PRINCE EDWARD ISLAND LEGISLATIVE ASSEMBLY

Speaker: Hon. Kathleen M. Casey Published by Order of the Legislature

Standing Committee on Public Accounts

DATE OF HEARING: 22 JANUARY 2008 MEETING STATUS: PUBLIC

LOCATION: POPE ROOM, COLES BUILDING, CHARLOTTETOWN

SUBJECT: REVIEW OF 2007 AUDITOR GENERAL'S REPORT

COMMITTEE:
Jim Bagnall, MLA Montague-Kilmuir (Chair)
Paula Biggar, MLA Tyne Valley-Linkletter
Olive Crane, MLA Morell-Mermaid, Leader of the Opposition
Bush Dumville, MLA West Royalty-Springvale
Cynthia Dunsford, MLA Stratford-Kinlock
Charles McGeoghegan, MLA Belfast-Murray River
Alan McIsaac, MLA Vernon River-Stratford
Pat Murphy, MLA Alberton-Roseville
Janice Sherry, MLA Summerside-Wilmot
Buck Watts, MLA Tracadie-Hillsborough Park

COMMITTEE MEMBERS ABSENT:
none

GUESTS:
Colin Younker, Auditor General; Jane MacAdam, Allan Moore (Office of the Auditor General)

STAFF:
Melissa Keefe, Committee Clerk

Edited by Hansard

The Committee met at 1:30 p.m.

Chair (Bagnall): We have all of our members here, I think, at the present time.

So welcome to our first meeting of Pubic Accounts. It's January 22nd and we're getting started with our business on this committee. We do have the Auditor General's report. Everybody, I believe, we sent out a copy to each and every member so that they would have one. We do have the Auditor General booked to come in in a half an hour. The first part of the meeting, we wanted to leave it open so we could discuss a few things that the committee might want to look at.

We do have a report that was asked to be done by the Auditor General from the previous committee. That report has finished and it's respecting the small claims court process. That was an issue that came up with the Public Accounts Committee in the last government. The Auditor General has got a report and he will be prepared to bring that report to our committee and let us review it. But I think we have to have a motion asking for that from the committee. He has spent the time to do that report on behalf of Public Accounts, and I would ask for a motion from someone to have the Auditor General review that small claims court report with our committee.

Leader of the Opposition: I move it.

Chair: All in favour?

Some Hon. Members: Aye!

Chair: Opposed?

Motion carried.

So we'll deal with that as we go along here. He's not ready to deal with it today but he will be in the future. As we have him in, we can ask him if he would be prepared to review it whenever (Indistinct). If that's okay with the group.

We have put two other meeting dates down, tentative dates, that I'd like to review with committee members. The first one is February 12th at 10:00 a.m., and Tuesday, March 11th at 1:30 p.m. Okay with everyone? Those are the only two dates we have booked at the present time. So we'll leave it at that right now. Probably we'll be into March break right after that so we'll hold off until - I don't think anybody wants to meet during March break. The kids are out of school and stuff. If we need more meetings we'll book them immediately following that before we - if that's okay with our committee. Everything okay?

Some Hon. Members: Agreed.

Chair: Agreed?

In my notice that I sent out to each of the - I had asked about having the Auditor General in today instead of having two meetings to decide what we're going to do to start on his Auditor General's report. He'll be here at 2:00 to start with his Auditor General's report, to review it. I guess at this time I would open up the meeting and see if there's anything else right now that the committee feels that we should be looking at or should we review the Auditor General's report and then move on to other business at that time. I'll leave it up to the committee.

Mr. McIsaac: Mr. Chair, you having experience in this before, how long does it take - I suppose it could vary - but to go through this booklet?

Chair: We have done it in three meetings or four before. It depends on what we get into and when we start. If there's nothing too alarming that everyone wants to talk about, it could be done very quickly. But if it gets into an area where there is lots of controversy or something, then it could take a little longer. But usually three or four meetings to go through the - as long as it's smooth sailing. Even quicker than that. I think we did it one time in two meetings when there was nothing other than just reviewing his -

Mr. McIsaac: Did you clear these two dates with him?

Chair: Those are confirmed with him, if it's all right with our committee.

Ms. Biggar: My personal opinion would be, we could hear from the Auditor General, and if any alarm whistles go off that we feel need to be dealt with, we'll - that's just my personal opinion.

Chair: Okay, that's fine. Thank you, Paula. I hope you don't mind, I'd like to keep first names, if that's all right with the committee. If it's all right, we can use first names around the table and that way everybody knows - rather than trying to remember districts, if that's okay with the group. Does anybody have any objections to that? It makes it a little (Indistinct).

As you know, while we're waiting, Buck and myself did attend the annual Public Accounts Committee in Victoria, BC last fall, I guess it was. We had a meeting which was very well run, great hospitality, did a great job of putting it on. Really, there were no controversial issues or anything brought up on the national board. There was some presentations brought forward that were very informative. Other than that the committee went smooth. Maybe I'll get Buck to maybe make a few comments on that also, because we attended as chair and vice-chair.

Mr. Watts: Yeah, thank you, Jim. There is really not much that I can add to it. Me being the new kid on the block, it was very interesting and informative to me to meet all the delegates from across the country.

As Jim said, there was a lot of interesting presentations and a lot of interesting ideas. Don't ask me what they were. I'd have to have them written in front of me. I think, was it, Jim, the next meeting I think is -

Chair: It will be in Whitehorse, Yukon. That will be in August or September, I forget the date now. I'll have to look it up. But that's where the national convention will be this year.

Another thing, and Buck will probably - is that with public accounts and getting friendships from across the country, you learn more outside the meetings than you really learn in the meetings. You'll be sitting down talking to the public accounts chair for, let's say, Newfoundland, and he'll be telling you all of the things that they're doing and what they're following up on and what their problems and what their issues were. You'll get a wide variety of concerns right across the country. They're not all the same but they all work into your own public accounts too. So it's very interesting that way. It's been a good experience.

I've been on a good number of these over the last few years and I find that they're very informative. You find you meet good friends and you can always go and say: What do you do in this situation, or what happens with your group in this situation? So you can get all kinds of good information. That part of it's pretty decent.

Mr. Watts: Of course, our job as a committee, from what I could understand from it, is to keep our own government accountable. That's basically what it amounts to.

Chair: Yeah, that's exactly it. Where you'll find that the committees are really active and really going is where you have a minority government. Usually when you have a minority government they can call and do whatever they want on the government and government has to follow. Where a lot of times where there's a majority government, the scrutiny is not there quite as bad as it would be if it was a minority government. Anywhere there was a minority government provincially, the committees were much more active.

Anyway, I guess that's that part of our committee. No one else has anything that they want to talk about or issues to get ready for?

So with that, as soon as the Auditor General arrives, then we'll start on his report. I thought it would take half an hour, it only took us 15 minutes. Yes, Alan?

Mr. McIsaac: (Indistinct) we just fire questions at him?

Chair: What he'll do is he'll start reading - we'll get him to read a section and then stop and then we can ask questions. I think that's the easiest way, instead of interrupting him every time. So if we do a little section and then we can stop him there and say: Anybody who had any questions?, and proceed that way. Is that acceptable with the group?

Some Hon. Members: Agreed.

Chair: We did talk the day we invited the chairs that any new business that we were going to bring to the committee, that we would bring it as notice the first day and it would be on the next meeting's agenda, and we all agreed to that. Just to remind members that if they have something that you want to bring forward that we either have it put on the agenda beforehand, or if it comes in late, it will be just put on notice and it will be on the next committee meeting. We agreed to that so we'd like to stay to that format and that way we can function properly.

Yes.

Mr. Dumville: Does that include motions?

Chair: We'd like to have the motions in advance, but it's entirely up to the group. The group can make the decision on that. A motion is always in order in a committee meeting.

Mr. Dumville: No, I understand that. But I mean, if we're trying to give a heads up so somebody can think about the decision, a motion is the ultimate decision, so it would give us some time to think about it.

Chair: If that's the wish of the committee, then yes, it'll be motions too. That's what we had asked for that day, that any new thing coming forward, that we would put it on as notice and brought up at the next meeting. Or if there's a motion, have it into - when it goes out on the agenda so that we know that there is going to be a motion.

Ms. Dunsford: But by the rules of the committee it's not required.

Chair: Exactly. We've asked and the committee has agreed to follow that procedure so it makes it easier for everybody. No surprises sitting around the table on either side.

They haven't arrived yet, have they?

If you want to grab a coffee or anything right now - if this is moving along at a pretty good pace, we might want to stay, instead of saying from 1:30 to 3:30, we might want to stay an extra hour and let him - so we can get through it in a reasonable time period.

Ms. Biggar: Just watch the weather today, maybe.

Chair: We'll play it by ear.

Ms. Dunsford: I have to be out of here by quarter to four.

Chair: Today we'll have a couple of hours and the next meeting we could say maybe we're looking at three hours, but if the weather or anything changes, we could cut it back to two.

Welcome Colin, Allan Moore, and Jane MacAdam. Thank you very much for coming to our committee as we're prepared to review the Auditor General's report. As you know, this is basically a brand new committee of public accounts. I think maybe I'm the only one that's been on public accounts in the past. So it's a new committee.

Colin, I'll let you take over and start with your report. We've talked it over. We're going to allow you to do it in sections and then we'll ask questions after you're done of that part, if there are questions to be asked. With that, we'll open the floor up to you.

Colin Younker: Thank you. I'll introduce my two audit directors, Allan Moore and Jane MacAdam. They're here to help me if I can't answer a question, which happens more than on occasion.

This is our 2007 report. (Indistinct) tabled with the Speaker by March 15th of the year, and then it's tabled in the House usually the first or second day that the House opens. It has to be (Indistinct) the Speaker by March 15th, based on legislation.

