN-  
COUNCIL

SPECIAL WARRANTS FOR CURRENT EXPENDITURES 2019 FISCAL YEAR

### COMMUNITIES, LAND AND ENVIRONMENT

#### EC2019-197 CLIMATE CHANGE SECRETARIAT

Grants - Carbon Pricing Rebates	\$ 1,360,000
Grants - Clean Energy Rebates	400,000
Grants - Transit Subsidy	15,000
Materials, Supplies & Services	210,000

#### FORESTS, FISH AND WILDLIFE

Grants - Watershed	300,000
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#### MUNICIPAL AFFAIRS AND PROVINCIAL PLANNING

Grants - Real Property Tax Credit	<u>19,615,000</u>
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Total Department of Communities, Land and Environment	<u>\$21,900,000</u>
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To fund real property tax credits for municipalities, the Climate Change Secretariat, additional grants to watershed groups and the agriculture sector, and increased beverage container expenses, partially offset by revenue of \$19,825,000 from real property tax and the Beverage Container Program.

### ECONOMIC DEVELOPMENT AND TOURISM

#### EC2020-76 CORPORATION MANAGEMENT

Salaries	<u>\$ 5,200</u>
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To fund additional salary costs.

### EDUCATION, EARLY LEARNING AND CULTURE

#### EC2020-77 GRANTS TO PUBLIC SCHOOLS

Grants - Equipment and Repairs	\$ 90,000
Grants - Maintenance	790,000
Grants - Transportation	175,000

## 12. Appropriations and Special Warrants

APPENDIX B  
Page 2 of 6

<b>ORDER-IN-COUNCIL</b>	<b>SPECIAL WARRANTS FOR CURRENT EXPENDITURES 2019 FISCAL YEAR</b>
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### PROVINCIAL LEARNING MATERIALS DISTRIBUTION CENTRE

Materials, Supplies & Services 270,000

Total Department of Education, Early Learning and Culture \$ 1,325,000

To fund additional classroom resources, heating and diesel fuel increases, and the purchase of equipment.

<b>EMPLOYMENT DEVELOPMENT AGENCY</b>
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**EC2019-198**      **MANAGEMENT**

Administration \$ 26,000

Salaries 68,200

Total Employment Development Agency \$ 94,200

To fund costs for the Start to Apply Right Now 2018 program, fully offset by federal revenue.

<b>EXECUTIVE COUNCIL OFFICE</b>
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**EC2019-199**      **INTERGOVERNMENTAL AND PUBLIC AFFAIRS**

Professional Services \$ 118,600

### OFFICE OF THE CHILD COMMISSIONER

Administration 11,000

Equipment 8,000

Materials, Supplies & Services 2,000

Professional Services 30,000

Salaries 74,100

Travel & Training 1,000

Total Executive Council Office \$ 244,700

To fund costs to establish the Office of Children and Youth and additional professional services under the Aboriginal Affairs Secretariat.

**12. Appropriations and Special Warrants**

<b>ORDER-IN-COUNCIL</b>	<b>SPECIAL WARRANTS FOR CURRENT EXPENDITURES 2019 FISCAL YEAR</b>
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<b>FAMILY AND HUMAN SERVICES</b>
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**EC2019-200 CHILD AND FAMILY SERVICES**

Materials, Supplies & Services	\$ 65,300
Professional Services	40,000
Salaries	167,900
Travel & Training	125,000

**HOUSING SERVICES**

Professional Services	78,000
Salaries	596,600

**SENIORS AND CORPORATE SUPPORT**

Professional Services	126,500
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**SOCIAL PROGRAMS**

Grants - Community	1,200,000
Grants - Disability Support Program	303,100
Grants - Social Assistance Benefits	3,683,000
Materials, Supplies & Services	291,400
Professional Services	138,100
Travel & Training	<u>56,000</u>

Total Department of Family and Human Services	<u>\$ 6,870,900</u>
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To fund additional costs for social programs, non-government organizations, accessAbility supports and child and family services, partially offset by federal revenue of \$30,400.

<b>INTERMINISTERIAL WOMEN'S SECRETARIAT</b>
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**EC2019-201 INTERMINISTERIAL WOMEN'S SECRETARIAT**

Grants – Non-Governmental Organizations	<u>\$ 100,000</u>
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To fund additional project costs undertaken in partnership with non-governmental organizations.

