

November 24, 2022

**Standing Committee on Public Accounts  
Third Report of the Second Session, Sixty-sixth General Assembly  
Committee Activities**

Mr. Speaker and Members of the Legislative Assembly:

**Introduction**

The Standing Committee on Public Accounts is pleased to present its third report of the Second Session of the Sixty-sixth General Assembly.

**Mandate and Statement of Purpose and Values**

The Standing Committee on Public Accounts is charged with matters concerning the public accounts of the province, the annual report of the Auditor General, and fiscal management. Within this mandate the committee may, by majority decision of its membership, meet to examine and inquire into such matters and things as the committee deems appropriate.

Early on its mandate, your committee adopted the following Statement of Purpose and Values, which it continues to follow today:

The Standing Committee on Public Accounts is dedicated to improving public administration, in partnership with the Auditor General. The committee examines the administration of government policy, not the merits of it. The committee strives to achieve consensus in its decisions whenever possible. Members take a non-partisan approach to the work of the committee.

**Membership**

Permanent members of your committee are:

Hannah Bell, Chair (District 11, Charlottetown-Belvedere)  
James Aylward, Vice-chair (District 6, Stratford-Keppoch) – *as of September 8, 2022*  
Sonny Gallant (District 24, Evangeline-Miscouche)  
Lynne Lund (District 21, Summerside-Wilmot)  
Sidney MacEwen (District 7, Morell-Donagh)  
Gordon McNeilly (District 14, Charlottetown-West Royalty)

Mark McLane (District 16, Cornwall-Meadowbank) served as a substitute member at the June 7 meeting. Hal Perry (District 27, Tignish-Palmer Road) served as a substitute member at the June 21 and September 13 meetings. Zack Bell (District 10, Charlottetown-Winsloe) served as a substitute member at the November 15 and 22 meetings.

**Changes in Membership**

Upon being named to Cabinet on July 15, Hon. Cory Deagle (District 3, Montague-Kilmuir) ceased to be a member of the committee under the terms of Rule 91. By way of letter from the Premier received on September 8, James Aylward (District 6, Stratford-Keppoch) was appointed to the committee.

## Update on Committee Activities

Your committee's last report was tabled on October 21, 2021 and adopted the next day. Government tabled its response to the report on May 6, 2022. Since its last report, your committee has met eight times.

On February 1, your committee met to review the *Report from the Office of the Auditor General to the Legislative Assembly*, dated January 24, 2022. This report discussed a performance audit on Overdue Property Taxes and follow up on audits from prior years. Auditor General Darren Noonan, Senior Audit Manager Juliana Chiu and Director of Performance Audit Sheri Griffin met with the committee by videoconference. At this meeting your committee agreed to send letters to the Department of Finance requesting an action plan for implementation of the Overdue Property Taxes audit recommendations, and to the Department of Social Development and Housing requesting an additional status update on implementation of the Accessibility Supports Program 2020 audit recommendations.

On May 24, your committee met to review the Auditor General's *Annual Report to the Legislative Assembly*, dated March 2, 2022, and *Atlantic Provinces' Joint Follow-up of Recommendations to the Atlantic Lottery Corporation*, dated April 26, 2022, as well as to consider its work plan. The annual report covered the annual audit of the Consolidated Financial Statements, other financial audits, reports in accordance with the *Climate Leadership Act* and *Government Advertising Standards Act*, and an update on the COVID-19 Special Examination. Present at this meeting were Auditor General Darren Noonan, Financial Audit Director Elvis Alisic and Financial Senior Audit Director Luke Rowledge. At this meeting the committee made several decisions:

- The committee agreed to request a status update from the Department of Education and Lifelong Learning on implementation of the PEI International Student Program 2021 audit recommendations;
- The committee agreed to request a briefing from the Department of Finance addressing 1) government procurement of services, particularly on how decisions are made on the awarding of contracts for services in the absence of legislation on this topic, and 2) issues of concern raised by the Auditor General in his financial audits, such as unsubmitted claims for federal funding contributions, and uninvested and un-transferred surplus funds held by commissions and Crown corporations;
- The committee agreed to request a briefing from the Department of Social Development and Housing on its current and past contracts with the Salvation Army and its current Outreach Centre contract with the Adventure Group, covering matters such as the process of awarding these contracts, their financial management and performance targets; and
- The committee agreed to write to Health PEI to request further information and explanation regarding overpayments to physicians in the areas of premiums for emergency services, physician incentive payments, and daily stipends related to COVID-19 base financial support, as identified in Chapter 8 of the Auditor General's annual report.

On June 7 your committee met to continue its review of the two reports referenced above, with the same representatives of the Auditor General's Office. At this meeting the committee agreed to seek the appearance of Atlantic Lottery Corporation and/or PEI Lotteries Commission representatives to address matters raised in the *Atlantic Provinces Joint Follow-up of Recommendations to the Atlantic Lottery Corporation* report, namely the shareholder governments' decision to not implement two

recommendations on board governance, and the as-yet unimplemented recommendations on review of the Unanimous Shareholder Agreement and Corporate By-Laws and pension plan reform.

