

November 27, 2024

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

Madam Speaker and Members of the Legislative Assembly:

**Introduction**

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

**Mandate**

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.

**Statement of Purpose and Values**

The committee has adopted the following statement of purpose and values:

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:

Gordon McNeilly, Chair (District 14, Charlottetown-West Royalty)  
Sidney MacEwen, Vice Chair (District 7, Morell-Donagh)  
Peter Bevan-Baker (District 17, New Haven-Rocky Point)  
Tyler DesRoches (District 21, Summerside-Wilmot) *as of May 31, 2024*  
Matthew MacFarlane (District 19, Borden-Kinkora)  
Matthew MacKay, Observing Member (District 20, Kensington-Malpeque)  
Hon. Hal Perry (District 27, Tignish-Palmer Road)

**Changes in Membership**

On May 31, 2024, via letter from the Premier, Tyler DesRoches replaced Hilton MacLennan (District 23, Tyne Valley-Sherbrooke) as a permanent voting member of the committee. Under the terms of rule 91, Hon. Zack Bell, (District 10, Charlottetown-Winsloe) ceased to be a member of the committee upon his appointment to Cabinet on October 9, 2024.

Robin Croucher (District 1, Souris-Elmira) served as a substitute member at the May 21, May 28 and October 29 committee meetings. Tyler DesRoches, prior to being appointed as a permanent member of the committee, served as a substitute member at the May 7, May 21 and May 28

meetings. Susie Dillon (District 11, Charlottetown-Belvedere) served as a substitute member at the May 7, June 18, June 25, September 17 and October 1 meetings. Brad Trivers (District 18, Rustico-Emerald) served as a substitute member at the May 7, May 21 and May 28 meetings.

### **Update on Committee Activities**

Since your committee's last report, it has met twelve times.

On May 7 your committee met to review the Auditor General's *Annual Report to the Legislative Assembly*, dated February 29, 2024. Darren Noonan, Auditor General; Elvis Alisic, Assistant Auditor General; Luke Rowledge, Director – Financial Audit; and Kyle Parkman, Financial Audit Manager, were in attendance. At this meeting, your committee agreed to request a meeting with Health PEI representatives on matters identified in the Auditor General's annual report, such as completion of the Health PEI business plan and drug cost rebates. The committee also agreed to request meetings with the Department of Finance and PEI Housing Corporation on matters identified in the Auditor General's annual report.

On May 21 your committee met to continue its review of the Auditor General's *Annual Report to the Legislative Assembly*. Darren Noonan, Auditor General; Sheri Griffin, Assistant Auditor General; Tim Cook, Performance Audit Manager; and Jenna Dominey, Performance Audit Manager, were in attendance.

On May 28 your committee met to receive a briefing on the response to the Auditor General's report *Surgical Wait Times: Cataract, Knee Replacement and Hip Replacement* (December 2023) by Health PEI representatives Melanie Fraser, Chief Executive Officer; Dylana Arsenault, Executive Director, Hospital Services and Patient Flow; and Dr. Mark Taylor, Interim Provincial Department Head of Surgery and OBGYN.

On June 18 your committee met to receive a briefing on the Department of Finance's response to matters raised in the Auditor General's *Annual Report to the Legislative Assembly*, and on federal funding for PEI's COVID-19 financial support programs, by Department of Finance representatives Denise Lewis Fleming, Deputy Minister; Nigel Burns, Director of Economics, Statistics and Federal Fiscal Relations; Judy Killam, Comptroller; and Jordan McNally, Executive Director of Fiscal Management.

On June 25 your committee met to receive a briefing on matters raised in the Auditor General's *Annual Report to the Legislative Assembly* relevant to the PEI Housing Corporation, by Cheryl Paynter, Chief Executive Officer; Jason Doyle, Director of Housing Operations; and Matthew Praught, Director of Finance. The committee also received a briefing on matters raised in the Auditor General's *Annual Report to the Legislative Assembly* relevant to Health PEI, by Kellie Hawes, Chief Financial Officer; Lane Pineau, Director of Fiscal Planning and Audit; Pat Ryan, Comptroller Health PEI; and Allison Wyatt, Director of Occupational Health, Safety and Wellness.

