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**VERBATIM TRANSCRIPT OF
HOUSE COMMITTEE PROCEEDINGS**

COMMITTEE: STANDING COMMITTEE ON PUBLIC ACCOUNTS

DATE: Tuesday, November 29, 2005

SUBJECT(S) BEFORE THE COMMITTEE:

Consideration of the 2005 Report of the Auditor General to the Legislative Assembly

NOTE:

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COMMITTEE

MEMBERS PRESENT: Ron MacKinley, Chair
Jim Bagnall, Vice-Chair
Wilbur MacDonald
Dr. David McKenna
Cletus Dunn
Wes MacAleer
Richard Brown replacing Hon. Robert Ghiz
Wayne Collins

GUESTS: Colin Younker, Auditor General
Jane MacAdam, Auditor General's Office
Allan Moore, Auditor General's Office

STAFF: Marian Johnston

STANDING COMMITTEE ON PUBLIC ACCOUNTS
Tuesday, November 29, 2005
9:45 a.m.

Guests: Colin Younker, Auditor General; Jane MacAdam & Alan Moore, Auditor General's Office

Marian Johnston (Committee Clerk): I'll open the floor for position of Vice-Chairman. Any nominations? Mr. Brown.

Richard Brown (L): I move that Jim Bagnall be vice-chair of the committee.

Marian Johnston (Committee Clerk): Are there any further nominations? Honourable members, you've heard the name proposed for the position of vice-chairman. Is it your pleasure that Mr. Bagnall be vice-chairman of this committee?

Committee Members: Agreed.

Marian Johnston (Committee Clerk): Congratulations, Mr. Bagnall.

Jim Bagnall (PC) Vice-Chair: Thank you.

Marian Johnston (Committee Clerk): I'll now open the floor for the nominations for the position of chairman of this committee.

Jim Bagnall (PC) Vice-Chair: I move Ronnie remain the Chair.

Marian Johnston (Committee Clerk): Are there any further nominations? Honourable Members, you've heard the name of Mr. MacKinlay as chairman of this committee, shall it carry?

Committee Members: Carried.

Jim Bagnall (PC) Vice-Chair: Okay, I move that this meeting come to order and the first thing is I want to welcome Colin and your staff here today to proceed with the 2005 report of the Auditor General.

Cletus Dunn (PC): What's this here?

Jim Bagnall (PC) Vice-Chair: What's that?

Marian Johnston (Committee Clerk): That information was from the Auditor General and it's for the information of the committee and I just took

this morning to take the opportunity to distribute it.

Jim Bagnall (PC) Vice-Chair: So anyway what we'll do is we'll start with the 2005 report, Colin. I don't know, is it the request of the committee that the Auditor General read every single page here? Because he does do a lot of reading and it takes away from maybe getting into discussion on items. What I would like to see, and if the committee will agree, is that maybe we go through each section, we go through the recommendations and we talk about the recommendation or if there's anything in the section that you would like to discuss then we can deal with it under that. Is that how . . . how does the committee feel on that?

Richard Brown (L): Agreed. Sounds good.

Jim Bagnall (PC) Vice-Chair: We'll let you start and you can maybe, if there's anything in any section that we should be alerted to or as we're going along we'd appreciate your response on that and maybe we'll proceed that way.

Colin Younker (Auditor General): Okay. The first section is the Provinces Finances. There's no recommendations in this section so I'll just highlight some of the highlights. This relates to the March 31 2004 year. In 1.2 one comment we made is the GDP increased by 3.0 per cent while the net debt increased by 11.4 per cent so there was a larger increase in the debt of the province than the economy grew. In 1.3 the deficit was \$125.1 and the projected deficit in 2004-05. So there's recurring deficits and government has to watch on how it continues forward on that basis.

In 1.10 we discuss some definitions—the surplus or deficit of the province. It was \$125.1. The total debt at March 31, 2004 was \$2 billion. The financial assets come off of that. That's things like your loans receivable and accounts receivable, cash, etc. They total \$640 million and that gives you a net debt of \$1.3.

The non-financial assets which are now shown on financial statements had a balance of \$582.7 million at the end of March 31, 2004 and the

accumulated deficit of the province is \$729.9 million. Interest costs were \$106 in the March 31, 2004 year.

And we looked at three areas, the sustainability, flexibility, vulnerability. Sustainability is whether the province can maintain its programs and meet existing creditor requirements without increasing the debt burden. You can look at the surplus and deficit, net debt and the Provincial GDP and on that our GDP now is, we have the sixth highest in the country. As of March 31, 1999 we had the third lowest so there's been an increase in that. So there's a trend of an ongoing increase in that.

Flexibility of the government— and that is responding to the commitments for programs and the cost of the debt and as your debt and debt charges rise there's less money to spend on other things.

Jim Bagnall (PC) Vice-Chair: Mr. Brown.

Richard Brown (L): Thank you, Mr. Chairman. The flexibility section here, would you agree that we are more vulnerable than other provinces with out GDP, you know, because of our lack of natural resources that other provinces have. You know, if you took our natural resources and other provincial natural resources in and counted them as an asset I guess, would we be more vulnerable than other province or are we just on par with them?

Colin Younker (Auditor General): It's hard to . . . depends on the mix of your economy. Some of the provinces have more of a manufacturing base but in the case of Ontario this year it's hurting them probably. Alberta's resource base as well it's positive for them at the current time. So I think it changes from time to time.

Richard Brown (L): Okay.

Colin Younker (Auditor General): And then just in summary these are indicators that are recommended by the CICA. They can provide useful insight into government's ability to sustain its programs and its flexibility to respond.

Further to the above we recognize there are relevant and non-financial matters which have to be taken into consideration by the members in making budgetary decisions in setting government policy direction.

Cletus Dunn (PC): Mr. Chairman.

Jim Bagnall (PC) Vice-Chair: Mr. Dunn.

Cletus Dunn (PC): On 1.31 the vulnerability with 38 percent of our revenue is dependent upon federal government transfer payments. That's extremely high isn't it compared to other provinces or jurisdictions?

Colin Younker (Auditor General): Yes, it's one of the higher ones and I don't have the other provinces' numbers.

Richard Brown (L): We're the highest.

Cletus Dunn (PC): We're the highest? Or the Territories might be higher than us.

Jim Bagnall (PC) Vice-Chair: Newfoundland used to be.

Colin Younker (Auditor General): Newfoundland . . .

Richard Brown (L): They are.

Colin Younker (Auditor General): Newfoundland, Nova Scotia and PEI are the three highest.

Wilbur MacDonald (PC): But that's down quite a bit from the 80s when it was over 50.

Colin Younker (Auditor General): In 99 it was 41. It hovered around there until 2002 and then went down to 35.2 in 2003. Now it's gone back to 37.9. So it is lower than it has been in the past but it's a trend to go back up.

Cletus Dunn (PC): Thanks.

Dr. David McKenna (PC): Can you explain 1.3 in a bit more detail, 1.3?

Jim Bagnall (PC) Vice-Chair: Mr. McKenna.

Dr. David McKenna (PC): Sorry about that.

Colin Younker (Auditor General): 1.30?

Dr. David McKenna (PC): Yes.

Colin Younker (Auditor General): The interest, the pension interest has been shown as part of the pension expense on the Public Accounts. It's an interest cost. It's the cost of the interest on the unfunded liability. It's not shown as an interest expense. It's shown as part of the pension expense.

Dr. David McKenna (PC): So is that typical? Your second comment as in previous years (inaudible-microphone off) Is that the way it should be presented.

Colin Younker (Auditor General): We'd like to see it in as interest cost.

Richard Brown (L): Yes, we want to see that under the interest, if you put that under the interest . . . What do other provinces do?

Colin Younker (Auditor General): There is a note in the financial statements. It does break down the pension expense including interest and other expenses that are mentioned. The majority have an interest expense.

Richard Brown (L): So your recommendation is that our financial statements reflect that. Until we (indistinct) on an unfunded liability interest. Is that what it is? Does it go into a funded liability or, you know, fully funded?

Colin Younker (Auditor General): That amount would drop.

Richard Brown (L): So what happens, like I notice this year or the year before, and you can explain to the committee members, if we have a substantial decrease in value of the pension plan we do not take that increase into the books all at once. There's a formula how we do it. I notice this year, like last year you had \$165 million deferred credit.

Colin Younker (Auditor General): It's taken over 13 years so the amortization changes each year depending on how the investments do and there's a one year lag so you setup your deferred credit and then amortize it over that period of time.

Richard Brown (L): And that's what other provinces . . . it's a 13 year lag on everybody.

Colin Younker (Auditor General): I think it's

pretty consistent across the country as far as pension funds.

Richard Brown (L): So what is the total amount of deference we're doing here? Like, do you take each year or do you accumulate it and say, okay, let's bring these ones into this and bring it over another 13 years?

Colin Younker (Auditor General): No, it changes each year because your value of your assets . . .

Richard Brown (L): So you have a schedule for each year. How are we doing to date?

Colin Younker (Auditor General): I think the investments have improved. I don't think there's much change between 04 and 05 on the unfunded liability.

Jim Bagnall (PC) Vice-Chair: Continue along Mr. Auditor General. Provincial Drug Program now.

Colin Younker (Auditor General): Yes, we're on the Provincial Drug Program on page 15 which is our first value for money audit. The first part of it is the background. I'll just read that first paragraph to give you an idea of the background.

The Medical Programs Division of the Department of Health and Social Services is responsible for provincial drug programs. The majority of the programs are delivered for the department by the Queens Health Region under agreements where drugs are dispensed by retail pharmacies which are reimbursed by the Region. Provincial drug programs also include a Provincial Pharmacy operated by the Region. Drug programs cost \$18.3 million in 2003-04.

So there was 33 retail pharmacies involved in it back at that time. I think the number is up to 41 now. There's the programs that are provide approved medications or the Senior Drug Costs Assistance Plan; the Financial Assistance Program; the Children-in-Care Program; Family Health Benefit Program; Private Nursing Home Program; Diabetes Control Program; MS Program and the STD Program.

And then there's programs delivered directly through the Provincial Pharmacy-Institutional Pharmacy Program, Disease Specific Programs,

Public Health and Other Programs and that comes to a total cost of \$18.3. And that's summarized in Exhibit 3.1. You see that the balance has increased from 99-2000 from 12.3 million to 18.3 million in 2003-04 as the cost of the program.

The objective of our review was to review the management drug acquisition, drug use eligibility and claiming process for the programs. We looked at the program management which outlined the program objectives, performance measurement and evaluation and we had four recommendations from that.

We're saying objectives for each drug program should be documented and clearly defined in measurable terms.

Key performance indicators should be developed with a focus on program outcomes and the results reported publically on at least an annual basis.

Program results should be reviewed regularly, compared to objectives and corrective action taken when required.

Drug programs should be evaluated on a cyclical basis.

The next area we looked at was the Drug Selection and Cost. There's three descriptions of the type of drugs that are classified as interchangeable drugs in paragraph 3.23 which is drugs with substantially the same active ingredients made by two or more manufacturers (usually a brand name and one or more generic manufacturers), wholesale drugs which are single source drugs and direct drugs that are obtained directly from the manufacturer.

Then in 3.25 we outlined the maximum cost which can be billed by retail pharmacies for drugs on PEI. For the interchangeables it's the lowest manufacturer's catalogue price plus five per cent. Wholesale drugs—manufacturers catalogue plus 13 per cent and direct drugs which is manufacturers catalogue price.