The first part is a general introduction and then the first section is on the province's finances. This relates to the March 2006 year-end of the province. That would be the last financial statement that would be done when we prepared the report. We make some comments in this section. "To assist members of the Legislative Assembly, we provide an update each year on the province's finances."

Chair: What page are you on there, Colin?

Colin Younker: I'm on page 1. "The financial information is important because it indicates where we are financially and what decisions will be required to ensure programs and services be provided in the future.

"The Consolidated Financial Statements are the primary source of information...." Those are the consolidated statements of the province. They include the departments, the school boards, Crown agency, crown corporations. They're all consolidated into the consolidated summary of financial statements and that's the statement that we're discussing in this section of the report.

For March 2006 the net debt of the province decreased by 6.8 million. The previous two years, the net debt increased by 16.9 and 134.1 million.

"While the net debt decreased by .5 percent the Provincial gross domestic product (GDP) increased by 3 percent." But we still have a net debt of about $1.3 billion in the province.

Mr. McIsaac: Can I ask a question (Indistinct)?

Chair: Yes, Alan.

Mr. McIsaac: (Indistinct) last line, "the Province's net debt of $1.3 billion still remains a concern." You have a level that you're happy with? I know zero would be great. But 1 million is better - I mean, it'd be better but of course (Indistinct) is certainly a concern here. (Indistinct) -

Colin Younker: It's more the trend and how it goes over time. If you're debt continues to increase your interest rates will probably go up. Your credit rating will change with the bond raters which would cost you more to borrow your money. It currently costs now about $120 million interest for the province on their debt, so that money is used for debt as opposed to programs. The credit rating in June 2006 went to A1 with Moody's from A2 where it was in 2003-2004, so the A1 is a slight improvement.

Mr. McIsaac: What triggers an increase or decrease? Is it the amount of debt or -

Colin Younker: I think debt is one of the factors they look at, and then the overall performance of the province each year, surplus versus deficit.

On the second page, there is some definitions of some of the financial measures that are on the financial statement.

"The annual surplus or deficit is the difference between a government's revenue and expenditure for the current year." In March 2006, they had a surplus of .7 million.

"The total debt is the amount owed by the Government. Government's debt includes outstanding debentures, pension obligations, and other accounts payable. The total debt of the Province as of March 31, 2006, was approaching $2 billion.

"Financial assets are cash and other assets which could provide resources to pay liabilities or finance future operations. Total financial assets at March 31, 2006 were $643 million.

"The net debt is equal to the difference between the Government's total liabilities and its financial assets." Again, it was 1.3 billion at the end of March 2006.

"Non-financial assets include 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." Which is writing the assets down over their useful life. "At March 31, 2006 non-financial assets had a book value of $547.4 million.

"The accumulated deficit represents the Province's liabilities net of the assets the Province has acquired, both financial and non-financial. It is calculated based on the surpluses and deficits incurred over the years. The accumulated deficit at March 31, 2006 was $775.3 million.

"The interest charged on borrowings is the amount required to service the debt and must be taken from revenues before any expenditures can be made on Government programs.

"The GDP is the measure of the value of the goods and services produced in the Province in a year." Stats Canada reports that figure.

"Exhibit 1.1 shows a summary of some of the key financial measures for the Province over the last three years."

Comparison of the surplus deficit - and we've talked about the last three years, 125.1 deficit moving through to the surplus of .7. The increase and the decrease in that debt, the net debt figure, on financial assets and the cumulative deficit of the province over those years. The debt charges, moving from 106 million to 110 million and the GDP of the province, which just continues to grow.

Mr. McGeoghegan: So the debt charges is (Indistinct) on the debt, right?

Colin Younker: Yes, it's mostly interest on debt.

Mr. McGeoghegan: Yeah.

Mr. McIsaac: How do you do the assessment (Indistinct) financial assets, like the roads and buildings. How do you do an assessment on that? Do you have (Indistinct) that does that or -

Colin Younker: Most of the assets you carry a cost, you know the cost. So when you buy it that cost is set up on the books now. There was a transition period because up until two years ago tangible capital assets weren't shown on the financial statements, they were written off in the year they were purchased or set up at that time. So you went back and found as many original costs as you could and calculated a depreciation figure and that's the number that is on there now.

Chair: Paula.

Ms. Biggar: I just had a question about the GDP. Do you expect that to kind of keep - what would be your prediction?

Colin Younker: I'm not an economist, I'm not sure. Based on the stock market today, I'm not sure. Depends how the economy grows. We've had a steady growth I think over the last number of years.

"Exhibit 1.2 shows the change in the surplus (deficit) from 2004-05 to 2005-06."

The main increase in revenue was an increased tax revenue, and of this amount, 38.6, that was an increase in personal and corporate income tax. The federal transfers only increased .9 between 2005 and 2006. In the expense side, the main increases were in health and social services of 11.3 million.

"Exhibit 1.3 shows the ratio of provincial revenue to GDP for the years 1996-2006. The trend between 1996 and 2004 was downward indicating that government was not increasing its own source revenue at the same rate as growth in the Province's economy. However, in 2005 and 2006 there was a slight upward change in the trend."

It went from 18.3% to 16.4% in 2004, and then up to 17.5% in 2006. The other provinces in 2005, their range was between 13 and 18%, so we're in that range with the other provinces.

"Exhibit 1.4 shows that Government spending as a percentage of GDP decreased slightly in 2004-05 and has remained relatively constant in 2005-06." The growth in the economy did cover the additional spending.

"GDP per capita is a measurement of the year to year changes in the Provinces's economy and can be used to compare to other jurisdictions." We show that in exhibit 1.5. PEI still has the lowest GDP per capita, but it's grown at a faster rate than five of the other provinces and the Canadian average. The exhibit shows that, shows the 21.6 increase in the five years in PEI and the changes in the other provinces on a comparative basis.

"Sustainability indicates whether the Province can maintain programs and meet existing creditor requirements without increasing the debt burden on the economy. A comparison of the Government's annual surplus or deficit, net debt and the Provincial GDP provides insight into the sustainability of a government's practices of incurring expenditures and generating revenues."

Again, we show the change in the surplus deficit for the last three years moving from the 125.1 in 2004 to .7 surplus in 2006.

An Hon. Member: (Indistinct) improved rating?

Colin Younker: It would be part - yes, in 2006, June, is improved rating.

Ms. Biggar: Does that go up again in 2007, recently, the rating?

Colin Younker: The ones I have are for Moody's. I think Standard and Poors, I think they changed it and I think it was to an A. No, it wasn't to - it was a number, I'm not sure of the number, but there was a change but it was a different rating agency. That's the latest I have on Moody's is the June 2006.

Ms. Biggar: Okay. Can you get that information?

Colin Younker: We can get that information.

Mr. Chair, when we bring back information - we had some question on that in previous years where the committee would make a resolution or do you just want somebody to ask? How do you want me to handle that?

Chair: Basically we had talked is that any motions or anything that we would defer to the next meeting. So if there is something that they want you to - information you have to bring back, it'll come back to the committee. The committee will decide whether we want you to bring that back or not.

I know before, we had one particular who individual wanted you to bring back loads and loads of stuff. I think what we'll do is the committee will decide what is relevant to bring back, our information, and it'll go through the committee. It will be a committee decision on anything we ask to bring back.

Colin Younker: Okay, thank you.

Chair: Which makes it fair to everybody.

Colin Younker: Thank you.

"Exhibit 1.7" - on page 8 - "shows the net debt to GDP ratios since 2000. The 2003-04 deficit at $125.1 million cost net debt to GDP ratio to increase significantly, but with the lower deficit of $33.6 in 2005 and a small surplus in 2006, the rates returned to the 2000 level."

So our net debt as a per cent of GDP is 31.9%. Back in 1995 it was 39%t and in the other provinces it ranges from 8% in Alberta to about 61% in Newfoundland.

"Government's flexibility is the degree to which it can increase its financial resources to respond to rising commitments by either expanding its revenues or increasing its debt. 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.

"A government's net debt and debt charges provide insight into whether it can respond to rising commitments without increasing its revenues. A rising debt burden and debt charges indicate there are fewer resources to allocate to programs and services.

"One measure of a government's flexibility is the interest costs as a percentage of total revenues". Which is referred to as the "interest bite". "In 2005-06 debt charges on government borrowings were $110.2 million. The trend in the interest bite is shown in Exhibit 1.8." Where it's about 9.4%, down from 10.4% in 2004.

There's been little change since 2005. As I mentioned earlier, the first 110 million must be earmarked to pay interest cost and is unavailable for government programs. "Recent debenture issues have been for 30 year terms at comparatively low interest rates." I think in the 5% range, the recent issues.

There is interest expense for pension and other related obligations. This amount was 13.7 million. That's not included in debt charges, it's included in the pension cost. We would like to see that included in the interest cost and there has been some changeover in the way that they finance the pension obligations and that interest will be reflected more in with the interest costs.

"Vulnerability is the degree to which a government is dependent on, and therefore vulnerable to sources of funding outside its control or influence. In 2005-06, the federal government provided approximately $444 million to the Province, an increase of $.9 million from 2004-05. The trend in federal revenues relative to total revenues for the last three years is shown in Exhibit 1.9." It's gone from 37.9% to 38% and has stayed fairly stable.

"Revenue from provincial sources is more controllable through measures such as Provincial tax legislation or adjustments in user fees. Federal transfers are subject to different variables such as federal fiscal policies and the performance of other provincial economies. Any federal fiscal policy change impacts the Province."

Just in summary, then. We feel it's important that you have this financial update on a regular basis. It provides some information using the indicators recommended by the CICA, which is the institute of chartered accountants. They provide some insight into government's ability to sustain its programs.