## 12. Appropriations and Special Warrants

APPENDIX B  
Page 4 of 6

<b>ORDER-IN-COUNCIL</b>	<b>SPECIAL WARRANTS FOR CURRENT EXPENDITURES 2019 FISCAL YEAR</b>
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**EC2020-78 INTERMINISTERIAL WOMEN'S SECRETARIAT**

Salaries	<u>400</u>
To fund additional salary costs.	
Total Interministerial Women's Secretariat	<u>\$ 100,400</u>

<b>LEGISLATIVE ASSEMBLY</b>
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**EC2019-124 ELECTIONS PEI**

Administration	\$ 130,000
Equipment	80,000
Materials, Supplies & Services	100,000
Salaries	30,000
Travel & Training	10,000

**REFERENDUM PEI**

Administration	100,000
Materials, Supplies & Services	150,000
Salaries	<u>100,000</u>

Total Legislative Assembly	<u>\$ 700,000</u>
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To fund additional costs for Elections PEI and the Office of the Referendum Commissioner.

<b>RURAL AND REGIONAL DEVELOPMENT</b>
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**EC2019-202 RURAL AND REGIONAL DEVELOPMENT**

Grants - Rural Growth Initiative	<u>\$ 500,000</u>
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To fund additional costs for grants under the Rural Growth Initiative.

## 12. Appropriations and Special Warrants

**APPENDIX B**  
**Page 5 of 6**

<b>ORDER-IN-COUNCIL</b>	<b>SPECIAL WARRANTS FOR CURRENT EXPENDITURES 2019 FISCAL YEAR</b>
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<b>TOURISM PEI</b>
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**EC2019-125      CORPORATE SERVICES**

Equipment	\$ 60,500	
Materials, Supplies & Services	<u>47,100</u>	<u>107,600</u>

To fund additional costs for parks operations and golf course equipment.

**EC2019-410      CORPORATE SERVICES**

Salaries		<u>78,300</u>
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To fund additional costs for the Mark Arendz Ski Park at Brookvale.

Total Tourism PEI		<u>\$ 185,900</u>
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<b>WORKFORCE AND ADVANCED LEARNING</b>
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**EC2019-205      POST-SECONDARY AND CONTINUING EDUCATION**

Grants - Blended Learning for Apprentices	\$ 204,400	
Grants - Holland College Restricted Funding		225,000
Grants - Holland College Student Tuition Subsidy		460,000

**SKILLS PEI**

Grants - Labour Market Development Agreement	1,913,600	
Grants - Labour Market Provincial Funds		500,000
Grants - Youth Funding		125,000
Professional Services		<u>175,000</u>

Total Department of Workforce and Advanced Learning		<u>\$ 3,603,000</u>
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To fund additional costs for Skills PEI and post-secondary and continuing education, partially offset by revenue of \$2,878,000 which includes federal revenue under various agreements.

<b>TOTAL SPECIAL WARRANTS FOR CURRENT EXPENDITURES</b>		<b><u>\$35,529,300</u></b>
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## 12. Appropriations and Special Warrants

**APPENDIX B**  
**Page 6 of 6**

<b>ORDER-IN-COUNCIL</b>	<b>SPECIAL WARRANTS FOR CAPITAL EXPENDITURES 2019 FISCAL YEAR</b>
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<b>COMMUNITIES, LAND AND ENVIRONMENT</b>
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**EC2019-586      CAPITAL PURCHASES**

Equipment	\$ <u>68,200</u>
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To fund additional costs for forest fire vehicles and replacement of fuel tanks.

<b>TOURISM PEI</b>
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**EC2019-203      CAPITAL IMPROVEMENTS**

Equipment	\$ 397,000
Property Improvements	<u>80,000</u>

Total Tourism PEI	\$ <u>477,000</u>
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To fund additional costs for equipment and property improvements, partially offset by revenue of \$80,000.

<b>TRANSPORTATION, INFRASTRUCTURE AND ENERGY</b>
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**EC2019-204      CAPITAL IMPROVEMENTS - HIGHWAYS**

Bridges	\$ 400,000	
National and Collector Highways	<u>1,200,000</u>	<u>1,600,000</u>

To fund additional costs for highway construction and bridges.

**EC2020-79      CAPITAL IMPROVEMENTS - HIGHWAYS**

National and Collector Highways	<u>93,000</u>
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To fund additional costs for road and bridge work.

Total Department of Transportation, Infrastructure and Energy	\$ <u>1,693,000</u>
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<b>TOTAL SPECIAL WARRANTS FOR CAPITAL EXPENDITURES</b>	<b>\$ <u>2,238,200</u></b>
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<b>TOTAL SPECIAL WARRANTS ISSUED FOR THE 2019 FISCAL YEAR</b>	<b>\$ <u>37,767,500</u></b>
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**PUBLIC ACCOUNTS COMMITTEE**



## 13. PUBLIC ACCOUNTS COMMITTEE

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### REVIEW OF AUDITOR GENERAL'S REPORTS

**13.1** The Standing Committee on Public Accounts (the Committee) is charged with matters concerning the Public Accounts of the province, the Annual Report of the Auditor General, and fiscal management. The Committee is dedicated to improving public administration in partnership with the Auditor General. Through its work and reporting to the Legislative Assembly, the Committee contributes to improvements in operations, transparency, and accountability in the province's public sector.