Some of the programs like Senior DCAP, Family Health Benefit, MS and Nursing Home programs have an additional 7.5 per cent charge for drugs costing more than \$45.00.

There are a number of approaches that have been used to minimize drug costs on PEI and they're outlined in 3.26 including the less expensive drugs with similar therapeutic properties; establishing a maximum allowable cost and paying the lesser of the MAC and the Actual Acquisition Cost; establishing a maximum price for a group of different drugs with similar therapeutic applications and tendering where interchangeable drugs are available.

And we go on and look at some of those things in detail.

Jim Bagnall (PC) Vice-Chair: Mr. Brown.

Richard Brown (L): Are we different inter-provincially, as the Maritimes as a whole? Do we have like a warehouse?

Colin Younker (Auditor General): No, it's one of our recommendations that we look at it on a Maritimes basis especially on the standing order contracts which have been looked at in a couple of provinces.

Richard Brown (L): And has that taken any . . . like this report's a year old or two years old. Has anything been done in that area to date, do you know?

Colin Younker (Auditor General): The contract with the pharmacies I think expired in April 05. They negotiated a new one and as far as I'm aware they've looked at some of the cost saving measures to try to reduce the cost of drugs in those negotiations.

Richard Brown (L): On a Maritime basis?

Colin Younker (Auditor General): I don't know if they're doing them on a Maritime basis, if they looked at that. I don't know the specifics of it.

Richard Brown (L): But you'd recommend a Maritime basis.

Colin Younker (Auditor General): Yes, in 3.28 at the end of the paragraph we're saying in our opinion, tendering, possibly in cooperation with other Atlantic provinces, should be further explored to determine whether lower drug costs can be obtained.

Richard Brown (L): And you know nothing of that being done.

Colin Younker (Auditor General): We're not aware that that's being done at the current time.

Richard Brown (L): Okay.

Jim Bagnall (PC) Vice-Chair: Mr. Dunn.

Cletus Dunn (PC): On your recommendation 3.39—the review of the five per cent markup. Is that to assist the pharmacy or do you think we're paying too much? Why recommend a review?

Colin Younker (Auditor General): The markup is a practice that came in under the last contract and it was done to encourage the pharmacies to use generic drugs. It costs the province about \$300,000 a year. So they just should review that and see if it's still a reasonable part of the contract. It costs the province money.

Cletus Dunn (PC): So you say \$300,000.

Colin Younker (Auditor General): \$300,000. Yes.

Cletus Dunn (PC): And that goes directly to the pharmacies.

Colin Younker (Auditor General): Yes.

Jim Bagnall (PC) Vice-Chair: Mr. Brown.

Richard Brown (L): Just one quick question on 3.15. We used to have a Provincial Pharmacy in the basement of the Shaw Building, I think, or the Sullivan, one of them and quite a number of people, anybody with their social assistance card could go there and get their drugs. Was there any analysis done on, did we save money in closing that?

Colin Younker (Auditor General): It's still open there. It still runs.

Richard Brown (L): Yes, but it's not open for the social assistance. It's open for the provincial homes and things like that, isn't it? It only does that now.

Colin Younker (Auditor General): Back in 3.25

the Provincial Pharmacy does the Institutional Pharmacy Program, Disease Specific which are things like transplant medications, growth hormones, some specific programs and Public Health and other programs.

Richard Brown (L): So did you do a cost analysis of moving that out to the pharmacies? Because right now what do we pay for prescriptions on the social assistance card?

Colin Younker (Auditor General): In 3.38 we didn't do an analysis on it but we did compare the average cost of drugs in our sample to the average Provincial Pharmacy and we found for the generic that there was a lower cost for the Provincial Pharmacy of 34 per cent. So there is a potential cost saving there. But on the other side of that there's the services that are provided through better access because you're looking at a number of different pharmacies where people can go and get their drugs and elimination of the mail delivery drugs which considered to be a high risk practice. You also have your admin costs to move the program back into the pharmacy and we found with the single source drugs, the direct in home sale, the prices were similar for the single source drugs.

Richard Brown (L): But I mean, okay, on the cost of running the pharmacy before and after—okay we've got a savings of 34 per cent on generic drugs.

Colin Younker (Auditor General): That's as far as we went. We didn't go into whether or not they . . .

Richard Brown (L): How many drugs in that system was generic?

Colin Younker (Auditor General): I don't have the total number.

Richard Brown (L): Of the total that was issued, was it like 50 per cent? So if we have a 34 per cent in generic drugs and 50 per cent of our drugs out of the pharmacy is generic then there's a substantial savings there through the Provincial Pharmacy.

Colin Younker (Auditor General): Yes, but there's also the other issues of admin and the access to.

Richard Brown (L): Yes, but I still . . .

Colin Younker (Auditor General): (Indistinct)

Richard Brown (L): I still think we should quantify it to say, okay, what is the cost savings? Because now what is the fee to go to a pharmacy now?

Colin Younker (Auditor General): The dispensing fee ranges between \$2.9975 I think is the numbers we have.

Richard Brown (L): So if we had a 100,000 prescriptions that would be \$300,000 on the Social Assistance prescriptions then. Do you know where I'm coming from when I'm saying that? If we got a savings in our product cost and we got a saving in our admin cost compared to our moving it out to the provincial pharmacies.

Colin Younker (Auditor General): We didn't go back that far.

Richard Brown (L): Was there an analysis done? Because the only thing that concerns me is decisions are made and we never analyse the decision afterwards. We seem to back away from it and say, okay. If we analyse it we may make . . .

Colin Younker (Auditor General): I'll double check and see if anything was done.

Jim Bagnall (PC) Vice-Chair: Mr. McKenna.

Dr. David McKenna (PC): I think I recall the main reason for doing this was convenience for the clients that are requiring the products, especially in rural PEI, because we always were concerned about rural PEI. Also mailing drugs out in the mail is not a safe way nowadays for some of the drugs that are out there. People are stealing, whatever or trying to get a hold of them. I think that far outweighs. There's a cost of probably doing that but safety and efficiency and ethics we have to take into consideration there as well. A client can't always come into Charlottetown to pick up his drugs every week.

Jim Bagnall (PC) Vice-Chair: There was also a major problem in the post office where they weren't getting it in one of two days. They were getting it sometimes in seven or eight days in

certain parts of the Island and the medication was late coming and they run into major problems that way.

Richard Brown (L): I guess my point is we have online pharmacies all over the world now and, you know, they're all done by mail order and they seem to be working all right. I guess we can't do it on PEI. But my point is I still want to know by moving it out to the pharmacies what was the cost? Was there a savings? What was the saving compared to, you know, a 100,000 prescription per cent. We were charged an admin fee of \$300,000. Our admin cost for the pharmacy, you know, the additional staff that's required is, you know, \$400,000.

Colin Younker (Auditor General): I'll go back and check.

Richard Brown (L): Because I'm only thinking that if there's money there, savings there one way or the other, then that money could be used to go in and enhance the drug program instead of, you know, if people were given the choice do you want an enhanced program, want more drugs or a better way to deliver this product. Anyway, thank you.

Jim Bagnall (PC) Vice-Chair: Continue.

Colin Younker (Auditor General): Our recommendations then were:

3.39 The Department should review the five per cent markup on generic drugs.

The Department should determine whether standing offer contracts can be used to achieve cost savings.

The Department should review the wholesale markup with the objective of negotiating a lower percentage markup with retail pharmacies.

The timing of increases in drug prices should be reviewed.

The Department should consider introducing a cap on the markup for drugs costing over \$45.00.

The Department should further explore

Reference Drug Pricing.

The Department should require retail pharmacies to file their dispensing fees annually.

Richard Brown (L): The dispensing fee is determined by the pharmacy and not by law or by regulation?

Colin Younker (Auditor General): Well there is a negotiation and in the negotiation, in paragraph 3.37 - the dispensing fees are to be charged based on "the usual and customary professional fee" which is the lowest fee charged to any of the pharmacy's cash paying customers. We looked at the dispensing fees for 2003-04 and compared the fees to the most common fees and we found a minor difference there, about \$5,000.

Next we looked at Prescribing Patterns and we looked at two of the programs— the Seniors DCAP and Financial Assistance which account for 72 per cent of the program and found there's three parts that make up the growth and the cost of those two programs - cost per script, number of scripts per client and growth n participating clients.

So we did some work there on the maintenance drugs and the recommendation is the department should monitor prescribing patterns to identify and follow up unusual practices and the department should develop procedures to monitor and analyse drug use and take corrective action as necessary.

Jim Bagnall (PC) Vice-Chair: Mr. Brown and then Mr. Collins.

Richard Brown (L): There was a change done to the drug program, the senior, I guess the DCAP, the Senior Program that has gone back up to three month prescription so people going to Florida can take their winter supply to Florida. Has there been any analysis done on that to be able to say, you know, is it working?

Colin Younker (Auditor General): We looked at that in 3.49 and 3.50.

Richard Brown (L): Okay, thanks.

Colin Younker (Auditor General): What's supposed to happen is the first two prescriptions are supposed to have 30 days and then after that

is 60 days for Financial Assistance and 90 days for Seniors DCAP. So we examined the listings of prescriptions under these two programs and we found 70 per cent of the prescriptions for the Seniors DCAP was the 61-90 day range and 30 per cent for the maintenance drug prescriptions are in the 60 day range for the Financial Assistance Program. So we feel they should be doing some review work on that, on the shorter prescriptions.

Richard Brown (L): Shorten them up a bit.

Colin Younker (Auditor General): Lengthen them up a bit.

Richard Brown (L): Oh, lengthen them even.

Colin Younker (Auditor General): The longer they are the less cost. There's only one dispensing fee.

Richard Brown (L): Oh. Good.

Jim Bagnall (PC) Vice-Chair: Mr. Collins.

Wayne Collins (PC): Thank you. Related to 3.54 I find it astounding. On the surface the statistic really jumps out at you that 16 per cent of clients accounted for 60 per cent of program costs. I presume that's all the programs we're involved with. Is that correct when you talk about program costs? Is that for seniors and financial assistance programs, all put together?

Colin Younker (Auditor General): Yes, we took a sample of 20 out of all the programs.

Wayne Collins (PC): That jumps right out at me and talks about multiple doctors, multiple drugs, frequent short-term prescriptions. Was this looked at in terms of age because I understand in the last few months of someone's life, particularly a senior's life, that the drug costs just escalate enormously and I don't know if you have that broken down by age or is that is part of the cost problem.

Colin Younker (Auditor General): No, we just took a cross section sample and what we're saying here and we're not into the prescribed and that's outside the scope of our audit, what we're looking at—it's just an item that should be reviewed. It's an area that should be reviewed by the department

because that's where the higher costs are and it's easier to look at the smaller percentages to get a broader look at where the higher costs are.

Wayne Collins (PC): And again you do note it and you follow up on that. Are they focussing in on that?

Colin Younker (Auditor General): The response from the department is they agree that they will look at that and they would look at that in conjunction with the College of Physicians.

Wayne Collins (PC): All right.

Jim Bagnall (PC) Vice-Chair: Mr. Dunn.

Cletus Dunn (PC): I just, on the chart 3.2, Exhibit 3.2 in Financial Assistance there's a drop of 2 per cent in client yet we had a 16 and 15 per cent increase in growth for cost prescriptions and number of prescriptions per client. That's amazing.

Colin Younker (Auditor General): So what we're saying is the department should follow up on those items and have a look at that and they have agreed to do that.