"Further to the above discussion, we recognize there are other relevant non-financial matters which have to be taken into consideration by Members of the Legislative Assembly in making budgetary decisions and setting Government policy direction."

That covers the first section.

Chair: Any questions? Alan.

Mr. McIsaac: (Indistinct) wild, but anyway. You detect there is over $100 million a year spent on interest covering the debt.

Chair: A hundred and ten million.

Mr. McIsaac: How much are we receiving in transfer payments?

Colin Younker: Four hundred and forty million, roughly.

Mr. McIsaac: I'm just looking at this from my farming point of view. Would it not be better to go to the federal government and say: Pay off our debt, and over the next few years we don't take transfer payments and we free up money like that?

One hundred and ten million on interest is absolutely ludicrous. If they have a surplus in Ottawa, that's change-off there. I don't know if that's possible. It's likely way out in left field. But to me, it just makes sense to refinance somehow. I know that's not your department, anyway.

Mr. Dumville: We'd have an immediately $330,000 missing from cash flow though.

Ms. Biggar: I don't think we want to give up our transfer payments.

Mr. McIsaac: If we freed up a hundred and some million dollars in - well, you can do it partway, you know? Give up some in one direction, get it in the other. I mean, paying $110 million in interest payments to me is just a sin. But anyway. Have to talk to Wes about that.

Mr. Dumville: How do you feel our fundamentals are doing? Like right now, this is - our gross national product up until 2006 seemed pretty strong. The change in the dollar, weak commodity prices, etc. That could drastically change in 2007.

Colin Younker: Could change, 2007. I don't have any updates though on the GDPO the last while.

Mr. Dumville: Do you see any very

worrying trends based on - like I mean, we've gone from 970-some odd million in debt in our history and then the last few years we've almost gone to 2 billion, less the 700,000 that we have in assets. Those assets, say ten years prior, what would the value of those be? Would they be near what they are today?

Colin Younker: There'd be depreciation, but there are new assets being bought each year. I don't know if there would be a substantial change. It would be gradual. I think the biggest addition the last ten years would probably be the hospital in Prince County at 60 million, roughly.

As far as trends go, I guess one trend is government has moved towards a small surplus position and that continued through 2007.

Chair: Charlie.

Mr. McGeoghegan: On page 4, the 14.7 million in increased spending, other program spending, what did that entail, do you know?

Colin Younker: I don't have a breakdown of that, but it'd just be all the different departments added together.

Mr. McGeoghegan: Okay.

Colin Younker: Some of them would have went up a little bit and some would have went down.

Mr. McGeoghegan: Right.

Chair: Okay, section 2.

Colin Younker: Section 2.There's an introduction on page 15 to section 2.

We do two types of audits. Three, I guess. We do the financial statement audits which is the audit of the public accounts of the province, as well as some financial statement audits of some of the Crown corporations. We don't do all the Crown corporations but we do some of them. We also do what's called special audits and examinations which we're allowed to do under the *Audit Act*. Page 15, paragraph 2.3, kind of explains the special audits.

We conduct those in standards which are established by the Canadian Institute of Chartered Accountants, and they're conducted in all the provinces by the auditor generals, as well as Canada. They're conducting a series of stages. There's a planning phase. Information is gathered to gain and understand the program or the entity. An audit plan is prepared.

"Evidence is obtained and analyzed and observations and recommendations are developed in the implementation phase. In the reporting phase a draft report is issued to the auditee for discussion." Then we issue a final report at the end of the audit.

So in this, rather than financial control of some audit, we're looking more at management controls and practices. We may look at a department, we could look at a program or we may look at a Crown corporation or a government-wide program.

Last year for this report we covered four areas. We had four special audits. They were in property taxation; we looked at the PEI Energy Corporation; Workforce Incentive Programs - the program in 2005 and then the program in 2002; and PEI Business Development Inc., lending activities. Those were the areas we looked at and there are four sections here which cover each one of those.

So on page 17, section 3, the first audit was on property taxation.

"Taxation and Property Records is a Division of the Department of the Provincial

Treasury. The Division administers tax legislation and collects taxes and other revenues including sales tax, gas tax, health tax and real property tax." We summarize the expenditures of the division in Exhibit 3.1, ranging from 6.5 to 5.8 from 2006 to 2007.

"The Division is responsible for the Real Property Assessment Act and the Real Property Tax Act which provide the mandate for performing assessments on real property and the application and collection of taxes or fees for service. There are close to 100,000 property accounts, of which approximately 55,000 include residential assessments."

Your revenue from provincial property tax from March 31, 2006 was 60 million. In Exhibit 3.2 we show a comparative from 2000 to 2006. These are the March 31st year-end numbers. The property tax collected by the province, for the province, went from 43 million to 60 million during that period of time which was about a 40% increase since 2000. During that time the assessed values increased by 53%.

One reason the taxes have not increased by the same percentage as the assessed values, is the owner occupied residential tax credit, which was introduced in 2003, which limit tax increases on residential properties to the CPI. I think the CPI in those years was 3.57, 2.13 and 3.20.

"The Division sends bills and collects taxes and other property related fees for municipalities, fire districts and the Island Waste Management Corporation. The annual billings are prepared on a calendar year basis and are mailed in May of each year. The May 2006 billing was $126 million which included $65 million for the municipalities, fire districts and the Island Waste Management."

That's summarized, and Exhibit 3.3 shows the comparative information on the billings from the years 2000 through to 2006. The 12 million that you see there will be transferred to Island Waste and the 53 million would have been transferred to the municipalities, and some portion to fire districts.

"In 2003, the Division began a process to replace its computer system. The old system was scheduled to be shut down in March 2004. This was a challenging time for the Division and the transition to a fully functioning system continued into 2006." We talk about that later on in the report.

"In accordance with Section 13 of the Audit Act, we conducted an examination of property taxation.

"Our audit focused on the year ended March 31, 2006 but also included a review of procedures in place over the conversion to the new property tax system in 2004."

Our detailed audit observations. What we do in our report is we have a number of recommendations and we have a number of findings and then we have a recommendation. The recommendations are bolded and summarized, as you can see. First one is on page 21.

The first area was tax billings and revenue. "As part of our audit we looked at the requirements for property owners to be notified of their property assessment and taxes owing. The Real Property Assessment Act and the Real Property Tax Act outlines certain requirements including: a notice of assessment is to be mailed to every person in whose name property is assessed; a notice of taxation is to be mailed to every person in whose name tax is levied; and the assessment roll and tax roll are to be open to public inspection."

So we had three recommendations from this. We found that all people weren't receiving an assessment.

Chair: Say that again, Colin. I missed that.

Colin Younker: Where a property was fully exempt, the owner was not being notified of their assessment. So we're recommending in that case that because it's in the legislation, "...all persons who own real property should be notified of their property assessment." Just a recommendation, 3.13. There is no reconciliation comparing the number of tax bills and the annual mailing to the number of property accounts in the system. That would ensure that a notice is sent to every property owner that owes tax.

We had a recommendation 3:14: "The Division should reconcile the number of tax bills mailed in the annual billings to the number of property accounts in its database."

Then the third recommendation was "... the tax roll should be available for public inspection." They're doing some work on the tax roll because of the changeover, and I think they're trying to make it electronic, that they'll be able to view it electronically.

"As part of our audit, we expected billing to be correctly calculated based on the assessed value of the property and relevant tax rates and credits." In this area, the sample we selected, we didn't find any significant variances. There wasn't any problems there.

"We noted that at March 31, 2006 there were 11,600 accounts in arrears over $100 totaling $16.6 million, an increase of $6 million from December 31, 2004. There were 450 accounts with arrears exceeding $5,000 at March 31, 2006 or $5.7 million in total."

Prior to 2004, there was two statements of overdue taxes sent out each year. There wasn't any statements mailed out during the 2004-2005 calendar years. In February 2006 statements of outstanding accounts were sent, but they didn't maintain a record on which ones were mailed. So we did recommend in 3.23 that "statements of outstanding taxes to taxpayers on a regular, timely basis" should be sent out. This is just part of collecting their accounts.

"We requested an aged tax receivable listing as of March 31, 2006." Although the information was available in the system, the staff couldn't access - they could access the individual accounts, they couldn't do the complete listing. It was not available. So we recommended in 3.24, "The Division should take action to ensure that regular tax receivable reports are prepared and reviewed."

Chair: Bush, you have a question there.

Mr. Dumville: Just a comment on 3.22. Do we actually go two years, possibly three years, before we take action on tax arrears?

Colin Younker: By the legislation, arrears have to exceed 24 months.

Mr. Dumville: So you're allowed that?

Colin Younker: Then you're allowed that. But during that time, you're also charged interest, and the interest rate I think is -

Leader of the Opposition: What is the interest rate on those accounts and how does it compare to other provinces?

Mr. Dumville: It's high, probably.

Colin Younker: I think it was in the 18% range. I'm not exactly sure. I'm not sure what it is in other provinces.

Mr. Dumville: So they can pay the high rate, but at least we're not moving on the properties.

Colin Younker: No, not for - it's really three years. It's the two years for the liability tax sale, and then you have an additional 12 months at that time.

Mr. Dumville: Now, would they have to pay the 18% monthly or does it just tack on?

Colin Younker: It's calculated monthly.

Mr. Dumville: Calculated monthly. So they're not paying, it just gets bigger and bigger.

Chair: They're paying interest on interest after that.

Paula.

Ms. Biggar: Just going back to the 3.3 with the 53% increase in the assessed values of property. Compared to other provinces where do we fit in there with this increase?

Colin Younker: We didn't compare.

Ms. Biggar: You haven't done a -

Colin Younker: Didn't do a comparison to other provinces.

Ms. Biggar: Do you have any information on what counts for that?

Colin Younker: We do talk about the assessments later on and the assessment method.

Ms. Biggar: Okay. Thank you.

Chair: Alan.