On September 3 your committee met to receive a briefing on the report *PEI Alliance for Mental Well-Being* (July 2024) by Office of the Auditor General representatives Jennifer Bowness, Assistant Auditor General; Sheri Griffin, Assistant Auditor General; and Justin Ellis, Audit Principal. At this meeting your committee agreed to hold an *in camera* session on reading the Public Accounts, as proposed by the Auditor General. Regarding the *PEI Alliance for Mental Well-Being* report, the committee also agreed to seek the appearance of current Board and/or staff representatives of the

Alliance, as well as the former executive director who was in the role during the audit period, and the Department of Health and Wellness.

On September 17 your committee met to receive a briefing on the Auditor General's report *Healthiness of Food in Schools* (August 2024) by Darren Noonan, Auditor General; Sheri Griffin, Assistant Auditor General; and Jenna Dominey, Performance Audit Manager. At this meeting your committee agreed to seek the appearance of Public Schools Branch and La Commission scolaire de langue française representatives regarding the *Healthiness of Food in Schools* report.

On September 24 your committee met to discuss correspondence received from the PEI Alliance for Mental Well-Being and then moved *in camera* for a session on reading the Public Accounts of the Province of PEI with Darren Noonan, Auditor General. During the public portion of the meeting, your committee agreed that it did not wish to delay the appearance of the PEI Alliance for Mental Well-Being beyond October and directed the committee clerk to work with them to find an alternative date and time for a meeting in October. The committee confirmed that it continued to wish for the Alliance's former executive director to also appear.

On October 1 your committee met to receive a briefing on the response to the Auditor General's report *PEI Alliance for Mental Well-Being* by Department of Health and Wellness representatives Laurae Kloschinsky, Assistant Deputy Minister of Mental Health and Addictions; and Karen Stanley, Director of Finance and Corporate Services. At this meeting your committee agreed to request further information and documents from the Department of Health and Wellness in relation to the PEI Alliance for Mental Well-Being and directed the committee clerk to undertake research on whether major PEI non-profit organizations and PEI government organizations that distribute public funds require their board members to complete private interest disclosures as part of their conflict-of-interest policies.

On October 22 your committee met to receive a briefing on the response to the Auditor General's report *Healthiness of Food in Schools* by La Commission scolaire de langue française representatives Ghislain Bernard, Directeur général; and Brad Samson, Directeur des services administratifs et financiers. This meeting had originally been scheduled for October 15 but did not proceed that day due to a power outage. At this meeting your committee also reviewed a letter from the Standing Committee on Education and Economic Growth suggesting that the Public Accounts Committee examine the matter of non-disclosure agreements in contracts between government and third parties; the committee agreed to respond with a letter stating the Public Account's Committee's mandate and statement of purpose, and that any committee has the power to call for the production of documents. It also agreed to direct the committee clerk to undertake research into whether it is possible in other Canadian jurisdictions for non-disclosure agreements to be included in contracts between a government entity and a third party regarding the expenditure of public funds. The committee also agreed to hold an *in camera* meeting for a briefing by the Auditor General's Office on an upcoming report.

On October 29 your committee met *in camera* to receive a briefing on a new Auditor General's report, by Sheri Griffin, Assistant Auditor General; Sarah Taylor, Director of Performance Audit; and Jenna Dominey, Performance Audit Manager, of the Auditor General's Office.

On November 26 your committee met to consider its report to the Legislative Assembly.

## Recommendations

### **1. Your committee endorses all the recommendations made in the Auditor General's reports that the committee has reviewed since it last reported to the legislature.**

Your committee strongly encourages all departments, agencies, Crown corporations and relevant external organizations to carefully consider the recommendations made in the *Annual Report to the Legislative Assembly*, the *Surgical Wait Times: Cataract, Knee Replacement and Hip Replacement* report, the *PEI Alliance for Mental Well-Being* report, and the *Healthiness of Food in Schools* report. Your committee asks that the implementation of the recommendations in these reports be reviewed, and their status be presented in future reports of the Auditor General to the Legislative Assembly. To be clear, this endorsement also includes resolving the issues the Auditor General found in other financial audits relating to accounting concerns, compliance matters, internal control weaknesses, annual reporting and external audits. These issues were communicated to Government in management letters and are summarized in chapter 10 of the *Annual Report* but are not listed as numbered recommendations. Nonetheless, your committee expects these issues to be addressed.