Cletus Dunn (PC): I know we had an issue up West regarding an overdose on prescription drugs and I had a lady show me her printout for a year, 44 pages long of prescription drugs. We had a couple of suicides up there and the lady showed me her daughters, printout of her daughter for three months and it was just unbelievable. That figure looks real now because with a drop of 2 per cent of these people on financial assistance and the growth of the number of issued prescriptions is unbelievable.

So there is some investigation taking place there.

Colin Younker (Auditor General): Well, it's not an investigation but the department does agree that they would have to work with the College of Physicians to have a look at those.

Cletus Dunn (PC): Okay.

Jim Bagnall (PC) Vice-Chair: Mr. MacDonald.

Wilbur MacDonald (PC): I'm amazed too at 3.52. Prescriptions per client is 139 annually.

That's a lot of prescriptions and down on 3.54 - In general we found that these high cost clients used multiple doctors. In your research how many doctors would some of these people use? When you say multiple doctors is that two doctors, three doctors? And why would the department allow that? You would think that that should be zeroed in.

Colin Younker (Auditor General): I'm not sure of the number, Wilbur. Most people could have a number of prescriptions from different doctors. It depends if you're seeing specialists or not.

Jim Bagnall (PC) Vice-Chair: Could be going to "on call" too and see a different doctor every time.

Colin Younker (Auditor General): Could be "on call", could see a doctor in Emergency, you could have two or three specialists looking at you for certain problems that you have and have different prescriptions from them.

Jim Bagnall (PC) Vice-Chair: Mr. McKenna.

Dr. David McKenna (PC): Just along that line I look at maybe some of the seniors homes where some of the seniors come in to see me and they have a list of say, 20 some drugs they're taking and they don't know what they're taking them for. They don't know what they're for. They don't know what the drugs are. It's just on the list. Do you know if there's any teams in these homes that are looking at the number of drugs they're taking and if they're maybe able to ease back, maybe one drug at a time to see if they can, first of all, probably just as healthy if they cut back on one or two drugs? Is there anything out there that we're doing in government right now or did you just make a recommendation? There must be some type of red flag that would jump up and say, look, this person's taking X number of drugs, something should be looked at.

Colin Younker (Auditor General): There is a program in Nova Scotia and British Columbia called "Physician Education" which is outlined in 3.56 and what happens there is they do what's called "academic detailing" and a physician or pharmacist goes out and visits the physicians and talks to them about prescribing practices.

Dr. David McKenna (PC): Because I agree. I think you need the pharmacist involved and you

need the physician involved, especially in a long term care facility. You probably need a nurse involved too because they're the one that's there every day—maybe even a social worker. Something that's sort of a team approach to look at this because one person comes in, say the doctor could be on call, another person could be in. They don't necessarily know all they're taking and I think you need a whole team approach to get this down. I bet you we can get this down by one or two or three drugs off of a person's list if we have a team approach.

Colin Younker (Auditor General): Some of that academic detailing might help here.

Dr. David McKenna (PC): Is that recommended in your recommendations?

Colin Younker (Auditor General): Yes.

Dr. David McKenna (PC): It is.

Colin Younker (Auditor General): We've recommended that and they're agreed with that. The department agrees with that.

Dr. David McKenna (PC): I think it's very important.

Jim Bagnall (PC) Vice-Chair: Okay, continue Auditor General.

Colin Younker (Auditor General): Okay, in the next section is Control over Eligibility and Coverage .

Control over eligibility is performed primarily through what's called the PhIP which is the Pharmaceutical Information Program. And the eligibility is determined through interfaces with other systems such as the Financial Assistance payment system and the Common Client Registry for medical services payments which is the PEI Medicare. It's an automated function which takes place once the prescription is entered.

We did find a few—we tested a sample of clients in 3.62 for eligibility under the Financial Assistance Program and found approximately 50 of these clients were not eligible for financial assistance at the time they received drugs and we just recommend the department should ensure that only eligible Financial Assistance clients should

receive drug benefits. This could be people moving on and off welfare assistance. So this could be a timing problem there—just to make sure they're still on welfare assistance when the prescription is prescribed.

Cletus Dunn (PC): Mr. Chair.

Jim Bagnall (PC) Vice-Chair: Mr. Dunn.

Cletus Dunn (PC): I know people in my area who have sort of a short term drug plan, like they may be diagnosed with a certain thing and have to have something for three months. They're not on welfare assistance but they do get financial assistance for that period of time until that time passes. In fact I lobbied for a number of people in my district that just because they were financially strapped and it was a very expensive drug they were receiving, there was a window they had to use it for. But the only place they could get any funding from was through Financial Assistance but they're not welfare recipients. Would that be included in this 50 per cent, I wonder?

Colin Younker (Auditor General): No, I don't think that was included in that 50 sample there. Those were people who are on and off the list.

Cletus Dunn (PC): Okay.

Dr. David McKenna (PC): Is that the Family Help program.

Richard Brown (L): You have to be a family for that.

Dr. David McKenna (PC): Yes, if a family wants to be covered in it, yes.

Jim Bagnall (PC) Vice-Chair: Okay, are you done Cletus?

Cletus Dunn (PC): Yes.

Jim Bagnall (PC) Vice-Chair: Continue .

Colin Younker (Auditor General): Control Over Claims and Payments

The PhIP system came in in 1995 to provide a province wide information system linking physicians, pharmacists and hospital emergency

rooms and the Island Health Information system. In 1997-98 they implemented the first phase which replaced the old system for DCAP. At the time of implementation—in 3.66—the estimated annual operating costs of \$370,000 per year, offset by savings of \$360 to \$440. Actual savings are approximately \$100,000 per year and there is no estimate from the department of savings from improved drug utilization. Approximate cost to the province was around \$450,000 per year.

There was an internal audit in 3.69 conducted by department staff which was done on the government drug program agreements that took a random sample of 100 prescriptions and examined each of the 38 community pharmacies using 15 audit tests. And that was the 1 per cent audit and that's the last time that was done. We feel that they should conduct rotational audits of pharmacies on an annual basis and when they're doing that they should look at the higher cost, higher volume items. There might be a more efficient way of doing the auditing.

Dr. David McKenna (PC): This audit is done by . .

Colin Younker (Auditor General): Internally by the department.

Jim Bagnall (PC) Vice-Chair: Mr. McKenna.

Colin Younker (Auditor General): It's just an audit of the agreement itself, on the operation of it.

Richard Brown (L): Mr. Chair.

Jim Bagnall (PC) Vice-Chair: Mr. Brown and Mr. Dunn. Mr. Collins, I'm sorry.

Richard Brown (L): The pharmacies are against this PhIP system where they have to enter the drug right into the system and the system will come back and tell them that this person's using too many drugs and the pharmacies are not on board with it.

Colin Younker (Auditor General): I think that's the program where everybody will be on.

Richard Brown (L): The Pharmacy Association is not on board yet.

Colin Younker (Auditor General): I'm not sure

where that stands at the current time, that program.

Richard Brown (L): Because, you know, to the committee, you know, we should all be on one system. I know the Social Assistance . . . you're saying the Social Assistance drug cost system is now under the Pharmacy system. Those claims are put through that also.

Colin Younker (Auditor General): Yes.

Richard Brown (L): Okay. So we don't have the old Social Assistance system where we printed off the cards and sent the cards out and . . .

Colin Younker (Auditor General): No, it's all integrated.

Richard Brown (L): So a pharmacy, when they send their bill in now they're sending it in for DCAP, Senior Drug and Social Assistance also.

Colin Younker (Auditor General): Yes. It's automatically done inside PhIP.

Richard Brown (L): And I guess the system was supposed to extend it to feedback to say if I put in a Social Assistance number and then the system would come back to the Pharmacy at the time and say, you know, this guy, here's his list of drugs. And I don't think that's happening now because . . .

Jim Bagnall (PC) Vice-Chair: Pharmacies aren't on board with it yet.

Richard Brown (L): And the reason I guess is that they have their own system in place and this system so basically they have to enter the drug twice. That's my understanding of the problem. But that shouldn't stop us from taking the information from the pharmacy and having it be reviewed by someone in the department, you know, hiring additional pharmacists in government and, you know, to review these reports and do some analysis.

Are we doing any analysis on that data coming in from the pharmacies? Although they may not catch it right at the counter, the person coming to the counter and saying, okay, I'm not entering it so I don't know how much Cletus Dunn got from the other pharmacies and other doctors. But if that

information is going back to the central system, are we monitoring it to say, well, Richard Brown has gone to four doctors and he's got 600 drugs and we should call his doctor or call the doctors and say you've got a problem with this guy. Are we doing that?

Dr. David McKenna (PC): I guess we've seen it. That's the question. Does the Pharmacy want to police it?

Richard Brown (L): My understanding is, and I stand to be corrected, is the Pharmacy doesn't. I guess they're not on board because they don't want to be saying to the guy, the person at the counter—you can't get that drug. But that shouldn't keep government from saying well, someone in government should be auditing that process and saying, going back to the pharmacist or going back to the doctor and saying—look, I think you're over prescribing here.

Because I know when I did a bunch of work on the Social Assistance system and we used to get all the stuff in from all the pharmacies and one day I just took the data and said let's sort it by SIN number.

Jim Bagnall (PC) Vice-Chair: Start again there.

Richard Brown (L): Okay. You know and I just sorted it by SIN number, you know, I went back to them and said, you know, take a look at this stuff. Like some people are four and five, six pages a month of drugs. They're multiple pharmacies. They're multiple doctors. Shouldn't somebody be out there saying, look, this guy or this person is pharmacy shopping and doctor shopping.

Dr. David McKenna (PC): See, I think you're right. I think we can track this information but what are we doing with it?

Richard Brown (L): That's right.

Dr. David McKenna (PC): And that's the bottom line. And I think that comes out in the Audit report. Who's out there to actually take the responsibility on to change that course that's happening right now? I don't think anybody's doing it. That's what I feel.

Colin Younker (Auditor General): System includes it. There is a claim screening in the

system.

Richard Brown (L): Yes but that's at the pharmacy level isn't it?

Colin Younker (Auditor General): That's the PhIP system itself. When it's put in there is a claims screen as part of that system which determines the eligibility of the client for the program and for the drugs both.

Richard Brown (L): My concern is like Cletus and David said, like you know, some people have pages and pages of drugs and . . .

Colin Younker (Auditor General): It's to follow up on those.

Richard Brown (L): And if you don't have a family doctor and you're going to night clinics and I know night clinics don't prescribe narcotics. I don't think. They will prescribe others.

Colin Younker (Auditor General): We've recommended that in 3.57 and 3.58 that they look at that and if the department has agreed.

Richard Brown (L): Yes, agreed and looking is two different things. Agreeing and actually doing something is two different things.

Wayne Collins (PC): And I was going to bring that up, Richard, the same thing that you brought up. The PhIP system is obviously a program that's not fully in place yet to begin with. So the inefficiencies that you point out in 3.66 are perhaps understandable here. When we thought we were going to have savings upwards of \$440,000 a year and then we find out we're saving only \$100,000 with no estimate from the department on savings from improved drug utilization. So in essence it's costing us over \$450,000 a year to operate a system that's inefficient . . .

Richard Brown (L): Yes, I'd agree.

Wayne Collins (PC): . . . if I'm reading it the right way, and I don't know what's happened since then, I'd certainly like to see the completion of this system. The need for efficiency is just imperative.

Richard Brown (L): My thing is if the pharmacies don't want to do it, you know, don't want to take the client and say, look, I think you're over

prescription here or there's a problem here, if they don't want that responsibility, you know, then maybe someone in government should be reviewing the data.