**13.2** The Auditor General's Annual Report to the Legislative Assembly is referred to the Committee for review and consideration. The Committee may request the Auditor General and other witnesses to appear and answer questions on matters raised in her reports. The Auditor General met with the Committee on several occasions to complete the review of the 2019 Annual Report as well as the 2018 special report *Petroleum Product Pricing: Prince Edward Island Regulatory and Appeals Commission*.

**13.3** In addition, the Auditor General and representatives of the Canadian Audit and Accountability Foundation provided an orientation to the Committee on the Office of the Auditor General and good practices for Public Accounts Committees.

### COMMITTEE REPORTS

**13.4** On November 21, 2019, the Committee submitted a report to the Legislative Assembly on its activities. The Committee endorsed all the recommendations and observations made in the 2019 Annual Report of the Auditor General. The committee also recommended that the *Audit Act* be amended to enable the Auditor General to conduct audit work on organizations that receive government funding but are external to government.



**OFFICE OF THE AUDITOR GENERAL**



## 14. OFFICE OF THE AUDITOR GENERAL

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### AUDITOR GENERAL'S MANDATE

**14.1** The Auditor General is an independent officer of the Legislative Assembly appointed under the authority of the *Audit Act*. The *Audit Act* establishes the framework for an independent audit office. This independence enables the Office of the Auditor General (the Office) to offer impartial opinions, observations, and recommendations on government operations and management practices.

**14.2** The key components of the Office's independence are:

- the authority of the Auditor General to select audits and examinations;
- the right of access to records, information, and individuals necessary to conduct audits and examinations;
- the power to request and receive required information and explanations;
- the requirement to report annually to the Legislative Assembly; and
- a Legislative Audit Committee that reviews the Office's budget.

**14.3** The *Audit Act* provides the Office with the authority to conduct audits and examinations of provincial departments, Crown corporations, agencies, and funds. Financial audits include the province's consolidated financial statements, as well as various other financial statement audits. Special audits and examinations conducted by our Office include performance audits which are sometimes referred to as value-for-money audits.

**14.4** In accordance with the *Audit Act*, the Auditor General reports annually to the Legislative Assembly. The annual report

- provides observations, recommendations, and information pertaining to the audits and examinations of government operations conducted by the Office during the year;

## 14. Office of the Auditor General

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- calls attention to anything that the Auditor General considers necessary to be brought to the attention of the Legislative Assembly; and
- includes other specific reporting requirements pursuant to the *Audit Act*.

**14.5** By exercising these responsibilities, the Auditor General assists the Legislative Assembly to hold government accountable for its management of public resources.

### OUR VISION

**14.6** An independent audit office highly valued by Islanders for the integrity and excellence of its work in advancing accountability for government's administration of public resources.

### OUR MISSION

**14.7** The Office conducts independent audits and examinations that provide objective information, advice and assurance to the Legislative Assembly. The Office promotes accountability and best practices in government operations.

### OUR VALUES

**14.8** Our values serve as a constant reminder of our commitments and guide our work. Our values are a statement of the high standards we apply to ourselves and our work. Our values are:

- **Independence**  
We are fair, objective, and non-partisan in our work and in our report to the Legislative Assembly. We adhere to our independence standards and professional codes of ethics, avoiding real and perceived conflicts in our relationships and in the conduct of our work.



## 14. Office of the Auditor General

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- **Reliability**

We work together and with others in an open, honest, and trustworthy manner. We strive to meet the highest standards of professional conduct and to produce work of consistent high quality.

- **Progressive**

We seek opportunities for positive change and innovation in our operations. We promote improvements in public sector management through our work and recommendations.

- **Relevance**

We select our audits on the basis of significance and risk with the goal of making a positive difference for Islanders. Our reports present significant findings to the Legislative Assembly and to the public.

**14.9** Our vision, mission and values guide us in our day-to-day actions and work as independent professionals.

### AUDITS AND OTHER ASSURANCE ENGAGEMENTS

**14.10** Each year, we conduct a variety of audits and examinations, some of which are mandated by legislation, others at the discretion of the Auditor General.

**14.11** The Office annually completes approximately 15 financial audits, including the consolidated financial statements of the province. On an annual basis, the Office completes a number of performance audits and examinations. Various factors are considered in establishing priorities for performance audits and examinations. In addition, follow-up work is completed on previous audit recommendations. Work plans can also be impacted by requests from the Legislative Assembly and/or Executive Council.