Mr. McIsaac: (Indistinct) tax payments on the page (Indistinct), but the May 31st, August 31st, November 31st, I know if you have a mortgage taxes are paid through the bank. I guess the bank pays every three months, or three sections. But if you don't have a mortgage and stuff like that and you get these bills, is there any way you can apply to pay your taxes X amount of dollars a month instead of three big (Indistinct) -

Colin Younker: You can pay monthly if you want to.

Mr. McIsaac: So do you have to apply for that?

Colin Younker: No. Just give them post dated cheques, I would imagine.

Mr. McIsaac: Okay.

Chair: Okay, carry on.

Colin Younker: Three point two six. "Property owners are entitled to several tax credits, which reduce their taxes payable. Entitlement to these credits is specified in legislation. Three major tax credit programs are the provincial tax credit, which applies to PEI residents, the owner occupied residential tax credit and the bona fide farmer tax credit. Tax credits, included in the annual May billings, for these three programs totaled $60 million in 2006 and $54 million in 2005."

We have a recommendation in this area, just that this "should confirm, on a test basis, continued eligibility for tax credits." With the bona fide farmers, what they were doing, mostly they were doing them when there was a transfer of ownership. We felt they should be doing that more often. Also, on the other programs, to do some kind of review of those on a periodic basis to make sure people are still eligible for the credits.

Ms. Biggar: Just a comment on I guess it would be this section.

Often we hear complaints that people are being double taxed, but those are the residents that don't live here and therefore don't qualify for this, I guess. It's not a clear understanding or doesn't seem to be, of that, by some of the residents that don't live here. They often complain: We're double taxed. We own property here too. I guess my comment is just that there is a misunderstanding around this little section that often has the negative connotation to it.

Colin Younker: They don't qualify. It's a residence tax credit.

Ms. Biggar: I know. It is a residence deduction.

Chair: Bush.

Mr. Dumville: The residential tax credit, is that based on income, like, low-income families?

Colin Younker: No, that's the owner occupied one which limits the -

Mr. Dumville: That's the one I meant, yes, the owner occupied one.

Colin Younker: It limits the increase to the CPI. That's the one that was put in place in 2003.

Mr. Dumville: Do you know the threshold?

Colin Younker: In 2004 the CPI rate was 3.57.

Mr. Dumville: Yes.

Colin Younker: In 2005 it was 2.13, and in 2006 it was 3.20. This is on the provincial portion. The municipalities have their own rates.

Mr. Dumville: Thank you.

Colin Younker: On page 24, we talk about the real property transfer tax which was a new tax introduced in May of 2005. That's a 1% tax applied to the greater of assessed value or consideration paid on transfers. "The Division recorded revenues for the 2005-06 year of 2.4 million, relating to approximately 4,600 registered deeds." In 2007 that number was 3.2.

"To ensure that legislative requirements are being met there should be sufficient documentation filed and the documents should be reviewed on a test basis. When deeds are registered, some transactions are flagged at the registry office to indicate that additional research should be considered. From the time the tax was introduced until April 2006, there were approximately 500 transactions flagged for follow-up. This is mainly for exemptions and partial sales of properties. We were advised that there are no documented criteria for deciding which transactions should be flagged for additional verification. In addition, we noted that the transaction identified are not being followed up on a timely basis.

"Under the legislation, first time home owners and family transfers are exempt from the transfer tax. The Division requires declarations to be filed for first time home buyers and family transfers. At the time of our audit the Division was not test checking declarations to ensure compliance with legislation."

So our recommendation was that "Criteria should be developed and documented for flagging property transfers that require additional verification..." And that also, "To ensure that the Real Property Transfer Act legislation is being complied with, the Division should follow up on all transfers that are flagged for further review." So that's the new real property transfer tax.

The next section on page 25 deals with assessments.

"The Real Property Assessment Act requires all real property in the Province to be assessed at its market value. To assess a property is to value a property for tax purposes, whether by an appraisal or by use of an adjustment multiplier. The Act defines market value as the most probable sales price indicated by consideration of the cost of reproduction, the sale price of comparable properties or the value indicated by rentals or anticipated net income." So there are various ways to define or to calculate the market value.

"These requirements provide the basis for the assessment activities of the Division. Our audit included a review of procedures for performing assessments on residential properties. In 2006, residential assessments totaled $4.6 billion. We expected policies, procedures and related documentation to be in place to support methodologies used by the Division to assess residential property at its market value.

"During our last audit of property tax reported was in 1998, there was a legislative requirement that all properties be appraised at least once every ten years. The Division was having difficulty meeting this target and was considering fundamental changes in the method of assessing properties. In 2002, the legislation was changed and the ten year requirement was removed. Individual physical property inspections are still carried out for new construction, referrals and as directed based on priorities of the Division, however, the Division now places greater emphasis on establishing market value by analyzing sales prices of properties in the same geographic area. On an annual basis, the Division compares the selling prices of properties in a geographic area or sales zone to their assessed values. The Division's goal is to have assessed values in the range of 90 to 110 percent of market value. Based on these comparisons and discussions with the assessment staff, a percentage increase is recommended for each work unit in the Province."

A work unit could be in a rural area, could be, say, Wood Islands east or could be a subdivision such as one in part of West Royalty.

Ms. Biggar: So that multiplier is not applied uniformly just right across the province?

Colin Younker: No, it can be a different multipliers.

Ms. Biggar: It's supposed to be in different areas.

Colin Younker: Yeah, based on the work unit. There are about 600 work units in the province.

Ms. Biggar: Who sets the adjusted multiplier for the occasion?

Colin Younker: It's based on a 1979 base rate and it's adjusted each year for that.

Ms. Biggar: Okay.

Colin Younker: It's based on those factors, value of properties in the area.

Ms. Biggar: Thank you.

Mr. McGeoghegan: Those assessments are all froze right now anyway for (Indistinct) years, right?

Ms. Biggar: On residential.

Mr. McGeoghegan: Just on residential.

Mr. Dumville: Are we getting away - I remember - or is it just for new construction? It used to be they'd come to see if a door was hung to determine whether a room was finished. I actually had the tax assessor a few years back take one of them little wheels and measured my driveway for tax purposes. So are we getting away from that type of assessment for new homes? Is that just for new homes? Using the real estate market as a more fair and equitable approach to taxation?

Colin Younker: They're still doing it for new construction.

Mr. Dumville: New construction only.

Colin Younker: And referrals, which is when somebody appeals their assessment. They still could do - they may take an area and say it hasn't been done for so many years and decide to do that area. They can still, as directed by the division. But they are moving more towards the multiplier and the comparison of selling prices in the work units.

Chair: I think they still do - if you have a building permit to do improvements, they still check those out.

Colin Younker: They could still check those, yeah.

Mr. Dumville: So make sure you put the right amount in the building permit.

Chair: Plus change your assessment too, while they're doing it.

Colin Younker: "Exhibit 3.4 provides a summary of property sales compiled by the Division for the 2.5 year period ending May 2005.

"The Division uses 21 zones or geographic areas to group sales." Then you have the number of sales - which was 4,680 - the sales price in millions and then the assessment at sales date. So on average the assessment was still 76% of the sales price comparisons.

"We examined the process used by the Division to recommend changes in the assessed values of properties, based on the analysis of property sales. We examined the sales analysis data compiled by the Division which was used to increase the adjustment multipliers on residential properties. Our review is limited to 2,700 sales..." "We found that the number of sales for comparison purposes are low, especially in the rural areas.

"There has been significant change in the methodology used by the Division to provide the annual assessments on properties. The current methodology is not documented. It is being used to support substantial increases in assessed values. Sales data is gathered as support for increases but because of the nature of some sales and the low volume in rural areas the data is limited. Division staff recognize these limitations and other information, including sales of similar properties in other sales zones, may be reviewed and considered, but this part of the process is not well defined and documentation is not always maintained to indicate what other information was considered in making decisions on assessment changes."

So we've recommend that they "...should document its policies regarding the use of property sales data to increase annual assessments and the policy should provide guidance where the extent of sales data is limited."

So they've moved from doing assessments every ten years to this new method. So we're recommending that they should document the policies and provide guidance where the sales data is limited, so that there is more methodology to follow.

"Assessment staff have policy manuals which indicate the information to be recorded for each property and the various allowances and adjustments that are acceptable. Since conversion to the new computer system there have been changes in how the tasks are being accomplished, however, the assessment policy manual which had its last major update in 1990 is still applicable according to management.

"The assessment manual includes rates for applying depreciation based on the age of the property. We reviewed a sample of properties to check for compliance with the depreciation policy." Depreciation varies depending on the age of the property.

"In our sample, we found a number of properties where the depreciation rate applied was lower than the policy manual by at least five percent. The difference in assessed values per property ranged from $3,200 to $18,400. In our sample, 86 percent of the properties were inspected during the years 1989 to 1995 or from 10 to 16 years ago.

"The Division's depreciation policy is not consistently followed because depreciation is normally only adjusted when an inspection is performed. Management has indicated that the new computer system does not have the capability, without extensive additional work, to annually adjust depreciation. Therefore, the depreciation applied is usually lower than what the policy manual allows. In addition, because the legislation no longer requires properties to be inspected on a cyclical basis, there's no mechanism in place to ensure all properties are adjusted for depreciation on at least a periodic basis."

So we looked at three residential properties and they are summarized in Exhibit 3.5. They had "their residential assessment calculated using various rates and methods established by the division including: application of rate per square foot based on the type and size; adjustments for additional storey in the West Royalty properties...; application of the adjustment multiplier.

The Johnstons River property - the one on the list - is assessed at 103,400 and depreciation applied. The depreciation on it is $4,100. These homes were all built around the same time. "By comparison, one West Royalty property had depreciation applied and the other did not. All properties were constructed around the same time and according to the policy, nine percent depreciation should be applied."