Dr. David McKenna (PC): When you go back to 3.57 - the Department should monitor prescribing patterns to identify and follow up unusual practices. They should monitor that but who actually is going to go ahead and make the next step and say this shouldn't happen. I don't think that's . . . doesn't seem to be clear. Is it the pharmacy that's going to do it, the department or the doctor? I mean who's going to make that final decision?

Colin Younker (Auditor General): I think what the department is saying now, David, is that they will look at it and work with the College of Physicians to look at the problem, find ways to evaluate it and to do the review.

Richard Brown (L): But I guess the committee is saying too is that how do we communicate back to a doctor or back to a client or, you know, a doctor that says, you know, this person is pharmacy shopping and doctor hopping? That was the pharmacy system that was supposed to do that for us but if the pharmacies aren't doing it then I guess the committee agrees that it may be something government should be sending out letters and saying . . .

Wayne Collins (PC): Which is the question I would have, is it a question of convenience or inconvenience on the part of the pharmacy? Is it a question of incompatible software and hooking onto the system? Is it a question of expensive hardware? Why is this system not being fully integrated at this point in time? Is it a money issue?

Richard Brown (L): What I've seen in the media, Wayne, is I think the pharmacists may not want to tell the client that the pharmacy is saying, you know, the systems aren't compatible but maybe at the end of the day it's just, I'm not going to tell Wayne Collins he can't get that drug. If a doctor prescribed it I'll prescribe it. You know, I'm just assuming here.

Wayne Collins (PC): I think it goes back to 3.57 and 3.58 and I'd be interested to know, Auditor, if indeed has the department responded to those

two particular recommendations in any detail to you?

Richard Brown (L): Good point.

Colin Younker (Auditor General): Just back in a letter and I can read you what they said.

Wayne Collins (PC): Yes.

Colin Younker (Auditor General): 'The department will explore methods to both identify drug prescribing and usage patterns. This work will need to be done in cooperation with the College of Physicians and Surgeons who are responsible for the regulation of physician practice on PEI.' So they agreed with it and they're going to explore methods to do it.

Dr. David McKenna (PC): That means they may recommend to the College of Physicians and Surgeons that there's some unusual prescribing practices going on. Is that what that . . .

Colin Younker (Auditor General): So we'll be following up on this recommendation again now for our 06 report so hopefully that can be followed.

Wayne Collins (PC): Where's the date on that letter?

Jim Bagnall (PC) Vice-Chair: Mr. Auditor General, maybe just on Wayne's comment, maybe you can get us an up to date, a further update as to where that stands at the present time and what steps are in place to put this into operation.

Colin Younker (Auditor General): Yes, we'll follow up on that.

Jim Bagnall (PC) Vice-Chair: Okay, you can continue.

Richard Brown (L): I've heard reports in the media before that it's a good program. I think we should be doing it. If the pharmacies don't want to do it I think someone in the government should be doing it and communicating back to doctors and back to the physicians and back to pharmacies you have a problem with this individual or that individual.

Cletus Dunn (PC): Just as a parting comment there too, is that monitoring is all right and the

audit is all right but I think there has to be some enforcement. I think that's where maybe the pharmacies have some concern is they don't want to enforce it at the counter because if someone comes in looking for their drugs the pharmacy's not going to turn them down but there should be some consultation between the pharmacies and the doctors as to what's happening because the pharmacies do know what's coming through, especially in the rural areas where there's only pharmacy. They know exactly what's going through.

Wilbur MacDonald (PC) : Mr. Chair.

Jim Bagnall (PC) Vice-Chair: Mr. MacDonald.

Wilbur MacDonald (PC) : It seems like the pharmacies don't want to do it. Why shouldn't they pay for somebody to do it? This thing has been around for quite a while. It hasn't seemed to come to . . .

Jim Bagnall (PC) Vice-Chair: Well, I guess that's what we're going to find out from the Auditor General.

Colin Younker (Auditor General): We'll update you on it.

Jim Bagnall (PC) Vice-Chair: He's getting that information and he's going to bring it back to us.

Wilbur MacDonald (PC) : Okay and then we can follow up from there.

Jim Bagnall (PC) Vice-Chair: Okay. Mr. MacAleer.

Wilbur MacDonald (PC) : Just a comment. I think we do have the information. I think it's already present. The question is who's going to enforce compliance? And if we don't do it with the current institutions then what's the substitute? Does government step in and start beginning a process where they act on the information that's already available?

Jim Bagnall (PC) Vice-Chair: I think—I'm not trying to interrupt you. I think that . . .

Richard Brown (L): If the pharmacies don't want to do it then we . . .

Jim Bagnall (PC) Vice-Chair: Then we have to make a recommendation, this committee or something, to follow up. But I think we should get the right information back and the Auditor General has agreed to bring that back to us and we can respond as a committee based on the information that we receive.

Richard Brown (L): Thank you.

Jim Bagnall (PC) Vice-Chair: Okay, continue.

Colin Younker (Auditor General): Okay the next section is Island Waste Management Corporation.

Richard Brown (L): We have no authority over that any more.

Colin Younker (Auditor General): Just on the background IWMC was established in 1999 under the Environmental Protection Act to provide solid waste management services. It's responsible to the Minister of Transportation and Public Works.

4.3 For the year ended March 31, 2004 they had \$15.9 million in revenues and \$18.7 in expenditures, including \$2.2 million in depreciation and amortization, for a loss of \$2.8. And the loss in 2005 was \$3 million. It provides service to over 60,000 residential and 500 commercial users.

We conducted an examination of the corporation, assessed management practices and controls over construction and operation of the Brookfield Compost Facility, collection and administration of user fees, procurement and monitoring of long-term contracts, governance and compliance with certain legislation including the planning, designing and construction of the Brookfield site and operations of IWMC for the 3003-04 year.

4.9 When it was set up they transferred into:

- The Queens Country Regional Landfill;
- Fifteen community disposal sites;
- Nine container sites;
- East Prince waste Management Facility; and
- Contractual arrangements with the Energy From Waste incineration plant

The budget at current time is about \$18.7 million. Expenses, the capital budget for expenses and the

Waste Watch included the Brookfield Compost Facility. In Exhibit 4.1 they budgeted \$21.8 and actual \$22.2. The other items in the expansion total budget was \$30 and the Actual cost was \$29.9 million. And some of the lower costs in the budget were the carts and there was switch over from transfer centres to six drop-off centres.

Brookfield Compost Facility itself in Exhibit 4.2, the budget was \$21.8 and the actual was \$22.2.

In 4.18 the construction phase of the project continued from August 2001 until the summer of 2002 when the facility began to receive compostable material. A five year operating agreement was commenced in 2002 that runs until September 30, 2007.

The guaranteed revenues to the operator based on tonnage—there's an outline of their tonnage for the five years of the operation or the five years of the contract ranging from \$960,000 to \$1.425 in the last year.

There were some issues that weren't resolved until the spring of 2004 in the contract and they were:

- Excess materials;
- Containers;
- Reject;
- Total performance;
- Compost produced; and
- Project management

We looked at the *Excess Materials* part where they thought they'd have 15,000 tonnes in the first year of operation. It was 27,000 tonnes through the system.

The *Containers*, some of the containers did not perform as expected. There was some work spent on that, additional money spent on those and four additional containers were purchased by the operator in the spring of 2003.

Rejects had removal of the plastics and contaminants that come into the system. Reject rate was high initially and a negotiated bonus system where they brought the reject level down.

The compostable material *Total Performance*: The RFP series of tests proved that up 30,000 tonnes of material could be processed annually into

Category A compost. There's some difficulty with the testing.

In 4.31 there was a sample of independent tests covering the period May 2003 to August 2004 which indicated that Category A compost was produced.

On the *Compost Produced* we note that as of our report date that most of the Category A compost produced by the facility remains unsold and is being stored in Rose Valley. Although IWMC is not currently financially affected by the stockpiling of unsold compost they do have a significant interest in the issue. One is that at the end of the five year operating agreement if there's less than anticipated revenues from compost sales they'll have to make up the costs somewhere else. The other is if you're storing, the benefits from Waste Watch were to reduce the landfill sites—if you're storing compost you're developing another landfill site.

Project Management—the project management the final cost is \$610,000. Substantial performance was recommended by the Project Manager effective October 1, 2002. At the time of our report . . .

Richard Brown (L): Who was the project manager?

Colin Younker (Auditor General): James C. Johnson Associates.

And our recommendations in 4.39:

A competitive process should be followed when acquiring professional services. That was on the project management. The IWMC should request the final inspection report from the Project Manager and the IWMC should request the Project Manager to issue the total performance certificate.

Cletus Dunn (PC): And this all (Indistinct) up to date?

Colin Younker (Auditor General): They met with the project management and are satisfied that all of efficiencies were completed as far as the final inspection report and they obtained a total performance form from the design builder and design builder consultant where they answered the

4.41.

Now the next section covers the User Fees. And the recommendations in that are in:

4.54 As the basis for seeking approval for fee increases, the IWMC should review its analysis of cost allocations between user groups.

4.55 A long-term strategy should be developed to address the projected financial deficit of IWMC.

And Exhibit 4.6 shows the actual projected for 2004-05 and the projected for 2005-06 and even with the increase of fees that went in in December 2004 they were still projecting a deficit of \$5.8 at the end of 2005 and I think that number came in around \$6.6 was the deficit at that time.

(Mr MacKinley took over chairing the meeting from the Vice-Chair)

Ron MacKinley (L)Chairman: Yes, Mr. Brown.

Richard Brown (L): Just one quick question. And the minister has indicated this and I have to agree with the minister in her arguments. Should we, to set the fees should we take the depreciation rate or should we take the cost of financing in setting the fees? You know, should we take the bank payments to set the fees or should we take the depreciation to set the fees? Because I think there's a \$1.2 million difference between depreciation and actual bank payments.

Colin Younker (Auditor General): First of all generally the idea of depreciation is that's costs that you're going to have to incur over a period of time to replace equipment. It reflects the cost of that equipment over a period of time. So there is a cost to it.

Richard Brown (L): But wouldn't we build up a big reserve there if we took the depreciation? I know we used to get into this argument at the City all the time over depreciation versus bank payments.

Colin Younker (Auditor General): I think over time they'd probably balance out.

Richard Brown (L): But initially .

Colin Younker (Auditor General): Initially your

depreciation is higher upfront because your payments may be lower. In 4.47 initially they were established on that basis.

Richard Brown (L): Yes, on the cash basis.

Colin Younker (Auditor General): On the cash basis. Now, even if you look at that, you're still looking at 2004 had a 1.3 shortfall in that time.

Richard Brown (L): So what would you recommend?

Colin Younker (Auditor General): I would recommend that, you know, over the long term they're going to have to cover what the depreciation costs are because they're going to have pay for the assets. Payment terms may be different than the life of the asset and there's still some costs that we mention later on here in decommissioning and in future costs that's going to have to be built into the fees as well.

Richard Brown (L): Anyway, I just . . .

Colin Younker (Auditor General): We looked at the Collection Contracts. Collection contracts are outlined in Exhibit 4.7 - \$2.618 of annual costs and they're in East Prince, Capital, West Prince, Eastern Kings, Southern Kings and Central. There's six contracts there. The dates of their expiry are there as well.

Richard Brown (L): Prince County expired this month.

Colin Younker (Auditor General): December, 2005 year.

Richard Brown (L): So will they just renew it or do they go to tender?