On June 21 your committee met to receive a briefing on Government procurement of services, and matters raised in the financial audits of the 2022 Auditor General's report, by Department of Finance representatives Gordon MacFadyen, Executive Director of Fiscal Management and Assistant Secretary to Treasury Board; and Judy Killam, Comptroller.

The Chair, committee member Sonny Gallant, and committee clerk Ryan Reddin attended the annual joint conference of the Canadian Council of Public Accounts Committees and Canadian Council of Legislative Auditors in Ottawa from August 28 to 30.

On September 13 your committee met to receive a briefing on Government contracts with the Salvation Army and the current Charlottetown Outreach Centre contract with the Adventure Group, by Department of Social Development and Housing representatives Jamie MacDonald, Deputy Minister; Jason Doyle, Director of Housing Services; and Shelley Cole, Supportive Housing Manager. At this meeting the committee elected James Aylward as Vice-chair, and agreed to request that the Auditor General consider auditing the Department of Social Development and Housing in terms of all service contracts, capital purchase contracts and RFPs dealing with homeless supports, transitional housing, supportive housing, and shelters to ensure that all services have been provided as required and if the level of services has changed, that the contracts have been amended to reflect the change.

On September 20 your committee met to receive a briefing on implementation of recommendations from the Joint Audit of Atlantic Lottery Corporation by Denise Lewis Fleming, Deputy Minister of Finance and Vice-Chairperson, PEI Lotteries Commission; Leonard Lee-White, Chair, Atlantic Lottery Corporation Pension Committee; and Jennifer MacDonald-Donovan, Manager of Policy, Planning and Regulatory Affairs, Department of Finance.

On November 15 your committee met *in camera* to discuss future briefings, with Auditor General Darren Noonan present for this portion of the meeting. Following this, the committee began consideration of its report of the Legislative Assembly.

On November 22 your committee again met *in camera* to further consider its report.

## **Recommendations**

**1. Your committee endorses the recommendations of the Auditor General provided in his audit of Overdue Property Taxes; financial audits for the year ended March 31, 2021; and past audits subject to recent follow up, including the 2016 joint audit of Atlantic Lottery Corporation.**

**2. Your committee encourages departments, agencies and Crown corporations to make claims for federal receivable funds in a timely fashion and to ensure surplus funds are producing revenue through investment where appropriate.**

The Auditor General highlighted instances in which the province was delayed in claiming federal funding contributions in areas such as Youth Justice Services and the Low Carbon Economy Fund, which can impact cash flow and interest costs. He also noted cases where surplus funds held by two Crown corporations were not transferred to general revenue or invested. Your committee reviewed this with

the Department of Finance and recognizes that receivable delays sometimes relate to federal processes or external audit requirements. As well, following the audit, surplus funds were properly transferred in one case and in the other case work on an investment strategy has begun, as policy dictates that the funds remain accessible to the relevant corporation to cover insurance claims. Nonetheless, your committee encourages government to ensure that in the future it does all it can to make sure claims are submitted as quickly as possible, and surplus funds are put to good use without undue delay.

**3. Your committee recommends that a policy for the investment of funds held in trust by the Supreme Court be developed.**

The Auditor General has found that there are no specific policies in place to address investment of funds held in trust by the Supreme Court of PEI. These funds do earn interest in bank accounts and investments, but there is no policy to guide this, nor to distribute the interest earned since it does not accrue to individual trust accounts. This is similar to surplus funds not being invested by Crown corporations, as discussed above, but in this case your committee is uncertain what action, if any, has been taken to correct the situation.

**4. Your committee encourages Government to continue to improve the operating and capital budget presentation of Consolidated Agencies and Government Business Enterprises.**

The Auditor General has again noted that including detailed operating budgets for Government Business Enterprises (instead of only their net surplus or deficit) in the Estimates of Revenue and Expenditure would improve accountability and transparency. He also observed that capital budget presentation could be improved by including the capital expenditures of consolidated entities, which totaled \$13 million in the year ended March 31, 2021.

In its response to your committee's previous report, Government committed to providing more detail in the Estimates to bring them more in line with the Public Accounts, and the Department of Finance has explained the efforts undertaken to present the budgets of certain consolidated entities in the same format used for departmental estimates. Your committee appreciates this, and recognizes improvements in the 2022-23 Estimates, namely that the budgets of consolidated entities such as the Agricultural Insurance Corporation, the two school boards and the Housing Corporation are presented in a General category with amounts provided for subcategories such as administration, salaries, equipment, grants, etc. Your committee hopes that further consolidated entities can be presented in this fashion in the next budget. A slight improvement was made to show the total revenue and total expenditure of Government Business Enterprises, whereas previously only a net surplus or deficit amount was presented. This may conform to public sector accounting standards, but further detail showing how revenue is expected to be gained and spent is needed for these enterprises to be fully transparent to members and the public.