The Johnstons River property has 5 percent depreciation applied and the West Royalty property that has depreciation has it applied at 4 percent. One West Royalty property was inspected in 1989 and no depreciation was applied.

"The other West Royalty property had depreciation applied as a result of a referral when the property owner disagreed with the original assessment.

"Division manager indicates that although the depreciation rate is not being regularly updated the adjustments to the assessed values based on sales analysis of properties, compensates for this. However, the exhibit illustrates the impact on uniformity of assessments when depreciation is not applied on a consistent basis ..."

"The Real Property Assessment Act provides taxpayers with an opportunity to question their assessment through a referral process. The taxpayer has 90 days from the date of notice to state the reasons for objecting and the minister is obliged to reconsider and confirm or vary within 90 days." Then you can appeal that decision to IRAC, if you so desire.

"On average, 400 to 500 referrals have been registered annually over the past five years. This includes both commercial and non-commercial. The process to support a decision on referrals includes a review by the Assessment Supervisor and a visit with the taxpayer to obtain additional information. Based on a referral report related to the 2005 year, approximately 80 percent of the residential referrals resulted in a change to the property assessment."

So a recommendation on this section, on the assessment section, is that "Approved policies on depreciation should be followed."

"We reviewed the supporting documentation for a sample of properties. We expected to see rates and calculations from the policy manuals being used as well as explanations for adjustments.

"A property card contains a picture taken on the most recent date of inspection and a sketch of the building elements including measurements. This is the only remaining paper record in the file." When they converted to the new system in 2004, we were advised that any additional records or notes were discarded or sent to storage.

"The policy manual provides for obsolescence reductions or allowances to be considered and, where applied, the reason is to be briefly stated. Our sample noted some instances the reasons were not stated. These instances reduced assessments by $229,000. Division staff advised that the supporting reasons are either in secondary storage or have been lost.

"Our sample included 21 adjustments to the standard lot values and in some instances the reason was unclear. Division staff advised that adjustments to the standard lot values are the normal process whereby assessors will choose a standard for the work unit and adjust up or down based on comparisons. The policy manual does not identify this practice or provide guidance on the minimum level of documentation required. The database system allows assessors to add notes in the electronic file which automatically records the date and the assessor's name. We noted a few instances where this was used to explain or support a decision."

In accordance with the policy, our recommendations are that "documentation should be maintained on the reasons for any allowances or reductions applied to property assessments," and "The policy manual should be advised to include practices on standard lot adjustments. Where significant adjustments are made the reasons should be documented."

Now the next area we looked at was the information technology system.

In October 2003 the division selected a replacement for their old system, and this new system provides an integrated solution to "maintaining over 100,000 property accounts, including assessments, tax billings, receivable and maintenance of tax credit programs." It was selected through a competitive process and the proposals were evaluated based on the ability to manage the business process and respond to the division's challenges.

The contract was signed in 2003 for 1.2. Management of the project within the plan time frame presented a significant challenge because the old mainframe system was scheduled for shutdown in March 2004.

There's still some outstanding items so our recommendation in that section is: "Division management should continue to take action to ensure all outstanding system components and reporting capabilities are developed and provided by the system developer."

Chair: Paula Biggar.

Ms. Biggar: How long is the contract or is it an ongoing thing?

Colin Younger: There's still some - in their response to us on the recommendation, the department division does have a list of outstanding system components that they've completed and they're reviewing that with the system integrator, so it's an ongoing process. The thing is to get it done before it gets too old that they forget that they're working on it and get it finished.

Chair: Committee, just if you want to ask a question, if you could get recognized, the gentleman in back has an easier chance of getting your mike turned on for the question.

Ms. Biggar: Sorry. Thank you.

Chair: Okay.

Colin Younker: "As part of our audit, we assessed some of the computer system controls and reports. We expected that a well defined process would be in place to ensure that system access and data changes are well controlled.

"System Access.

"We obtained a list of all the system users. There were 55 users, 26 of whom have extensive access rights." We recommended here: " Division management should review user access to ensure that access approved provides adequate segregation of incompatible functions, and is limited to essential access related to job responsibilities."

So while they were setting the system up, there was a number of individuals that had additional access granted. We're asking now that they review that and to make sure that there's adequate segregation of duties.

"Procedures should be implemented to ensure that all quality control exceptions are investigated and dealt with before the tax billings are processed.

"The quality control process should include reports of that flag decreases in assessments.

"Property Changes.

"There are many changes processed during the year including changes such as new construction, new accounts and changes in ownership. Processing of these changes affects future billings and we expected to find a well controlled process to ensure all changes were processed properly, recorded in the system and resulted in accurate tax calculations and timely billings.

"Many staff are involved in processing changes." For example, ownership changes, assessment staff, tax administration staff, and property and other staff manage the printing and mailing of tax bills.

We found "insufficient edits or checks to ensure that all changes which are created get properly completed. Division staff advised that a report exists to monitor changes that have been initiated but not completed. However, this report was de-activated during conversion because the system was backlogged. We were advised that the Division intends to re-activate this reporting capability.

"In addition, at the time of our audit, there was no reconciliation prepared or comparison done to ensure that any partial billings resulting from the changes were reconciled to the postings to taxpayer accounts and tax bills mailed. Staff advised that at one point the system showed us processing 100 transactions, but only 80 were posted to the accounts. The Division acknowledges that improvements are needed in this area and is working on a solution."

So we recommended that they "reactivate the report for monitoring outstanding changes..." and that they also should be reconciling "partial billings to the accounts receivable postings and tax bills mailed."

It's standard now for most systems now for you to have a disaster recovery plan where you have some computer system. They have a recovery disk which includes the operating systems, but they don't have a plan. We recommended that they establish a disaster recovery plan which sets out the requirements to re-establish the property tax system in the event of a disaster and they should test that on a periodic basis.

We've discussed the report with management and a written response will be prepared. We usually get a written response back from the department.

That completes the property taxation section.

Chair: Do we have an questions for the Auditor General before we move on to PEI Energy Corp.?

Bush.

Mr. Dumville: Thank you, Mr. Chairman.

All these recommendations that you make as you go through them, obviously, the different departments would be reviewing your recommendations. Do you follow up to see if the departments are complying with the recommendations?

Colin Younker: Yes. Each year we follow up in writing with the departments. There's a section in our report in the back that update on previous year's recommendations. For our 2008 report, we'll follow up on all the recommendations that were made in 2007, and then we continue to follow up until we feel the recommendation has been satisfactorily answered. If we go back in to do another audit, we may look at those recommendations as well at that time.

Mr. Dumville: Thank you.

Colin Younker: The next, chapter four, deals with the PEI Energy Corp.

"In 1978 the Energy Corporation Act was passed which established the PEI Energy Corporation. The Corporation has a broad mandate and corporate objectives are set out in the act as follows: to develop and promote the development of energy systems and the generation, production, transmission, and distribution of energy in all its forms on an economic and efficient basis; to provide financial assistance for the development, installation, and use of energy systems; and to coordinate all government programs in the establishment and application of energy systems in the province.

"Initially, the Corporation developed a number of projects which were largely related to biomass energy generation. In 2000, after an extensive period of involvement in wind energy through its subsidiary, the Atlantic Wind Test Site, the Corporation began the development of the first wind farm on PEI. The North Cape wind farm was a 5.28 megawatt (MW) development which was later expanded.

"In 2004, the Province in conjunction with the Corporation developed the *PEI Energy Framework and Renewable Energy Strategy* which outlines a plan to access a secure and competitively priced energy supply. The strategy focuses on investigating the feasibility of a number of sources of renewable energy as well as further development of wind energy and broader strategies for transportation and demand side management. This framework led to the establishment of the Renewable Energy Act which legislates, among other things, a renewable portfolio standard that 15 percent of the Province's electricity requirements are to come from renewable sources by 2010.

"As illustrated in Exhibit 4.1, with the development of wind energy within the Province, the growth in capital investment through the Energy Corporation has increased significantly since 2001."

In 2001 you can see there's 1.617. At the end of 2006 it was 22,865. That reflected the North Cape Phase I and North Cape Phase II, and the initial construction period up to that point in time of East Point. At the end of March 2007 that 22,865,000 number is now 63,787,000 with the completion of the East Point wind site.

An Hon. Member: Sixty-three -

Colin Younker: It's 63,787,000.

"In 2006, a new energy target was announced committing the province to produce 30 percent of its total energy needs from renewable, local sources by 2016. This new target incorporates transportation and heating fuels into the strategy and not simply electricity. Transportation fuel accounts for 40 percent of the Island's energy requirements. The production of renewable fuels will be key to reaching this new target."

"The audit focused on the development and construction of the North Cape wind farms, both Phase I and Phase II, as well as the development and construction of the East Point wind farm up to September 2006. In addition, we reviewed the role and process followed by the Energy Corporation in examining the feasability of certain renewable energy initiatives as referred to in the Renewable Energy Strategy.

"Detailed audit observations.

"Wind Farm Development and Construction.

"The PEI Energy Corporation has focused on the development of wind energy as its primary source of renewable energy within the Province. At the time of our audit, the Corporation had a wind farm in operation producing 10.56 MW of energy located at North Cape and a 30 MW wind farm under construction at East Point.

"We reviewed the management controls in place over the development and construction of the wind farms. We expected the Energy Corporation to demonstrate that an adequate analysis had been conducted to support the technical and financial feasibility of each wind farm prior to construction. The development and construction of a wind farm is a major capital project, and we expect the Corporation to comply with the requirements of the Treasury Board policies on Capital Projects Management and Professional Services Contracts, particularly with regards to employing a competitive process for awarding contracts, obtaining appropriate approvals, and reporting on project management."