Colin Younker (Auditor General): We have some recommendations there on the renewal process. The Recycle contracts are outlined in Exhibit 4.8-\$940,000.

Ron MacKinley (L)Chairman: Mr. McKenna.

Dr. David McKenna (PC): In these contracts is there a clause in there for if the gas goes up in price these companies get more money for their contractor? Is that in the contracts?

Colin Younker (Auditor General): There's a split. East Prince, Eastern Kings and the Southern Kings are fixed. Capital, West Prince and Central they are, they have annual price increases in them which would reflect . . .

Dr. David McKenna (PC): So they're different.

Colin Younker (Auditor General): Different type of contracts negotiated.

Ron MacKinley (L)Chairman: Go ahead.

Richard Brown (L): In 4.67 - The Licensee is paid an annual \$60,000 license fee.

Colin Younker (Auditor General): You're speaking about the drop-off centres.

Richard Brown (L): Yes, I guess. 4.67 - The Licensee is paid an annual 60,000 license fee.

Colin Younker (Auditor General): There's six drop-off centres. Five are run by Waste Watch, by the corporation and one is under a contract which is the 4.67 one. Part of the agreement they negotiated was an annual license fee of \$60,000.

Richard Brown (L): They pay IWMC 60 grand.

Colin Younker (Auditor General): No, the licensees pay. The licensee would be the contractor, the one that has the contract.

Richard Brown (L): So and then that drop-off also gets the drop-off charge.

Colin Younker (Auditor General): Also gets the user fees.

Richard Brown (L): So they're making \$1.1 million on the drop-off. Correct me if I'm wrong.

Colin Younker (Auditor General): Yes.

Richard Brown (L): So that centre out there, we're giving him \$60,000 to run it, we're giving him \$1.1 million in fees or, you know, he's allowed to collect all the fees on it. What's his cost? It seems to me excessive. Am I right there? He's picking up all the fees on the recyclables and, you know, he's sends what he can send back to IWMC at \$80 a tonne. I'm just trying to do a little financial

statement there. \$1.1 million he brought in for the drop-off centre. What did he pay IWMC to take the stuff that was left over after the recycling?

Colin Younker (Auditor General): Well he's supposed to have 6700 tonnes at the IWMC final disposal site so that would be at the 80 or the 95 depending where the site was. \$80.00.

Richard Brown (L): What does that work out? Anybody got a calculator?

Colin Younker (Auditor General): \$500,000.

Richard Brown (L): So 500 grand. He paid IWMC 500 grand. I may be out a dollar or two here or there. So he picked up \$600,000 in that operation.

Colin Younker (Auditor General): He has to run it. He runs the operation.

Richard Brown (L): Yes but have we analysed, you know . . .

Colin Younker (Auditor General): I'm not sure if they looked at his costs when the negotiated the contract. I'm not sure what information they had. I'd have to double check that.

Richard Brown (L): Yes, but then he'd get money for the . . . he'd also sell the product that he's pulling out of it. So, you know, he could probably pick up another couple of hundred grand there.

Colin Younker (Auditor General): Well, he would have sold it, some of it would have went for lower tippage rates at some of the places.

Richard Brown (L): So in your opinion is this a good deal for the province of Prince Edward Island?

Colin Younker (Auditor General): I'd have to go back and double check it and see what was on an analysis.

Richard Brown (L): Thank you.

Colin Younker (Auditor General): There's no recommendation on it.

Richard Brown (L): No, just when I read it I thought he was paying the province 60 grand but no, we're paying him 60 to run it. He's picking up 1.1 million on the drop-off fees. He's paying . . . and what's left over he's charged 500 grand and we're looking at around 700 grand profit before operation costs.

Colin Younker (Auditor General): Before operation costs.

Richard Brown (L): I'm just wondering if that's a good deal for us.

Colin Younker (Auditor General): The next section we look at is Decommissioning of Landfills. The recommendation: The IWMC should prepare and submit to the Department of Environment, Energy and Forestry an overall plan for the decommissioning and ongoing monitoring of currently used and closed landfills.

And the second recommendation . . .

Richard Brown (L): Have they done that recommendation—4.76?

Colin Younker (Auditor General): At the time of our report it was, we found that only two sites had done an environmental audit performed in support of the decommissioning activity—only two of the 15 in 4.71.

There was a draft closure plan prepared in 2002 for the Queens County Regional Landfill. It was submitted to the department in June, 2004 and there's been no specific identified funding source for the costs at the East Prince facility, not done as of this time.

Richard Brown (L): Thank you.

Colin Younker (Auditor General): Our recommendations are: The estimated future decommissioning costs of landfills currently used by IWMC should be included in submissions for approval of user fee rates. So they should be calculating these decommissioning costs in these future costs into what they're going to charge.

And that IWMC should submit a funding request to the Department of Transportation and Public Works for the decommissioning and monitoring costs of closed landfills. See, they have to put the

rates to get some money from DTPW.

Richard Brown (L): Good point.

Colin Younker (Auditor General): And on the Governance section we looked at interim financial statements should be provided to the Board of Directors on a regular basis. And we looked at that in 4.80. Due to a shortage of staff in Finance and Administration monthly financial statements were not prepared on a regular basis until the spring of 2004.

Options for user fee changes should be presented to the Board of Directors for approval prior to requesting the approval of the Minister of Transportation and Public Works or Executive Council. The Board, although they can't change the household user fee, they can set the disposal fees.

Ron MacKinley (L)Chairman: I've got a question for you. This waste material we're hauling to Rose Valley, which you're familiar with . . .

Colin Younker (Auditor General): Compost.

Ron MacKinley (L)Chairman: Compost, yes, whatever you want to call it. Well, is it compost? It's not waste?

Cletus Dunn (PC): Category A.

Ron MacKinley (L)Chairman: Compost that's gone up there—well if it's Category A how come they're not selling it? The question is, I'm being told now that the compost is being sold off-Island, is that correct?

Colin Younker (Auditor General): We haven't followed up past when we did the report.

Ron MacKinley (L)Chairman: Can you follow up on that and find out where it's being sold and where it's being delivered to? Because there is some rumours it's just being transferred to another storage site over in another province.

Colin Younker (Auditor General): Okay, we'll follow up on that.

Ron MacKinley (L)Chairman: Whether the rumour's right or not I don't know but I think it's

warranted that we find out where the compost is going and what's being done with it.

Colin Younker (Auditor General): We'll follow up on that.

Ron MacKinley (L)Chairman: Follow up on it. All right, if you could follow up on that. And if you could find out when they expect to sell this compost, if you want to call it, at Rose Valley. When is that going to be sold? If they're selling A compost to the other side why aren't they selling Rose Valley compost and we can protect the environment up there.

Cletus Dunn (PC): Good question for the House.

Ron MacKinley (L)Chairman: No, that's a question for the Auditor to find out. We're not going to get any answers in the House. You know that. We never do.

Cletus Dunn (PC): You get all kinds of answers but just not the ones you like.

Ron MacKinley (L)Chairman: Your minister didn't even know how many acres of land they bought. She didn't know the road's going nowhere. I mean there's a lot of stuff in here that's already been harshed over and I'm not going to harsh over it again. Even this here, looking over this Island Waste Management from the Auditor's point of view there was a whole bunch of details that were never followed. There's a mess here. Anyway, continue on.

Richard Brown (L): Mr. Chairman, just one question.

Ron MacKinley (L)Chairman: Yes.

Richard Brown (L): On 4.82—Changes to the household user fee require Executive Council approval, however, disposal fees may be set by IWMC. We noted the disposal fee changes made in August 2003 were not reviewed or approved by the Board prior to submission to Executive Council. These changes were estimated to result in an annual reduction of revenues of \$850,000 and significantly contribute to the current deficit.

Did you review the submission to Executive Council?

Colin Younker (Auditor General): Go back to 4.48.

Richard Brown (L): 4.48. Yes.

Colin Younker (Auditor General): In August 2003 user fee changes were implemented following approval by Executive Council. Management at the time estimated the changes would reduce annual revenues of IWMC by \$400,000. Changes were made before they had completed the year ended 2003-04, which was the first full year of operation for Island-wide Waste Watch. In January 2004 a more detailed analysis estimated the annual reduction of revenues at \$850,000 based on the implemented changes.

There was three or four items to be changed there. They changed the cap to residential rate of \$15 for drop-off, reduced the asphalt shingles to \$20 per tonne.

Richard Brown (L): So on the Treasury Board submission, who would have made that submission? The minister responsible and was it signed by the minister responsible?

Colin Younker (Auditor General): I'd have to go back and check the submission.

Richard Brown (L): Okay. Because that, you know, we passed the governance of Waste Management over to IWMC, we tell everybody that IWMC is an independent Crown Corporation, we have no influence. But then we see an instance with this where the Board of Directors never even approved.

Colin Younker (Auditor General): That's our recommendation, it covers that. This just governs the Board.

Richard Brown (L): But if you could I'd like to know why it went from \$400,00 to 850,000. That's a significant change. You know, why the Board wasn't consulted I guess or did the Board of Directors, did the Chairman of the Board go into Executive Council and say, you know . . . Quite obviously there was no recommendation or no discussion with the Board of Directors prior to the submission according to 4.82. Is that correct?

Colin Younker (Auditor General): That's correct, yes.

Ron MacKinley (L)Chairman: Cletus.

Richard Brown (L): So we can assume that that was a political decision and not an operational decision.

Wayne Collins (PC): Or an environmental decision.

Richard Brown (L): Well, it was one month before the election.

Wayne Collins (PC): (Indistinct)

Ron MacKinley (L)Chairman: If you could address your questions to the Auditor and if the member from Winsloe wants to ask questions put up your hand or something. We'll acknowledge you. Mr. Dunn is after Mr. Brown.

Richard Brown (L): I guess I'm just saying, Mr. Chairman, is they went to Executive Council knowing that they were going to lose—the estimate that went to Executive Council was \$400,000—they were going to lose. There was nowhere in the submission I assume, and I hope you come back with it, well here's where we're going to take it off, the \$400,000. It just concerns me that August 2003 and then you have an election in September and this is why, you know, I think whether it was a political decision or whether it was a management decision. It definitely wasn't a management decision.

Ron MacKinley (L)Chairman: Well, did you direct that to the Auditor? What's your opinion, Mr. Auditor?

Colin Younker (Auditor General): We're going to follow up on that summation.

Ron MacKinley (L)Chairman: All right. Cletus.

Cletus Dunn (PC): I'm just wondering is the time around the asphalt shingles incident where the environment, for people it was so expensive to dispose of them that people were just throwing them in the back fields and this was part of that decision making process.

Colin Younker (Auditor General): One of the items was the asphalt shingles.

Wayne Collins (PC): Yes, at \$90 a tonne or

more.

Colin Younker (Auditor General): So we'll look at the backup.

Cletus Dunn (PC): Okay.

Richard Brown (L): But it was the principle of the corporation that the user pays the system. They went to Executive Council, a \$400,000 reduction in revenue and no recommendation where that's going to be picked up. That's my comment, you know. If we're going to have a user pay system . . .

Ron MacKinley (L)Chairman: Could we just keep it to the Auditor here?

Richard Brown (L): Thank you.

Ron MacKinley (L)Chairman: Mr. Dunn has the floor.

Cletus Dunn (PC): No, I have an answer.

Ron MacKinley (L)Chairman: You're done. All right. Mr. Collins.

Wayne Collins (PC): No, I think Mr. Dunn covered it quite adequately.

Richard Brown (L): I'm done.