As for capital budgeting, your committee most certainly agrees with the Auditor General that capital expenditures by Crown corporations, whether they are consolidated agencies or business enterprises, should be included in the Capital Estimates document. The most recent Capital Estimates, tabled November 2, 2022, contain 2023-24 budget forecast amounts for Finance PEI and the PEI Grain Elevators Corporation, but there is no explanation of the intended use of these amounts nor indication whether any other consolidated entities or government business enterprises have capital expenditures planned for the upcoming year. The only way to examine capital spending in these cases remains to consult the Public Accounts, which are retrospective rather than indicative of plans for the future.

As budgetary details are provided for Crown corporations in the future, your committee encourages all members to carefully scrutinize them during review of the operating and capital estimates.

**5. Your committee recommends that the four provincial governments that are Atlantic Lottery Corporation shareholders reconsider their position that government representatives should be voting members of the ALC Board of Directors.**

The Atlantic auditors general have jointly recommended that ALC Board members should not be elected officials or employees of government, and that public servants on the ALC Board should be non-voting, ex officio members in accordance with best practice. The shareholder governments have chosen not to implement these recommendations. The reasons given to your committee include that ex officio status ties the ALC Board position to a particular government office, which reduces flexibility; that ALC's interests should align with those of its shareholder governments; that public servants on the Board can keep it apprised of government priorities and concerns; and that the four public servants do not constitute a majority on the Board. Your committee recognizes these as valid points but does not agree that they justify the retention of voting ability for public servants on the ALC Board, because it remains the case that public servants could be in position to vote in favour of something at the Board level, and then decide against it at the government shareholder level. This potential conflict would seem particularly concerning if the same public servant were to serve on both the PEI Lotteries Commission and the ALC Board, which has occurred in the past. Four public servants on the 12-member ALC Board are not a majority on their own, but they are a third of the Board and thus their votes can significantly affect the Board's direction. Making public servants non-voting would still allow them to be an important link between the Board and the shareholder governments, to advise the Board of their governments' priorities, and to participate in debate at the Board table. But it would remove the potential for contradictory actions in dual roles.

**6. Your committee recommends that the Atlantic Lottery Corporation revise its bylaws to include a term limit for the position of Chair of the Board of Directors.**

The auditors general observed that the same person has served as ALC Chair since 2007. It is unclear why this is the case. Experience and continuity are important, but so are fresh perspective and leadership. ALC bylaws were recently revised to include staggered three-year terms for directors, and the Chair position should also be subject to some form of term limit.

**7. Your committee recommends that the Department of Social Development and Housing make public the monthly reports, final report and evaluation report on the Charlottetown Outreach Centre, and also make public any reports required under the Department's contracts with the Salvation Army for other services, such as transitional housing and shelters.**

The contracts for operation of the Charlottetown Outreach Centre that Government signed first with the Salvation Army and later the Adventure Group contain a requirement for monthly reporting. Your committee has been informed that this reporting covers a range of data, from client demographics, health status and housing status; to case management outcomes, service referrals, incident reports and safety plans. Both the Salvation Army and Adventure Group have kept up to date with their monthly reporting. A final report covering the full contract period is required by June 20, 2023, and is expected to summarize matters such as initiatives and challenges; staff training opportunities undertaken; results of any evaluation activities, client feedback surveys and community engagement activities; and other

summary information on administration of the centre. Additionally, a consultant has been engaged to produce an independent evaluation of the centre, taking a retrospective look from its opening as a pilot project through to its move to its current location, and providing qualitative and quantitative analysis of a range of factors. This report was expected to be delivered in September 2022; your committee is uncertain of its current status. Any reports required under the Department's other contracts with the Salvation Army, for services such as shelters and transitional housing, should also be made public. Your committee sees the necessity and value in requiring ongoing, final and evaluation reports on these important services delivered by contracted providers, but suggests the reporting would be even more beneficial if it were accessible to the public. There is public interest in the Charlottetown Outreach Centre and temporary housing services, and transparent reporting can help build public understanding of their role and perhaps counter negative views about them. The Department of Social Development and Housing could easily make these reports available through the usual Government publication means, but it may be worthwhile to direct them specifically to the relevant committee of the legislature as well.

**8. Lastly, your committee draws Government's attention to the need for a Phase II Environmental Site Assessment to be completed for the former Queens County Highway Depot location---now temporarily serving as an emergency homeless shelter---if it has not been done already.**

The Auditor General indicates that as of December 2021 the necessary environmental site assessment had not been completed, as the site was repurposed as a COVID-19 testing facility. Your committee is uncertain whether the assessment has been completed since then, but notes that the site now has a new, temporary-shelter purpose, making it even more important to assess and remediate any environmental issues there.

**Conclusion**

Your committee thanks the representatives of the Department of Finance, the Department of Social Development and Housing, and the ALC Pension Committee for meeting with the committee and providing briefings on the requested topics. Your committee also thanks the various departments and agencies that have provided written action plans and status updates on audit implementation when the committee has requested them. Government's ongoing commitment to respond to your committee's reports is also appreciated.

As always, your committee greatly values the work of the Auditor General and his staff; through their performance and financial auditing they constantly strive to help Government improve public administration, and we are all the better for it.

Your committee looks forward to continuing its oversight work on behalf of the Legislative Assembly and Islanders.

Respectfully submitted,

Hannah Bell  
Chair, Standing Committee on Public Accounts