**14.12** In addition, legislation effective during 2019-20 assigned new responsibilities to the Office. The *Climate Leadership Act*, effective April 1, 2019 and the *Government Advertising Standards Act*, effective January 1, 2020, require the Auditor General to report annually to the Legislative Assembly on specific matters.

## 14. Office of the Auditor General

### RESOURCES

**14.13** Office operations are funded by an annual appropriation approved by the Legislative Assembly. For the year ended March 31, 2020, the Office's approved budgeted expenses amounted to \$2,264,400 and are summarized in **Exhibit 14.1**. Salaries and benefits account for approximately 91 percent of the Office budget for 2019-20. Budget and actual expenses for 2018-19 are also provided for comparative purposes.

**EXHIBIT 14.1**  
**OFFICE OF THE AUDITOR GENERAL**  
**BUDGET**  
**YEAR ENDED MARCH 31**

Account	Budget 2019-20	Budget 2018-19	Actual 2018-19
Administration	\$ 34,400	\$ 32,900	\$ 26,904
Equipment	7,500	4,500	4,231
Materials, supplies and services	28,600	35,900	24,766
Professional services	92,400	57,400	46,640
Salaries	2,053,600	1,964,800	1,804,577
Travel and training	39,300	31,600	27,449
Grants - CAAF	8,600	8,600	8,579
<b>Total</b>	<b>\$2,264,400</b>	<b>\$2,135,700</b>	<b>\$1,943,146</b>

**14.14** The Office staff complement consists of three audit directors, fifteen professional auditors, and two administrative staff. Two auditor positions are part-time.

**14.15** All audit staff in the Office have a professional accounting designation and continue to meet the annual professional development requirements of the Chartered Professional Accountants of Prince Edward Island (CPAPEI). We strive to provide staff with relevant and timely professional development opportunities and training. Individual staff members attend various professional courses, conferences, webinars, and meetings. Staff also participate in various committees and study groups of the Canadian Council of Legislative Auditors (CCOLA).

## 14. Office of the Auditor General

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**14.16** The Legislative Audit Committee is responsible for administrative oversight of the Office of the Auditor General. This Committee includes the Speaker of the Legislative Assembly, who is the Chairperson, the Leader of the Opposition, and the Minister of Finance. On an annual basis, the Committee reviews the budget estimates submitted by the Auditor General.

### PROFESSIONAL STANDARDS

**14.17** The Accounting Standards Board and the Auditing and Assurance Standards Board establish the accounting and assurance standards which apply to public sector entities and our work. In conducting our work, we rely on these standards as well as guidance provided by the Chartered Professional Accountants of Canada (CPA Canada) and other authoritative sources.

**14.18** For financial audits, the Office is subject to a periodic practice inspection conducted by CPAPEI, which is the regulatory body that provides oversight of the public accounting profession in the province. A practice inspection is designed to protect the public interest by ensuring Office practices meet professional standards. The next practice inspection by CPAPEI is expected in 2021.

**14.19** The Office also participates in the CCOLA peer review process for financial statement audits and performance audits and examinations. This peer review process provides additional assurance that the Office is conducting audits in compliance with the applicable standards of CPA Canada. The peer review process also exposes our Office to practices and methodologies of other offices which assists in improving our professional practices.

**14.20** In addition, the Office complies with the Canadian Standard on Quality Control 1 of CPA Canada. This standard requires internal quality assurance systems be established and maintained. Our quality assurance system is designed to provide us with reasonable assurance that:

- the Office and staff comply with professional standards, regulatory and legal requirements and internal policies; and
- the reports issued are appropriate in the circumstances.

### PROFESSIONAL AFFILIATIONS

**14.21** The Office maintains an affiliation with a number of professional organizations to share information, experience, knowledge, and methodology with a view to contributing to the ongoing development of legislative audit practices and standards. We strive to remain current in audit practices and new developments within the profession.

**14.22** Key affiliations include:

- **Canadian Council of Legislative Auditors (CCOLA)** - The Auditor General is a member of CCOLA. CCOLA brings together legislative auditors of the federal government, the provinces, and the territories. Office staff also serve on various CCOLA committees and study groups. CCOLA provides an opportunity for professional development and practice improvement through information exchange, peer reviews, discussion, and sharing of audit methodologies and practices.
- **Chartered Professional Accountants of Canada and Chartered Professional Accountants of Prince Edward Island** - The Office maintains an important professional relationship with these organizations. We provide input into the development of accounting and assurance standards and receive information on various topics relevant to the profession.
- **Canadian Audit and Accountability Foundation (CAAF)** - The Office has been a member and supporter of CAAF since its inception in 1980. CAAF is an organization dedicated to promoting and strengthening public sector performance audit, oversight, and accountability in Canada and abroad through research, education, and knowledge sharing.

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