Colin Younker (Auditor General): The next section is Cellular Telephones.

5.1 Provincial government departments and agencies have in excess of 900 cellular telephones which cost government approximately \$700,000 per year. An estimate of cellular telephone expenditures for 2003-04 is provided as Exhibit 5.1.

The recommendations are in 5.12 Cellular telephones should be monitored regularly by departments to ensure the air time packages purchased are the most economical.

We found that on some of the packages . . . in 5.9 we say: One objective for ensuring employees have the correct plan is to minimize the cost of additional air time. In 2003-04 the cost of additional air time was approximately \$100,000.

We found that approximately 120 cell phones used in excess of 1,000 minutes more than their plan allowed for the year. These minutes were paid for in addition to the package rate. We also found that 30 cellular phones which used substantially less than the plan allowed. The potential savings if the best plan had been used was estimated to be approximately \$64,000.

In recommendation No. 5.15 - In accordance with Treasury board policy, ITMG should maintain an accurate inventory of cellular telephones for all government departments and agencies. We found inventories incomplete. We identified 902 phones in our survey in comparison with 784 in the inventory. One reason it was complete was only half the cell phones were purchased through ITMG. As of May 2004, all purchases and changes to existing equipment are required to be coordinated through ITMG.

Dr. David McKenna (PC): A question, Mr. Chair.

Ron MacKinley (L)Chairman: Yes.

Dr. David McKenna (PC): So you say half the phones were purchased through ITMG.

Colin Younker (Auditor General): Yes, they're starting to purchase the phones all through ITMG effective May, 2004.

Dr. David McKenna (PC): Where did the rest come from? Just through their own departments.

Colin Younker (Auditor General): They would have been purchased probably before the May 2004 date.

Dr. David McKenna (PC): So now since that time has there been an update on how they're doing, the policy on this type of the stuff?

Colin Younker (Auditor General): I haven't checked the update on this one.

Ron MacKinley (L)Chairman: Well, they've gone with Rogers haven't they, the government?

Colin Younker (Auditor General): They're in contract negotiations at the time we did this report on the . . .

Dr. David McKenna (PC): And there was a tender out, wasn't there, for that?

Colin Younker (Auditor General): Yes, in 5.8 we look at that but that was the initial stage when we were doing this report.

Richard Brown (L): Yes, but what concerns me then - we were advised that a request for proposals for cellular phone service was issued in the fall of 2004 - we were advised. Wouldn't you have seen it? Wouldn't you know of it? Did you see the actual tender? Like, was there an actual tender put on MERX?

Colin Younker (Auditor General): At that stage there was a memorandum of understanding with Rogers at that time. We would have a copy of that.

Richard Brown (L): A memorandum of understanding. That wasn't . . . we were advised a request for proposals for cellular phone services was issued. So was it issued through MERX? I guess what I'm saying, was it a competitive bid?

Colin Younker (Auditor General): I'll go back and check, Richard.

Richard Brown (L): Thank you.

Ron MacKinley (L)Chairman: Wes.

Wes MacAleer (PC): I'm assuming that the government has acted on some of these recommendations. Are you going to do follow-up?

Colin Younker (Auditor General): We'll be doing a follow-up.

Wes MacAleer (PC): And report then back to the committee here any progress being made on these . . .

Colin Younker (Auditor General): In our 07 report.

Wes MacAleer (PC): . . . on the cellular phones.

Ron MacKinley (L)Chairman: All right.

Richard Brown (L): Someone with a cell phone— have we analysed just to take away their other

phone with them. Like they have a cell phone and an office phone. Would it be just not better to give them the cell phone? Like we have . . . how many cell phones are out there now?

Colin Younker (Auditor General): 900.

Richard Brown (L): 900. So if we could say if you get a cell phone you don't need an office phone now so anybody that wants, you know, that office phone - 900 is costing them about 50 bucks a month for service or line charge or whatever.

Colin Younker (Auditor General): I'm not sure what the line charge is on each one. I'm not sure what analysis—I'm not aware of any analysis was done.

Richard Brown (L): I just think most, a lot of businesses today are dropping their land lines and just saying, look, I run her from the cell phone anyway so I may as well not have my home phone forwarded to my cell phone. I'll just drop the home phone altogether and use the cell phone for everything.

Ron MacKinley (L)Chairman: I know one thing those cell phone packages they're awful hard to keep a handle on.

Dr. David McKenna (PC): Change all the time.

Ron MacKinley (L)Chairman: Well, they change all the time. I mean I got them in my own business out there. They just change every time you turn around, they're shifting them around and Island Tel is supposed to give you the best package. Well, that would be the best package for that time and then all of a sudden five months later you should have been with another one.

Colin Younker (Auditor General): Section 6 has to do with the Verification of Prince Edward Island's Second Report on Common Health Indicators. We didn't have any recommendations on this section. This is the second report that was done. The first one was in September 2002 and it's done on a national basis.

Section 7, I guess we've covered Section 7.

Ron MacKinley (L)Chairman: The thing is Section 7 . . .

Richard Brown (L): No, let's go through her again.

Ron MacKinley (L)Chairman: No, I'm just wondering, like I passed a letter around here to you and it was suggested to the Chairman - it's from the Fishing Association of Prince Edward Island - and I'll read you the letter.

Dear Mr. MacKinley:

Ongoing debates over Polar Foods has risen a number of concerns to the PEI fishers, especially some of the statements from the Legislative Assembly regarding the importance of Polar to local fishermen.

Accordingly the PEI Fishing Association Board of Directors is formerly requesting the opportunity for two of our board members to address the Standing Committee on Public Accounts to answer questions and respond to statements that have been made. Two representatives would be Mr. Robert Jenkins, Vice-President, from the Board and Southern Kings and Queens Fishing Association, Ken Drake, Board members for the Eastern Kings Fishery Association.

Mr. Jenkins can be contacted at a number here and Mr. Drake.

If such a meeting can be arranged we would most appreciate it. In the meantime you may contact the President Frenette at his office.

So I'm wondering this Polar file, like it's been gone over and gone over. Apparently there's people that should be brought before us to expand our knowledge on where the \$31 million went. So I passed it around a little while ago, the letter from the Fishermen's Association of PEI requesting two of their board members come forward. So I'm wondering if we should just, if it's okay with the committee, we would pass over this Polar, set it aside for now and bring the board members in and talk to them which could lead to more questions to where this \$31 million disappeared to. I got a question on the floor. What's the committee's feeling on that?

Richard Brown (L): Well, I move a motion, Mr.

Chairman:

WHEREAS the PEI Fishermen's Association is the representative body that speaks on behalf of Island fishers and:

WHEREAS the Board of Directors at the PEIFA has formally requested to appear before the Public Accounts Committee to explain the views of fishers with regards to Polar Foods;

THEREFORE BE IT RESOLVED that the Public Accounts Committee agree to the request of the PEIFA to have their representatives address the committee.

And I'll pass that on to you and other committee members.

Ron MacKinley (L)Chairman: I'll give the time to pass that along. I just thought we could have handled it without a motion but anyway.

Richard Brown (L): Mr. Chairman, I moved this motion because we do have a request from the main fishery body of Prince Edward Island to appear before us. They're concerned with some of the things that have been said in this committee and also in the Legislature and I think it's only right for us to allow this group, who has requested - who has requested - and I repeat that, Mr. Chairman, to attend this meeting because if we are going to find out what the Island fishers think of this section of the *Public Accounts Act* and if they have any recommendations for this committee to put forward to government, it is incumbent upon us to listen to them. If we're going to deny this request of one of the main bodies of Prince Edward Island representing fishermen from one end of this Island to the other I think it would be a shame, Mr. Chairman, and we must -and I reiterate - we must meet with them because they are the ones that are on the water every day and they are the ones that are providing this economy with a substantial contribution, Mr. Chairman.

Ron MacKinley (L)Chairman: Thank you, Mr. Brown. Now, is there any discussion on this? Mr. MacAleer.

Wes MacAleer (PC): Could you have the issue clarified as to whether these representatives are speaking for the Association or are they speaking

for themselves as individuals?

Ron MacKinley (L)Chairman: Well, I'll clarify it right here. If you read the letter and I'm going by the letter, it's from Ed Frenette who is the Executive Director of the PEI Fishing Association. According to the PEI Fishing Association Board of Directors who has formally requested - and that's the Board of Directors. Like, you have Executive person in charge or your CEO and he takes his orders from the Board of Directors very much as you guys do from the 5th floor, if you want to look at it that way. So basically what it is, this is the fishing association requesting it and they've named two people that they would like to come as witnesses to Public Accounts on the Polar Food thing.

I think it's a great idea. I think that we maybe can find out. These fishermen are on the water. They hear what's going on a lot quicker than most people. Maybe we'll find \$4 or \$5 million. I don't know. These are things we've got to, you know, come forward. It will help the Auditor. It will help all of us. So I mean does that clarify? That's why I passed the letter around to you all so you could read the letter and it would be clarified rather than coming from the Chairman. That's why I give it to you a little earlier too. Do you understand that, Mr. MacAleer?

Wes MacAleer (PC): Well, I'm just trying to get it clarified whether these people are speaking on behalf of the association.

Ron MacKinley (L)Chairman: Yes they are. That's what the letter says.

Wes MacAleer (PC): Have they communicated that to you or is that just . . .

Ron MacKinley (L)Chairman: Well, the letter's there. I read the letter.

Richard Brown (L): As chairman, they wrote the chairman.

Ron MacKinley (L)Chairman: They wrote the chairman and the letter is from, it's signed by the Executive Director of the PEIFA. It's signed by him and they suggest who they want and according to the PEI Fishing Association Board of Directors - those are the people elected by the fishermen - who run the association. The

Executive Director is what you'd call a person that looks after what the Board of Directors wants done.

Richard Brown (L): Like Peter McQuaid.

Ron MacKinley (L)Chairman: Well, whatever. Mr. Bagnall.

Jim Bagnall (PC): Thank you. Mr. Chair, personally I don't see how these people can have any input into the financial state of Polar Foods. Polar Foods, the Audit and Polar Foods in this report is based on the financial viability of Polar Foods and their operations. Although these gentlemen . . . and I can't be sure whether they have or they did or they did not sell product to Polar Foods. So my feeling on that is that we have probably done the most extensive Auditor General's Report, more investigation into any file that government has ever had and I can't see where this will lead to anything more than political grandstanding.

Ron MacKinley (L)Chairman: So what you're saying is the PEIFA, the fishing association represents all fishermen on PEI that are members of it - not them all, there's some not members of it - what you're saying is they're going to come here and politically grandstand. I don't think that's right. I think that's an awful insult to our fishing association. That's one of the reasons we have \$31 million gone and for you to get up—I just can't believe an argument like that. That's got to be the most ludicrous argument I've heard as Chairman of Public Accounts. I expect . . .

Jim Bagnall (PC): It's not up to you . . .

Ron MacKinley (L)Chairman: Listen, I've got the floor.

Jim Bagnall (PC) : . . . to debate what my decisions are.

Ron MacKinley (L)Chairman: I have the floor, I'm telling you. This is one of the reasons why there were some people wanting a "yes". We have got—the Legislative Assembly has the body to represent all people and that's to bring these fishermen in and this is one of the reasons why we had to spend half a million or \$800,000 on a plebiscite that very few people came out to vote. There's some people disgruntled with the system.