There are a number of stages involved in the development of a wind farm construction. "We reviewed the management of these projects at each stage. There were limited staff at the corporation and projects of this nature and financial magnitude presented a significant challenge. A thorough technical feasibility analysis was conducted on the wind farms, and both North Cape Phase 1 and Phase II were completed within budget. East Point was still under construction at the time of our audit. Exhibit 4.2 shows the comparison of budget to actual for North Cape Phase I, North Cape Phase II and the budget for East Point broken down by main components."

North Cape Phase I had a budget of 9.3 and committed 8.9; Phase II was 7.5 and came in at 7.5; and the budget for East Point was 55.9. They're all major capital projects and they represent an increase in government investment of over $70 million. "We expected a clear, concise set of procedures to manage the design, implementation, cost control, and commissioning of these projects in order to ensure government objectives are realized and risks are controlled and mitigated. We looked for the Board of Directors to provide oversight, and support to the project management team.

"Treasury Board has established a Capital Projects Management policy which sets out a framework for authorization and project management. For each capital project, approval in principle to proceed is required from Treasury Board or Executive Council. The policy requires Treasury Board approval prior to release of Request for Proposals (RFPs) and again prior to awarding the contracts. Further, in the case of Phase I, the submission to Executive

Council on which approval in principle was granted, specifically stated that the Energy Corporation would come back to Executive Council for approval of major contracts."

So the corporation specifically falls under the Treasury Board policy. All the Crown corporations don't necessarily fall under all the Treasury Board policies, but for this policy the Energy Corporation does, which is the Capital Projects Management policy.

"We found that approval in principle was obtained from Executive Council and/or Treasury Board for each wind farm development. However, a number of the contracts were not approved by Treasury Board or the Board of Directors."

Planning and Contracting

North Cape Phase I

"In 2000, the PEI Energy Corporation began development of the 5.28 MW wind farm located at North Cape near the Atlantic Wind Test Site (AWTS). There was no wind atlas data available at the time, but extensive experience had been gained from the operation of the AWTS over the years, and the wind data at the location was widely documented. This information was used to help determine the project's feasibility.

"The design and project management was conducted by an employee of AWTS who, in conjunction with senior management of the Energy Corporation, managed the project. We reviewed the contracting for Phase I for both professional services and construction contracts. We found that one of the technical engineering firms was hired without a competitive process, and there was no signed contract setting out the terms and conditions of the engagement.

"When assessing the options for turbines, a $5.9 million expenditure representing 65 percent of the project's cost, the project manager from AWTS prepared a detailed evaluation of the different options including a variety of suppliers and models. Quotes were sought and an assessment of both quantitative and qualitative factors was conducted. Energy Corporation entered into negotiations with the turbine supplier and signed a Turbine Purchase Agreement."

When they did Phase I, they also required enough land to allow for future expansion, so they built and they designed it so that they could do 100% expansion.

"When the federal government announced a Wind Power Production Incentive (WPPI), which provided a $.01 per kilowatt hour produced incentive, the government decided it was time to consider expanding. We found the economic feasibility analysis submitted for approval was not as comprehensive and thorough as it had been for Phase I. The analysis did not present alternative results by varying key assumptions such as interest rate and energy generation. This was a major capital construction project with a cost of $7.6 million, but with the introduction of the WPPI incentive, the favorable operating results of Phase I, and the constrained time budget for construction, limited attention was directed at the financial feasibility analysis for Phase II.

"As in our review of Phase I contracting, we reviewed the process used for acquiring professional services for Phase II. The design of Phase II was managed first internally by an AWTS manager, the same person who managed the planning and construction of Phase I. During the preliminary stages, the manager left AWTS to start his own consulting company. Energy Corporation engaged this company to complete the design and project management for Phase II. Although this consulting company was engaged without a competitive process, the Treasury Board policy allows for sole sourcing in the situation where there is risk of serious loss of continuity, time or economy by going back to a competitive process. We found there was no signed contract with this consulting company setting out the terms and conditions of the work.

"The Energy Corporation acquired the services of another engineering firm regarding site access for Phase II. We found there was no signed contract with this consultant.

"We reviewed the contracts awarded for the construction phase of the wind farm development. In Phase II, the construction of the foundation was awarded without a competitive process. The contractor had carried out the work on Phase I and the Energy Corporation was satisfied with the work. However, the cost of the foundation construction was in excess of $600,000 and should have been open to competition. In addition" - here again - "there was no signed contract for this work."

Charles McGeoghegan: Excuse me one second. Going back to 4.17 and then 4.21 and 22, there are basically no signed contracts, if any.

Colin Younker: There are a number of instances where there are no signed contracts, yes.

Mr. McGeoghegan: That's kind of a problem, isn't it?

Colin Younker: Well, if you have a signed contract, then you know what the responsibilities of the person signing the contract is and it outlines the different details of the contract. So we do recommend that they should be documented and should have the minimum terms and conditions of the services acquired at an agreed upon cost.

Mr. McGeoghegan: And it wasn't given out to competitive process either.

Colin Younker: There was some cases where there wasn't a competitive process.

Mr. McGeoghegan: So they just hired whoever they wanted.

Colin Younker: Yes, in this case. In some of these cases they hired people who had done some work for them before -

Mr. McGeoghegan: Right.

Colin Younker: - that they were satisfied with, but still there wasn't the competitive process.

Mr. McGeoghegan: There was one guy that was with one company and he started his own company and they just hired him on.

Colin Younker: Yeah.

Mr. McGeoghegan: That seems kind of strange.

Chair: Alan.

Mr. McIsaac: (Indistinct) Who approved them, then?

Colin Younker: The turbine purchase, which was the largest one, was approved by Executive Council and the board. The other contracts were approved by the CEO of the corporation.

Mr. McIsaac: He can do that, he has the power to do that?

Colin Younker: Well, under the policy on those capital management projects, there's supposed to be - supposed to go back - prior to awarding contracts, they're supposed to go back to Treasury Board.

Mr. McIsaac: Were there any repercussions? Did anybody get their knuckles slapped for that or anything like that, or no? You're just noting here that -

Colin Younker: We're noting here and we're making our recommendation.

Chair: Paula Biggar.

Ms. Biggar: A followup question I guess to the whole process. How, since it was revealed here, what has happened or has it been addressed in any way?

Colin Younker: Well, in our response there's three recommendations on page 43 for this (Indistinct) .

Ms. Biggar: Okay, thank you.

Colin Younker: I can review those now.

Chair: Pat Murphy.

Mr. Murphy: I was just wondering: How would they move ahead without approval obtained from the Executive Council or Treasury Board? Who would take it upon themselves to move the project ahead?

Colin Younker: Well, it was the CEO. The major contract for the turbines was approved by Executive Council. That was approved for the purchase. But the balance was moved ahead by the CEO of the corporation.

I think there was some misunderstanding of the position of the corporation underneath the Treasury Board policy and manual at the time. So when we made our recommendations - the recommendations are on 43 - where we say: "As required by Treasury Board Policy, major construction contracts should be submitted to Treasury Board at the request for proposal stage and the approval stage."

Our follow-up response letter was that they will seek direction from Treasury Board in the future. Then, as far as contracts being signed by both parties, they're going to endeavour to ensure that. So they followed up on all the recommendations that we've made.

Chair: Olive Crane.

Leader of the Opposition: Sure, I guess I'm just curious in terms of - it's written in (Indistinct) comments that when you reviewed the process, even though some of the details may not have been documented to the extent you would have liked to see, the capital projects were actually built within time and under budget.

Colin Younker: They still came in under budget.

Leader of the Opposition: Yes and then the other thing I was wondering about when you had discussion, did you do a qualitative sort of review with the CEO to find out what kind of criteria or other information in his decision making took place? For example, in wind energy, a lot of expertise is off-Island in other countries, and when they were making decisions, were they putting weight on giving work in province or things like that?

Colin Younker: Well, the person who did the design and management, he had quite a bit of experience in wind energy and had been involved with the Atlantic Wind Test Site for a number of years.

Chair: Was that Brothers?

Colin Younker: That was Brothers, yes.

Leader of the Opposition: Because that's what I - like, we're not talking about a pool where you can easily go out and get a lot of expertise that's local. What struck me is the fact that the projects got operational and were under budget.

Colin Younker: That part was fine. Still -

Leader of the Opposition: So it's more the documentation.

Colin Younker: - it's to follow the policy and the documentation, but you should have a signed contract in all cases.

Leader of the Opposition: Sure. Thank you.

Chair: Allan.

Mr. McIsaac: If there was a competition, it may even come in more under budget than that though, hey?

Leader of the Opposition: (Indistinct) the Energy Corporation, how many staff are there?

Colin Younker: I'm not sure exactly how many staff. They crisscross back and forth between the department. We do talk about it later on where the corporation needs more of a defined role. A lot of these Crown corporations end up, they're almost like the department. They do have a board of directors and they are a separate entity and a separate responsibility.

Chair: Bush Dumville.

Mr. Dumville: Thank you. Treasury Board now, when the submissions are made for the whole project, a lot of times the contracts are included with the submissions. I don't know what it was like in the past. The contracts are there now for Treasury Board to see. I don't know when that came in because I've only been there a very short time.

Colin Younker: I'm not sure (Indistinct).

Chair: Cynthia.

Ms. Dunsford: Just to follow-up on McIsaac's point that we know oftentimes during a competitive process, it's called competitive for a reason, that the price could come in a bit lower than budget. To just kind of to reiterate that, knowing that without kind of proper documentation, it's hard to know whether the budget was set according to a predetermined contract, right?

So I can see the importance of - I mean, it's obvious it's important to document things, but in this case we don't know whether or not that would have happened.

Chair: Okay, anybody else? Alan?

Mr. McIsaac: (Indistinct) certain amount of expenditure that has to go before Treasury Board. I mean, how was that line passed?