Your committee hopes to meet with the PEI Alliance for Mental Well-Being and the Public Schools Branch in the near future to discuss the Auditor General's findings on the Alliance and on healthiness of food in schools, respectively. In the meantime we encourage both organizations to implement the Auditor General's recommendations without delay.

### **2. Your committee encourages departments and agencies audited in 2019, 2020, 2021 and 2022 that have not yet achieved full implementation of the Auditor General's recommendations to pursue that goal until it is achieved, whether further follow up by the Auditor General is expected or not.**

Implementation of Auditor General's recommendations has been on an upward trend in recent years, which is good news. One hundred percent implementation has been achieved for audits of the capital asset plan for provincial parks (2019), IT security access controls (2020), and laboratory services: surgical specimen processing (2020). Implementation of other audits in 2019, 2020 and 2021 ranges between 83% and 92%, and your committee hopes the final push to reach 100% will be complete by the Auditor General's next round of follow-up work. The lone performance audit of 2022, on overdue property taxes, was at 33% implementation (or 2 of 6 recommendations implemented) as of August 31, 2023. While it is more recent than the other audits, the implementation rate is low and your committee looks for it to be substantially higher in the next follow-up report.

### **3. Your committee recommends that Government, whenever possible, seek approval for additional spending by introducing a Supplementary Appropriation Act in the fall sitting or early in the winter-spring sitting, rather than approving such spending by special warrant and then tabling a Supplementary Appropriation Act after the fact.**

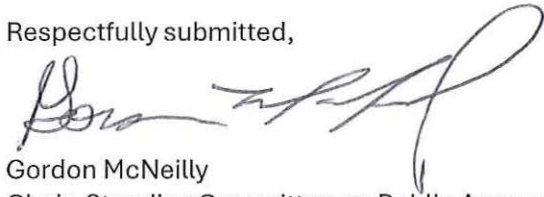
Both the Auditor General and your committee are concerned by the significant increase in spending approved by special warrants in recent years. Special warrants can be issued only when the Legislative Assembly is not in session. Their use bypasses the legislative branch's role as the scrutinizer and approver of government spending, as debate on Supplementary Appropriation Acts that list expenditures approved by special warrant is essentially moot; the expenditures have

already been made. However, the timing of the fall and winter-spring sittings allows ample opportunity to seek proper legislative approval for additional spending halfway through the fiscal year or a full month before it ends. The Department of Finance explained to your committee that budgets are monitored across government throughout the year, so that potential spending pressures are flagged in the fall and third quarter forecasts, well before fiscal year end, and special warrants can be prepared if necessary. But this monitoring could just as easily be done with a view to preparing Supplementary Appropriation Acts for introduction at the outset of the winter-spring sitting instead, or even during the fall sitting. The Department also explained the various reasons that have caused special warrants to be relied on more frequently in recent years, such as accounting adjustments following audit, more Crown agencies having their own appropriation line rather than being situated within a department's budget, and new expenditures associated with new sources of federal revenue coming partway through the year. These are valid reasons to seek approval for additional spending---but the approval should be through the legislature, not a special warrant. Special warrants should instead be reserved for less common situations in which the Assembly is not in session and it is clear that a significant negative impact will occur if approval of the additional expenditure is delayed until it reconvenes. The Auditor General has recommended that additional Supplementary Appropriation Acts should be tabled when unexpected events that require a significant financial outlay occur. Your committee agrees but believes Government should go a step further and make approval through a Supplementary Appropriation Act the normal process, and approval through a special warrant the exception that is used only when absolutely necessary.

#### **Conclusion**

Your committee thanks the Auditor General and the staff of the Auditor General's Office for their dedication, expertise and insightful recommendations. We also thank the representatives of Health PEI, the Department of Finance, the PEI Housing Corporation, the Department of Health and Wellness and La Commission scolaire de langue française for meeting with the committee during this reporting period. We look forward to Government's written response to this report, to be tabled during the next sitting period.

Respectfully submitted,



Gordon McNeilly  
Chair, Standing Committee on Public Accounts