If you watch some of that debate on television one of the persons on the "yes" side said well, Mr. MacKinley as being Chairman - and it was right on TV - I don't even know who the fellow was - he said he can't get to the bottom of anything. The auditors can't get to the bottom of anything because you people vote on party lines. Just as soon as they give you a copy of this you probably went and phoned, probably your boss above.

You're members of the Legislative Assembly. People have requested to come before us. There's \$31 million. There's an RCMP report there. Don't you think these fishermen deserve the right to have the protection of the House the same as we have? They can't say anything out on the street. They could be liable. Let them come before us the same as we are here and let them have the protection of the House. Let's get to the bottom of this mess that's in and let's hope, and forget about what happened. Let's get to the bottom of it and find out that it doesn't happen again. That's my opinion. I just can't—like it's totally ridiculous of the way you're going on.

You already cost us, people like you, \$700,000 for that vote because people are disgruntled by the way things are going. I mean I just can't . . . fishermen, it's a fishing association requesting it. And they give us the two members that they want to send in - the Vice-President and another person of the association, Mr. Robert Jenkins, Vice-President and Mr. Ken Drake, Board member of the Eastern Kings Fishing Association, the Queens County Fishing Association, Southern Kings and Eastern Kings Fishing Association. They're all here wanting to come before. They went through the Board and you people know best. Like, you know what they're thinking, you know what they're going to say. I just can't believe it.

Is there anymore debate?

Wilbur MacDonald (PC) : Mr. Chairman, I think the whole thing . . . "debate" on the first paragraph—now, you're reading into it something different than I see. It says: The ongoing debate over the Polar Sea Food debacle has raised a number of concerns with PEI fishers especially some of the statement emerging from the Legislative Assembly regarding the importance of Polar to local fisheries. It's not talking about finances or anything here. We're not going to learn anything more about finances. If they want

to make a statement about how Polar was or wasn't important to them let them make the statement. They have their own organization to do that. It doesn't say anything here about finances or getting into the bottom of it. We're gone through that, Lord knows, we went through the Auditor, the other report that we've had.

This is just another means of some people wanting to explain that they don't think Polar was important to local fisheries. Well, if that's their opinion, let them have their opinion. We don't need to bring them in here to get that opinion. It says right . . .

Ron MacKinley (L)Chairman: So what you're . . .

Wilbur MacDonald (PC) : Now, Mr.Chair. It says right on the first paragraph why they want to come. It's not about money. It's not about what happened to Polar. It's whether they think it's important to them or not and that's their opinion and we regard that opinion very highly. If they want to express it let them express it at their annual meetings. We have a thing to do here and we've gone through it time and time again, over and over. It's time we buried it.

Ron MacKinley (L)Chairman: That's what you want to do. You want to bury it, you're going to bury the province with it. If I read this, this is a letter to me. These fishermen have a right to come forward here under privilege of the House and expect . . . if those fishermen had anything much to do with any type of allegation of money or anything and on a letter like this they could be liable for it. You don't want to protect them. You don't want to find out what's getting to the bottom of it.

You've got the province in the worst debt situation. We've got Waste Watch here is a mess. I just can't believe some of you members how you know so much. You know what the fishermen are going to say. Well, maybe you should be thinking of what questions you're going to ask these fishermen along with the help of the Auditor. That's what you should be doing. That's why they want to come before us. But no, you guys just don't want to . . . like there's two of you already on this committee that doesn't want them before us. Like, what are you covering up? You're not going to run again anyway they tell me anyway. So don't

worry about it. What are you trying to cover up? I mean it's ridiculous. Just ridiculous. You're trying to cover things up.

Jim Bagnall (PC): Mr. Chairman, question.

Ron MacKinley (L)Chairman: We're not ready for the question. Is there anybody else? Mr. Brown.

Richard Brown (L): Mr. Chairman, I think, I understand from the fishermen that are going to present to us one did sell to Polar and one did not sell to Polar and we'll be getting a perspective on that. Time and time again when minister and government officials came before this committee and have indicated the importance of Polar Foods in the fishery and if it was not for Polar Foods we would have no fishery. Time and time again we have heard that, you know, basically we've slapped the fishermen in the faces here by saying, you know, if it wasn't for Polar you people wouldn't have been able to survive. I think they want to come in and tell this committee or explain that to this committee and say, look, we would . . . I want to wait until what they say but I think they're going to say, you know, far too many times have the fishermen heard that their livelihood and their existence is based on the existence of Polar and then they want to come in and explain no, it wasn't or yes, it is or how much it was.

And then that's a major input to the final findings of the Polar issue because we've heard from ministers, the Premier, government officials, that if it wasn't for Polar Seafoods and the creation of Polar Seafoods we would not have a lobster industry on PEI. That was quite an accusation made by ministers and government officials, Mr. Chairman, and I think the fishermen should be given an opportunity to explain their side of the story and how important Polar was to them or not to them. And that would be of great insight to the people of Prince Edward Island. Because as of right now the people of Prince Edward Island are told day after day that if it wasn't for Polar we wouldn't have a fishing industry on PEI and because of Polar that's why we have the fishing industry on PEI. I want to hear it from the fishermen—are those accurate statements?

Ron MacKinley (L)Chairman: And another question here on to Mr. MacDonald - and any questions the committee members might have, in

other words any questions. I've got all kinds I want to ask. I've got all kinds of them. Where was the lobster going? Was there lobster disappearing? Was this being done? Was there that being done?

I've got all kinds of questions and I think we should be able to bring them in here and ask them the questions and they have privilege of the House. You're saying . . . you're like oh yes, say something. Well if they can't get to the bottom of it they could sued. You know there's lawsuits being threatened over this already out there. That's what you guys are working behind—make the fishermen go to court. Let them go to court. Let them take it up in court. Well, that's not the way we should be doing this. These committees are a protection of the House for people to come forward and it's our job to get to the bottom of it after they make mistakes. With that, I can't believe some of this stuff. Go ahead.

Dr. David McKenna (PC): My question, I have a question to the Auditor. Did you speak to the PEI Fishermen's Association in your work with the audit here?

Colin Younker (Auditor General): Yes.

Dr. David McKenna (PC): And did you get any information on the financial side from them that's going to make any new information more . . .

Colin Younker (Auditor General): I'd have to go back and check the interview, David. It's been a while since we did that, you know, a year and a half since we did that interview. But we did talk to them at that time. Just on background information. More on background information.

Dr. David McKenna (PC): So that would be covered in your report. If anything came out of it it would be in the report.

Colin Younker (Auditor General): We used it for some background information, just general background information of the fishing industry.

Richard Brown (L): Mr. Chairman, here's one of the main recommendations, one of the first recommendations of the Auditor General's report—Government, in conjunction with industry representative, should develop a long-term strategy for the lobster processing industry on PEI. The Auditor has told us, he said look, meet with our industry representatives, see what can come

up for a long-term strategy of the processing on PEI. So what this committee, by voting this resolution down, Mr. Chairman, is going against the Auditor's recommendation here. You know, he has recommended us to meet with these groups, with these representatives and if we're going to say no to the representatives and say no to the government how are we ever going to know what kind of lobster processing industry should we have on PEI. And, you know, if the Auditor recommends it and the Board or the representatives of the fishermen want to come in I just cannot see how we can say no to them especially when we have a recommendation from the Auditor and a letter of willingness from the association to come forward.

Ron MacKinley (L)Chairman: They asked to come forward. I mean this is . . .

Richard Brown (L): Basically we're voting on section . . .

Ron MacKinley (L)Chairman: If you vote this down I'm telling you, I mean the consequences are there and people are adding up and people are knowing what's going on. If you're going to keep covering up, covering up, refusing people to come in it's going to catch up with you. Mr. Dunn has the floor.

Richard Brown (L): We're voting on recommendation 7.20.

Ron MacKinley (L)Chairman: Mr. Dunn has the floor.

Richard Brown (L): Why hire an Auditor if they're not going to listen to his recommendations. Thank you.

Cletus Dunn (PC): Question.

Ron MacKinley (L)Chairman: The question is this—recommendation of the Auditor, the vice-chairman said the Auditor didn't . . .

Jim Bagnall (PC): No, I never said that.

Ron MacKinley (L)Chairman: You said the Auditor didn't recommend that. The Government, in conjunction with industry representatives, should develop a long-term strategy for the lobster processing industry on PEI.

Cletus Dunn (PC): Mr. Chair, I asked for a question on the resolution, on the motion on the floor.

Ron MacKinley (L)Chairman: Are you all done, then. All in favour of the PEI Fishing Association request . . .

Jim Bagnall (PC): Can we have the motion read, Honourable Clerk.

Cletus Dunn (PC): We have it here in front of us.

Jim Bagnall (PC): Yes, he's not reading that.

Dr. David McKenna (PC): He's reading something else.

Ron MacKinley (L)Chairman: I'll read this one. Have you got it in front of you? You want me to read it to you?

Cletus Dunn (PC): No, I don't. I can read.

Jim Bagnall (PC): The vice-chair does.

Ron MacKinley (L)Chairman: Can everybody read this? The motion's in front of you.

Jim Bagnall (PC): Okay.

Ron MacKinley (L)Chairman: Mr. Collins, have you got the motion in front of you?

Wayne Collins (PC): I certainly do, Mr. Chairman.

Ron MacKinley (L)Chairman: All right. All in favour - and I'll read this - Therefore be it resolved the Public Accounts Committee agrees to the request of the PEIFA to have their representatives address the committee on the issue of Polar Foods. All in favour of that motion that was put on by Mr. Brown raise your right hands. All opposed to that motion raise your right hand. Motion is defeated.

You're some bunch. I just can't believe it.

Jim Bagnall (PC): Continue.

Cletus Dunn (PC): Good try.

Richard Brown (L): We voted down a recommendation of the Auditor.

Ron MacKinley (L)Chairman: You guys don't want to find out where the money went.

Richard Brown (L): So much respect from the committee.

Wilbur MacDonald (PC) : They won't tell you anything.

Ron MacKinley (L)Chairman: How do you know they won't tell you anything? So what are we doing?

Colin Younker (Auditor General): Page 120, the Public Accounts.

Ron MacKinley (L)Chairman: 120.

Colin Younker (Auditor General): This section deals with the consolidated financial statements of the province. Public Accounts are prepared by the Comptroller and tabled by the Provincial Treasurer as required by the *Financial Administration Act*. According to the Act the Public Accounts must contain the financial statements of the Operating Fund and the consolidated financial statements of the province, along with any other statements required by the Act to be presented. They provide the most complete information about the operating results and financial position of the province they consolidate the accounts of the Operating Fund with those of the Crown corps and agencies.

March, 2004 there were two volumes:

- Volume I contains the consolidated audited financials; and
- Volume II contains the audited financial statements of the Operating Fund, Crown corps and agencies

We performed an audit of the Public Accounts of the Province for the year ended March 31, 2004. And we did not contain any qualifications or reservations on the reports for March 31, 2004 year end.

Some Financial Highlights for the March 2004 year end

Provincial revenue was \$634 million; federal revenue—\$386 million. The total revenue \$1.021 billion compared to \$969 million for 2003. Expenses of \$1.146 billion—a deficit of \$125 million compared to \$54.6 the year before.

Richard Brown (L): Mr. Chairman.

Ron MacKinley (L)Chairman: Yes.

Richard Brown (L): So although our federal revenue went up by \$45 million we still managed to increase the deficit. In 2003 our federal revenues were \$341 million and in 2004 were \$386. And we increased the deficit even with increased federal revenues.

Colin Younker (Auditor General): Debt is increased, yes.

Richard Brown (L): And was that like for . . . and you've indicated before that interest expenses aren't going up that much.