Colin Younker: I'm not sure the exact level. There's different levels for different things. I think part of the problem here was that the people at the corporation weren't aware that they were under Treasury Board policy. That's part of the problem.

Mr. McGeoghegan: They wouldn't know (Indistinct)?

Mr. Dumville: These are not so large they have to go to Treasury Board. There's a little indication in the BDI section of who has different levels of signing authority, and I think the highest one in there was 2.5. So this is well above $2.5 million.

Colin Younker: The capital projects' policy is $50,000 is the limit.

Chair: Anything over $50,000 in the department has to go to -

Colin Younker: Treasury Board.

Chair: - Treasury Board for approval.

Colin Younker: The corporation in this case has to go to Treasury Board. Not all corporations are underneath the policies of the province. Some of the policies read that the corporation is to follow the spirit and intent of the policy. Some corporations are defined under certain policies as having to follow the policy. I think there was a little bit of confusion there on this part of it. The bigger items didn't go to Executive Council, and their response to our recommendation is that they're going to follow those policies in the future.

The next section is on 44, the power purchase agreements.

"At the date of our audit, North Cape Phase I and Phase II were in operation while East Point was still under construction. The results of operations of North Cape Phase I and Phase II are illustrated..." below. And the revenue is from the utility and the expenditures and the net income generated by the two phases for 2003 through 2006: 661,694.

"Wind farm development is a capital intensive undertaking with the ability to generate revenues over the long term. Typically, wind farm development is entered into only with a long-term agreement in place for the sale of the power that will be generated. This is called a Power Purchase Agreement (PPA). We expected the price and duration of the Power Purchase Agreements in place for each of the wind farms to be reasonable compared to other jurisdictions, while acknowledging Government's strategic objective to stabilize energy prices. Based on our comparisons, we found that most agreements are from 15 to 25 years. The PPAs negotiated by the Energy Corporation are all 20 year agreements." So they're within that year range. "Prince Edward Island's current legislated rate of $77.5 per megawatt hour is within the range of prices established in other agreements that we reviewed." That's for the East Point one.

The North Cape (Indistinct) cost. "North Cape was commissioned in 2003." There's a 20 year PPA with the public utility for Phase II. We note that "although a separate PPA was negotiated and followed, the Agreement itself had never been signed until we brought it to management's attention." That's been signed since that time, the PPA agreement.

So just a couple of other examples: Hydro Quebec, their agreements are in the 15 to 25 year range, around $65 per MWH; Ontario Power, about 20 years, $86 per MWH; and Nova Scotia, 15 to 18 years with a range from $50 to $68 per MWH.

"Wind Farm Financing

"We examined the financing in place for the wind farm projects. We expected management to consider alternatives and seek out opportunities that would result in the lowest borrowing cost, and where applicable would allow the province to meet its broader goals as outlined in the Renewable Energy Strategy.

"The government employed a formal request for proposal process to finance Phase I of the North Cape wind farm where proposal requests were sent to financial institutions. Proposals were evaluated, and an agreement was entered into with a major bank for the loan of $9.36 million at 6.6 percent. The loan is guaranteed by the Province.

"To finance Phase II, the government again began with a formal request for proposal process. This time, another major bank was the successful proponent. However, during negotiations, the Province decided to finance the project internally with a loan from Provincial Treasury to the corporation for up to $6.8 million at 5.39 percent.

"The Renewable Energy Strategy specifically sets out an action item for the government to 'pursue a method of enabling Prince Edward Island residents to invest in local wind energy projects.' To this end, the Energy Corporation worked with different consultants to research financing alternatives that would allow Islanders to invest in the East Point wind farm. As well, in May of 2005, the government issued an RFI (Request for Information) for the financing of the East Point wind farm from the banking community.

“In December 2005, the turbines had to be ordered to allow sufficient lead time for delivery in accordance with the project timing. Approval was obtained from Executive Council for financing of this $56 million project in the form of a loan from Provincial Treasury.

“On September 12, 2006, Executive Council approved an investment strategy for private sector investment, which included the formation of a wholly owned subsidiary of the Energy Corporation and the sale of bonds, which could be purchased by Islanders and their companies.”

So those bonds as of March 31, 2007, there’s $5 million in bonds raised and they’re five year bonds at 5%.

The sale of bonds began in 2006. For these bonds, there will be additional financing costs for the bonds raised through the bond program because the bonds are at 5% and the government’s cost of borrowing at the time was marginally lower. Their five year rate at the time was 4.56% on February 8, 2006. “As well, there will be some additional costs of administrating the bond program.”

We did note that the day of the “first issuance of the bond program, the East Point Wind Farm was essentially complete. The financing through the Provincial Treasury was in place. There was reference in Executive Council submissions as to whether the proceeds raised through the private sector bond would be used to pay down the debt on the East Point Wind Farm or used for future renewable energy projects. At date of issuance, the decision of Energy Corporation, which was endorsed by Executive Council, was to review the success of the bond program following the 2006 RRSP season and seek direction on the disposition of the proceeds at that time. We noted that the press release on the sale of the bonds states that these bonds will allow Islanders to invest in the Eastern Kings wind farm.”

We recommended that the “Energy Corporation should ensure the proceeds from the sale of the PEI Energy Savings Bonds are used as described to investors,” and a response from the Energy Corporation is they will ensure the proceeds will be used as described to investors. I think the end of March 2007 the mix of debt on the wind farm down east was a short-term loan of 14.7, long-term debt at 26.7, and bonds about 5.4.

Chair: Pardon?

Colin Younker: Bonds at 5.4. There was $5.4 million raised in the bond program.

Chair: So have they paid? Has anybody been paid down on the debt at the present time?

Colin Younker: Just looking at the mix, there’s 14.7 in short-term provincial debt, there’s 26.7 in long-term debt, and there’s 5.4 in bonds which comes to 46.9, and the cost -

Chair: Million?

Colin Younker: Forty six point nine million, yes, and the cost of the wind farm is 46.5, so based on the financial statement, it looks like they’ve used that for the financing of the project.

Mr. McGeoghegan: (Indistinct) bonds or anything?

Colin Younker: The bonds, yes.

Mr. McGeoghegan: And was that described to the investors?

Colin Younker: Yes.

Mr. McGeoghegan: It was.

Colin Younker: It would be used for the East Point project.

The next area we looked at was the governance which talks about the affairs of the corporation being conducted by a board of directors. There's not to be less than five and not more than seven directors appointed by the Lieutenant Governor in Council. In this case the minister is a director of the board. Five of the ministers at that time were all deputy ministers, senior civil servants.

"In fulfilling its responsibility to manage the affairs of the corporation, we looked for the Board of Directors to provide leadership and oversight in four broad areas: establishing the corporation's strategic direction; safeguarding the corporation's resources; monitoring corporate performance, and reporting to the Legislative Assembly."

Currently, "there is no corporate strategic plan approved by the Board. The Renewable Energy Strategy was approved by Government in 2004 and identified a number of initiatives for government. The strategy is not a detailed plan and therefore does not indicate which government entity will be responsible for each initiative or which initiatives are priorities at any point in time. We noted that the Energy Corporation has taken action on a number of initiatives," including the wind hydrogen village pursuing the method of enabling Islanders to invest in local wind projects - which was the energy bonds - and legislating a rate for wind electricity. However it's only one organization that has a mandate allowing it to develop initiatives on the Renewable Energy Strategy. "Others include the Department of Development and Technology and the Department of Environment, Energy and Forestry."

Chair: Just a question before you move on.

Alan.

Mr. McIsaac: Just ask the make-up of that board (Indistinct) no less than five, no more than seven. Some were deputy ministers. Since some of our deputy ministers have changed, have the members of that board changed, and what are the terms of the membership on the board?

Colin Younker: I don't know if there are any set terms, Alan.

Mr. McIsaac: There are no set terms. They're all privileged appointments then, are they?

Colin Younker: I'm not sure. I'd have to check that. Some of the Crown corps do have a set term. Some of them are three years, some of them are longer. I'd have to double check on this board here.

Mr. McIsaac: Okay.

Mr. McGeoghegan: They're appointed by the Lieutenant Governor in Council.

Mr. McIsaac: Usually recommendations come before that.

Chair: Could we ask the Auditor General to check on that board and report back at our next meeting with that information for us? Would that be suitable to the committee?

Ms. Biggar: (Indistinct) put that on our list of discussions since (Indistinct) as to what we were going to bring before (Indistinct).

Chair: I'm writing that down. That's why I'm asking if you want it written down.

Ms. Biggar: Yeah. I think we should.

Chair: Okay. Continue.

Colin Younker: "The Corporation in recent years has been charged with the administration of several major capital construction projects. We expected the Board of Directors to perform an oversight role providing direction for the project management and accountability to Treasury Board and Executive Council. We found that the Board did not approve the tender packages or the awarding of major construction contracts. In many instances, it appears that the board was brought together to approve actions after the fact. For example, at a meeting in January 2006, the Board approved the East Point Wind Farm project that had been approved in principle by Executive Council in September of 2005. Even the approval of the purchase of turbines for East Point, an acquisition contract valued at $36 million was approved as a formality by the Board after the contract was approved by Executive Council.

"One area of responsibility of the Board is the monitoring of corporate performance." We reviewed minutes of the Board meetings from 2004-2006. The Board met on July 2004 and not again until July 2005. "Since the late fall of 2005, with the construction of East Point Wind Farm, the Board is meeting more frequently. We were advised that monthly financial reports were provided.

"In 2006, the Board approved a capital asset acquisition policy. Approval levels are established for the CEO, Deputy Minister, Minister and Treasury Board, however, there is no level of capital asset purchase that requires Board approval.