Colin Younker (Auditor General): They went from 103 to 106.

Richard Brown (L): Okay, thank you.

Colin Younker (Auditor General): Financial Statement Presentation

We looked at the consolidation process and the consolidation process requires the accounting policy of Crown Agencies to be adjusted to perform to the policies of government. The province now records the full cost of capital assets as a non-financial asset in the year of purchase and they're amortized over the estimated life of the asset. The operating results of these agencies which are recording capital assets as expenses when purchased must be adjusted to remove capital asset costs from the expenses and record amortization costs as an expense.

And our recommendations are that all Crown corporations and agencies should record capital assets as assets in the year of purchase and amortize the assets over their useful lives on a systematic basis.

Special Projects Fund

The balance in the fund at the end of 2004 was \$2.1 million. Most of the fund has been spent.

Outstanding Debentures and Related Accounts

The largest single liability on the province's financial statements is its outstanding debentures, which account for \$1.15 billion of the province's \$1.95 billion liabilities. All the debentures issued in Canadian dollars with public and private issues of \$1.009 billion and Canada Pension Plan issues of \$140.3 million. The public and private issues either have a sinking fund requirement or the balance is repaid over the term of the debenture. The Canada Pension Plan issues are issued for a 20 year period and do not contain sinking fund requirements.

June 2003 there was a \$100 million public debenture issued, interest rate of 5.6 per cent, maturing February 2034.

At March 31, 2004 the Sinking Fund for debentures and the Debt Reduction Fund held combined net assets of \$221 million.

The Debt Reduction Fund was established in June 2001 for the purpose of retiring debt and reducing interest costs. The activity in that fund for the last year had a balance of \$57 million in the beginning; investment income of \$3.2; payment of debentures (19.1) with a balance of \$41 million at the end of the year.

PEI Master Trust

The Master Trust holds investments of the Civil Service Superannuation, Teachers' Superannuation and MLA Pension Funds. They're all consolidated into the PEI Master Trust. The total investments at the end of March 31 2004 were \$791 million as compared to \$626 million at the end of March 31 2003.

A change in the Master Trust in 2004—Special contributions by government of \$18 million which was for the Teachers and the Civil Service Pension Funds. Interest and dividends earned \$24 million; market value gain of \$143 million compared to a loss of \$140 the year before; Plan withdrawals and expenses less contributions (\$20 million). Total net increase of \$165 with a Plan asset return of 26 per cent compared to 15.4 negative last year.

We looked at the Public Sector Accounting Board.

Dr. David McKenna (PC): I have a question on

that, Mr. Chair.

Ron MacKinley (L)Chairman: Yes, Mr. McKenna.

Dr. David McKenna (PC): The teachers' liability was the worst one at that time, wasn't it?

Colin Younker (Auditor General): Yes.

Dr. David McKenna (PC): What kind of progress has occurred in that unfunded liability? Is that spelled out here?

Colin Younker (Auditor General): In March 2004 on 9.46 . . .

Dr. David McKenna (PC): I'm ahead of myself then.

Colin Younker (Auditor General): . . . it shows the teachers' liability at 1.2 at the end of March 31 2004. I don't think there's much change in that in 2005, at the current time, it's about the same.

Under the Public Sector Accounting Board section we talked about *Tangible Capital Assets*. The province has changed their accounting policy for recording the purchase and use of TCAs 2003-04 and this is in accordance with the recommendations of PSAB. Their investment in net tangible capital assets as of March 31 2004 were \$557,828 million and there was amortization of \$36.7 million recorded as a separate line item in the Statement of Operations. According to the Draft Tangible Capital Asset Policy, subsequent to the implementation phase (first two or three year) departments will be responsible for the amortization expense of capital assets in their operating budgets.

We still have some issues with the 2003-04 Public Accounts and it's highlighted there in 9.31. Still looking to tidy up on the land parcels and get them all included in the schedule of tangible capital assets. Cost recovery should be netted against the cost of the assets. Looking for expenditures for paving to be shown as material maintenance when they are repair maintenance. Looked at the amortization period with the roads and looking at the asset policy itself. It's still in a draft form. We've got a draft policy for tangible capital assets which has not obtained formal approval from Treasury Board. We're looking for adequate

documentation on certain working papers.

In a few instances we noted differences in the period capital expenditures were recorded in the province compared to the period acquisitions were recorded by the receiving Crown corp. So our recommendations for that:

Historical cost information should be obtained for a number of land parcels.

Consideration should be given to reducing the period of capitalization for roads.

The Tangible Capital Asset Policy should be presented to Treasury Board for approval.

Adequate Documentation should be received and working papers prepared to support amounts recorded for tangible capital assets.

A reporting system should be developed to adequately record assets constructed on behalf of Crown corporations and to ensure that operating costs are expensed.

Wilbur MacDonald (PC) : Mr. Chairman.

Ron MacKinley (L)Chairman: Yes.

Wilbur MacDonald (PC) : Could you just explain what you mean here by historical information and Tangible Capital Asset Policy?

Colin Younker (Auditor General): On 9.32.

Wilbur MacDonald (PC) : Yes, the two of them—9.32 and 9.34.

Colin Younker (Auditor General): Back in the bullet points there, back under 9.31 we noted that a large number of land parcels owned by the province were not included on the schedule of tangible capital assets. They require an additional follow up in this area to ensure the land category is complete.

Wilbur MacDonald (PC) : So is that part of the budget?

Colin Younker (Auditor General): No, it's not part of the budget process. It's just part of

recording all your land parcels that the province owns, their historical cost basis and that will finish up the tangible capital asset schedule, complete it.

Wilbur MacDonald (PC) : So historical cost information—would that be perhaps land bought or never bought? Maybe it was always owned by government.

Colin Younker (Auditor General): Yes, it could have no cost. It could be deeded over to government or it could have a historical cost when they bought it. So it's to determine those costs.

Ron MacKinley (L)Chairman: Now, we've got 10 minutes left. We're over at a quarter to 12. I have some questions I'd like to ask you on follow-up. I could do it at a later date if the committee decides but it's on the Atlantic Technology Centre. Like, we met and you got back with some information. We have the information here so has anybody got any questions on that? Is it okay if we stop here on this and put the last 10 minutes on the follow-up answers?

Jim Bagnall (PC): Sure, that would super.

Ron MacKinley (L)Chairman: All right. You've all got the information here from the Atlantic Technology Centre. Now, Section 5.2, what price should the province be looking for as a reasonable exit position from the Atlantic Technology Centre? Do you mean exit, like loss or exit to get out of it or . . .

Colin Younker (Auditor General): The question was if they were going to sell the property what should they sell it for. I guess that would be my opinion that you would try to get at least your debt and your losses out of it.

Ron MacKinley (L)Chairman: That's about \$18 million.

Colin Younker (Auditor General): About \$18 million.

Ron MacKinley (L)Chairman: All right, now 5.10—why was the board of directors of the Atlantic Technology Centre established without the representation originally intended, the representative of original people intended?

If you read your answer here—REDA funding

required representatives from UPEI and Holland College. UPEI indicated they were not interested in locating at ATC. Could you explain that out to me?

Colin Younker (Auditor General): The agreement required representation from UPEI and Holland College re the funding and UPEI indicated they weren't interested in locating at the ATC, weren't interested in being involved. What they originally were going to do to replace that was to set up a Science and Technology Crown Corporation to take ATC and the Food Technology Centre from BDI and then ATC would have an advisory board only. This wasn't done or it hasn't been established but that was what they thought at the time. That's as far as really they've got with it.

Ron MacKinley (L)Chairman: So PEI is not part of it, right? UPEI.

Colin Younker (Auditor General): No, UPEI is not part of it.

Ron MacKinley (L)Chairman: But if you go, under the funding come through from REDA, who's REDA?

Colin Younker (Auditor General): Regional Economic Development Corporation.

Ron MacKinley (L)Chairman: All right. They required UPEI and Holland College to be part of it. How could they fund it if UPEI indicated they were not interested in the location at ATC?

Colin Younker (Auditor General): The last information we have is that, you know, they sent an email to ACOA in October 2003 and they seem to be satisfied at that time or haven't looked for any follow-up on it that we're aware of.

Ron MacKinley (L)Chairman: Yes, but what I'm wondering about—REDA has guidelines and everything they've got to go back—Regional Economic Development Agency. From what I understand then, the agreement must have been in order for them to fund part of this Atlantic Technology Centre they had to have UPEI and Holland College at the table being part of it. Holland College went in on it, correct. UPEI didn't. So that means there's one group didn't go in on it. So how could they issue funds?

Colin Younker (Auditor General): Well, the funds were issued and that's the stage that it's at right here. This is what they were going to do and didn't get done.

Ron MacKinley (L)Chairman: Pardon?

Colin Younker (Auditor General): This is the stage that it's at now is they were going to establish this new Crown corporation but it was never established. So this is the stage that their discussions were at.

Ron MacKinley (L)Chairman: Yes, but this goes into the Regional Development. You talk about, you talk here about the province and the Minister of Development not crossing their i's and t's. It looks like REDA didn't cross their i's and t's too because they have agreement but yet the funds come through I'm told but yet it broke their agreement. So somebody's not up to speed there either is it?

Colin Younker (Auditor General): Yes, it looks like they advanced the funds without the final board composition being finalized.

Ron MacKinley (L)Chairman: Yes. Like, is that right? Can they do that—advance funds without the agreement? Like REDA didn't follow the agreement of the contract.

Colin Younker (Auditor General): I'm not sure. I'd have to double check that.

Ron MacKinley (L)Chairman: Go ahead. Could you double check that?

Cletus Dunn (PC): Just to follow the Chairman's question was part of the agreement that they had to become housed in the ATC centre?

Colin Younker (Auditor General): I think they just had to be on the Board. I'm not sure of the housing.

Cletus Dunn (PC): I wonder if that was a requirement.

Ron MacKinley (L)Chairman: So could you find out why REDA . . .

Colin Younker (Auditor General): Advanced the funds.

Ron MacKinley (L)Chairman: Yes, why did they do it? They've got to be under federal guidelines. They've got to be under federal auditors.

Colin Younker (Auditor General): We'll double check that.

Ron MacKinley (L)Chairman: How could they put the funds through? The Board wasn't fully constituted—all right. So you're going to check when they're going to get that board together, are you—5.10?

Colin Younker (Auditor General): I think the latest update on the Board - we just made a phone call - the legislation is passed as far as this new Science and Technology Corporation goes, on December 16 2003 and there is a Board of Directors named but they've only held two meetings. I'm not sure who's on the board but that was the most recent update we have on it.

Ron MacKinley (L)Chairman: All right. Anyway it's a quarter to 12.

Jim Bagnall (PC): I move for adjournment.

Ron MacKinley (L)Chairman: I'd like to thank you for coming forward and before we adjourn we've got to figure out when we're going to meet again, I would think.

Jim Bagnall (PC): Okay. Next Tuesday morning again.

Ron MacKinley (L)Chairman: Auditor, would next Tuesday morning be fine with you?

Colin Younker (Auditor General): Next Tuesday's fine, yes.

Ron MacKinley (L)Chairman: Same time?

Colin Younker (Auditor General): Same time is good.

Ron MacKinley (L)Chairman: All right.

Jim Bagnall (PC): It would be nice to have this time.

Ron MacKinley (L)Chairman: 9:45 to 11:45. Or

as they say in Ireland 45 past 11.

Jim Bagnall (PC): Move for adjournment.