"The Financial Administration Act requires all reporting entities to provide an annual report including an audited statement of accounts and a report on the goals and results achieved. We found the Board was not consistently reporting on corporate results. Annual reports for 1998-99 and 1999-00 as well as 2003-04 and 2004-05 each covered a two year period. In addition, they did not include a clear statement of goals and results achieved.

"Although we were advised by management that a clear definition of the role of the Corporation and the role of the Ministry exists, we found in practice there is an overlap of programs and initiatives. The CEO of the Energy Corporation is also a Director of one of the Department's divisions. In addition departmental staff often work on Energy Corporation projects. We noted that the Corporation has taken on a number of new activities as a result of the Renewable Energy Strategy, but it does not have a documented business plan that outlines planned activities and resources required."

So we made a number of recommendations just on the board operation and what their governance. They "should develop a strategic plan that is linked to the renewable energy strategy..." They "should fulfill its responsibility to conduct the affairs of the Corporation and provide direction and accountability for major corporate initiatives." They "should prepare an annual report which provides information on goals and results achieved." And they "should prepare a business plan, linked to its strategic plan, that outlines planned activities and required resources.:

The next area we looked at was renewable energy initiatives.

"In recent years, the Energy Corporation has been involved in research and assessment of a number of potential renewable energy development projects. Many of these concepts are referred to in the Renewable Energy Strategy. Because of the nature of these projects, there are overlapping effects and sometimes competing objectives for a number of government entities, including the Department of Environment, Energy and

Forestry, the Department of Development and Technology, PEI Business Development Inc., and the Department of Agriculture, Fisheries and Aquaculture.

"Under the Energy Corporation Act, the mandate of the Corporation is broad and includes the development and promotion of energy systems and coordination of all government programs in the establishment and application of energy systems in the Province.

"We reviewed the involvement of the Corporation in the assessment of a number of initiatives, including biodiesel, biogas, and ethanol development. In some cases, the findings indicated a potential for successful development but in all cases the project did not go forward to the development stage. In April 2006, Executive Council directed the establishment of a Committee, with the Department of Development and Technology as the lead, to assess the potential and establish a policy framework for evaluating development projects in renewable energy. At the time of our audit, a consultant had been hired to assist the Committee in this regard.

"In 2003-04 the Energy Corporation made an investment of $200,000 in preferred shares in a private company involved in energy system development. Prior to approving the investment, the Board of directors obtained a letter of guarantee from PEI Business Development Inc. (BDI) to protect the interests of the Corporation. The shares were not redeemed when they came due in July 2006, and BDI did not pay out its guarantee. We have been advised that the private company has been in contact with BDI regarding financial arrangements."

What we're recommending here is just that there should be a process in place to put in review, prioritize these potential energy products just to ensure opportunities are not lost, and where the Energy Corporation fits into that mix, since their mandate is broad, but a number of other departments have taken the lead or started some initiatives.

Mr. McIsaac: So when you make recommendations such as this, are you (Indistinct) like acquisition contract valued at $36 million was approved as a formality by the board after the contract was approved by Executive Council - and you make these comments like this - I mean, what kind of feedback do you get or do you get any?

Colin Younker: We respond to these on an annual basis.

Mr. McIsaac: But they don't respond back to give you an answer for it? If you see changes made, you accept it; if not, you just recommend it be fixed again. Is that it? You don't ask for answers to this. So that's not your department or what?

Colin Younker: We ask for a response to a report initially when we send the report to the department. We usually get a written response. They'll respond as to what they're going to do or if they're going to do it. On an annual basis, we will also send a letter on any outstanding recommendations that we feel haven't been responded to, and we continue to do that. If you go to the back of this report, there's some responses to reports that go back through the four years but they narrow down all the time. We hope that they put in all of the recommendations we make but in some cases, they may not. It's up to government at the end of the day.

Chair: Olive?

Leader of the Opposition: Just a question on section 4.62 where you mentioned the consultant that was going to do some work there in terms of a plan, on the go forward basis for biomass projects and stuff. Do you know if that work's completed yet?

Colin Younker: We're not sure.

Chair: Paula Biggar.

Ms. Biggar: Just in regard to when you make recommendations, is there any kind of a time frame that you also recommend that they be implemented by?

Colin Younker: No. That's really up to government. Part of the process is, you know, you people will make a report to the House on our report, and that you would push for those recommendations, hopefully, that they would be followed and that any changes would be made.

Ms. Biggar: Thank you.

Chair: Pat Murphy.

Mr. Murphy: I was just wondering. It appears like so far we're into this that there's been a lot of contracts and stuff awarded without going through the competitive process. Are there not any policies in place now in government to - I know, like, as my role when I was mayor of the town of Alberton, we had bylaws that if there was over a certain amount of money to be spent, it had to go to public competition. Is there nothing like that within government today?

Colin Younker: Treasury Board policy covers a lot of those situations. It doesn't necessarily cover all -

Chair: Capital projects, I think, over $50,000 have to be tendered. Anything under can be handed out.

Colin Younker: Then also the *Purchasing Act*, there's a number of regulations on approval process. A lot of times they're there. One thing we find with the Crown corporations, a lot of time a Crown corporation is set up - if you're going to set a corporation up, then, you know, it's supposed to have a board. The board has a role, and then it's supposed to do its job. In a lot of cases it gets blurred.

We did a report a number of years ago on that, where there should be a better - if they're going to have a corporation, use it as a corporation. If not, don't bother to have it, just let the department do the work. They've gone through that with health where they went out to regions and have gone back into the departments.

Then the other thing is Treasury Board policy covers some of the Crown corporations on all its policies and other ones it doesn't cover all the Crown corporations on some of the policies. So I mean that - you may recommend some inconsistency there.

Mr. Murphy: So it's anything over $50,000 has to be tendered out.

Colin Younker: For this capital policy, yes, for this capital policy management.

Chair: Bush.

Mr. Dumville: There's also some reciprocal agreements with the other provinces that come into play too.

Colin Younker: Yeah. There's the Atlantic Province Procurement Agreement which comes into play as well.

Chair: That's the end of this section, Colin?

Colin Younker: Yes.

Chair: It's 3:30, and we said that we'd start with a two-hour meeting today starting off. So I think we're at the end of that section. Before we start into another one, we'll stop it there.

Now before we leave, there was a couple of things that we were going to review from the Auditor General. The first one was that we were -

Ms. Biggar: The debt rating system.

Chair: The debt rating system. There was a request from Paula Biggar that you bring us back some information on that. Is that the wish of the committee?

Okay. We'll move forward with that one then.

The second one was on?

Ms. Biggar: The energy board.

Chair: The energy board. You'll bring us back the information on that one, if that's all right with the committee.

Some Hon. Members: Yes.

Chair: Okay. Thank you very much, Colin, for today.

Colin Younker: Thank you.

Chair: Tentatively, we're scheduled here for Tuesday, February 12th, if that's - I think that was already approved with you.

Colin Younker: Yeah.

Chair: That date's okay. That's another two hour meeting. On March 11th -

Colin Younker: Is that 1:30?

Chair: Pardon?

Colin Younker: One-thirty start.

Chair: That's at 10:00 a.m.

Colin Younker: Oh, it's 10 a.m., okay.

Chair: But if you go back, if you go to the next date which is March 11th, that's a 1:30 meeting. What we're probably trying to do is finish off your report on that particular day, so we might go a little longer than the 3:30 time. We'll play that by ear. We could go to 4 or 4:30 of that particular day if need be to finish off that area if that's - so you can kind of plan that for that.

Colin Younker: Okay.

Chair: Okay, I thank you very much for coming in, and your staff again, very informative.

Anybody else with anything before we move for an adjournment?

Mr. McIsaac: (Indistinct) just have a one minute discussion on reporting, is that all right?

Chair: Sure.

Mr. McIsaac: I'm just wondering, like, when you take the report forward, are we going to highlight these discrepancies we find here and take them to the House? How does this usually work, Jim?

Chair: What I'll do is our committee will go through - once we're done we'll have a meeting and talk about what we should put in our report, and that's the group. So if you have stuff that wants to go into the report, then the committee will review that.

But after the last meeting that we have with the Auditor General here, we'll have an in camera session which is to come in and talk about how we're going to do our report and how we want to proceed with it. We'll give Melissa some directions as to doing a draft for us. At that time, she will do up a draft, bring it back to our committee to have a look at, and if we approve it or changes, those will be made and a draft report will be done up.

Paula, yes.

Ms. Biggar: Before we make our report, can we bring people before the committee to ask questions?

Chair: Sure. It depends on what you're looking to do. I think first thing is we go through our report and that's when we sit down and decide what we're going to do with this report and where we want to go with it from there. Then if we want to call in people on other - there might be some other issues out there that we'd like to have somebody appear before Public Accounts on something, whatever, and that's the time we discuss those issues.

Ms. Biggar: But we can bring people in based on what's in the report as well, if we wanted to.

Chair: We have. It hasn't been a practice in the last number of years on that unless it's been like the Polar issue, we had people in. So yeah, there's no problem.

Ms. Biggar: If we wanted to bring someone in from energy corp -

Chair: Yeah. The committee is our own destiny. If the committee decides that we want to bring someone in, then we have that right to do it.

Ms. Biggar: Okay, thank you.

Mr. Dumville: So Melissa, she'll have her report, and we'll also have Hansard. Whatever comes out of - what we're saying will come from Hansard too, hey?

Chair: Yes. This whole meeting is all under Hansard so you'll get a copy of this meeting probably before you go into our next meeting. If there's any - when reviewing that - if there's something that you want to bring up, we'll open that for the first couple of minutes of the next meeting so we can - you know, if there's something there that you want to ask a further question on before we proceed further onto the next line. I mean, the committee is our own destiny, so we can decide what we want to as a committee and move forward.

With that, I'd call for a motion for adjournment.

Alan.

Thank you very much.

The Committee adjourned