



PERFORMANCE AUDIT COVERAGE PLAN

2017/18 - 2019/20

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OFFICE OF THE
Auditor General
of British Columbia

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623 Fort Street
Victoria, British Columbia
Canada V8W 1G1
P: 250.419.6100
F: 250.387.1230
www.bcauditor.com

AUDITOR GENERAL'S MESSAGE

EACH YEAR, MY OFFICE prepares two coverage plans - the Performance Audit Coverage Plan and the Financial Statement Audit Coverage Plan. Together, these plans provide a roadmap of the work that we anticipate undertaking over the next three years.

This Performance Audit Coverage Plan lists the performance audits that we are currently working on, as well as those that we intend to start between now and March 31, 2020. It includes topics that are important to the people of B.C., such as the RCMP contract, access to timely cancer care and IT procurement.

Government is large and our office does not have the capacity to take on all possible audit topics. The projects that we select are the result of extensive planning and consultation with stakeholders where we consider the significance, risk and relevance of our work. We aim to make the best use of our resources and choose audits with the greatest value to government and the people of B.C.

The list of projects in this plan is not definitive. It may shift if new priorities emerge, or as the environment in which we operate changes. We aim to be flexible and responsive in our work. For example, this year, we decided to pause our work on seven projects including the George Massey Tunnel Replacement and the Transportation Investment Corporation due to recent changes in these areas. We have included these projects in a new section of the plan called *watching briefs*. We will continue to monitor these areas to determine if further work would add value.




CAROL BELLRINGER, FCPA, FCA
Auditor General

AUDITOR GENERAL'S MESSAGE

Site C is another example where we've changed direction in response to the external environment. When we began work in this area in early 2017, we intended to examine the information provided to government, the progress and costs to-date, and the potential impacts moving forward. We have since decided not to move forward with this approach after considering the British Columbia Utilities Commission review (which covered many of the same topics) and government's decision to proceed with the project. We still intend to examine the Site C project and are reassessing our approach to determine how to best support MLAs and British Columbians.

Our plans are shared with the Deputy Ministers, the Select Standing Committee on Public Accounts and other interested parties. This is part of our commitment to foster greater transparency and stakeholder engagement. Communicating our intentions also encourages organizations to be proactive: to reflect on ways that they can improve their programs and get involved with us sooner. Our office has seen many positive examples of this and looks forward to building on these successes.



Carol Bellringer, FCPA, FCA
Auditor General
Victoria, BC
January 2018

BACKGROUND

WHAT WE DO

THE OFFICE OF THE AUDITOR GENERAL OF BRITISH COLUMBIA is a non-partisan, independent office that reports directly to the legislative assembly. We provide assurance and advice about the overall operation of the B.C. government in support of our vision - a legislative assembly, government and public service that works effectively for the people of B.C.

We have two primary lines of work: financial and performance audits. These audits examine how organizations manage their resources and responsibilities. They also provide recommendations for improvement.

Financial audits examine whether an organization's financial statements are presented fairly, are free of significant errors and comply with Canadian generally accepted accounting principles.

Performance audits examine the broader management of an organization or program and describe whether it is achieving its objectives effectively, economically and efficiently. These are sometimes referred to as *value-for-money* audits because they can determine whether the province received value for the money it spent.

We undertake a variety of other work, in addition to financial and performance audits, including:

- ♦ tightly focussed projects that examine issues related to controls and compliance (led by our compliance, controls and research (CCR) team.) See the [text box on page 6](#).

- ♦ progress audits that follow up on organizations' progress in implementing recommendations from our reports
- ♦ follow-up of matters that come to our attention through public discussion
- ♦ outreach with key stakeholders and governance bodies to share, and engage on, our work

PLANNING OUR PROJECTS

The legislative assembly, government and public service have vast responsibilities. There are over 150 government organizations (and over 80 subsidiaries), such as ministries, Crown corporations, universities, colleges, school districts and health authorities, which are controlled by, or are accountable to, the provincial government. We must plan our work in a manner that ensures our finite resources are allocated to the most significant and relevant areas.

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Our *Performance Audit Coverage Plan* outlines the performance audit work that we plan to start over a three-year period.

Our *Financial Statement Audit Coverage Plan* details the government organizations that we will directly audit as part of our annual audit of government's Summary Financial Statements. Section 10 of the *Auditor General Act* requires our office to produce this plan and have it approved by the Select Standing Committee on Public Accounts (also known as PAC).

COMPLIANCE, CONTROLS AND RESEARCH (CCR) TEAM

- ◆ The CCR team conducts focussed control and compliance audits.
- ◆ The group has five full-time staff and engages with teams across the office to carry out its work.
- ◆ CCR projects complement financial and performance audit work by increasing our understanding of government, its key controls and legislative requirements.
- ◆ The work also provides staff with opportunities to develop their skills in the area of controls and compliance.

HOW WE SELECT PROJECT TOPICS

We use a comprehensive and systematic approach to select performance audit topics that best meet our mandate and allow us to have the greatest impact. This is important because we do not have the capacity to take on all of the possible audit projects that exist.

Potential performance audit topics come from:

- ◆ past and ongoing projects, including the work our financial audit and CCR staff undertake
- ◆ discussions with stakeholders, including the public service, government and the opposition
- ◆ information and requests from members of the legislative assembly, the public and other stakeholders
- ◆ the work of other audit offices

We filter information from the above sources through a rigorous and objective process that considers:

- ◆ significance (financial magnitude, impacts to the public, public interest)
- ◆ risk (likelihood or impact of an organization's failure to achieve its objectives)
- ◆ relevance (likelihood of influencing positive change)
- ◆ timing
- ◆ relationship to our past, current and future work
- ◆ degree of change in sectors and programs

BACKGROUND

Throughout our selection process, we maintain our independence from the legislative assembly, government and the public service. The Auditor General decides which projects to undertake, except where requested by the legislative assembly or one of its committees. In these cases, our Act requires us to respond to their request. However, to date, no such requests have been made.

HOW WE WILL USE THIS PLAN

This coverage plan guides the use of staff time over the coming three years and provides a starting point for developing individual audit plans. Although we have selected our topics, we have not developed the precise scope or nature of work. To do this, we work with the people responsible for these areas to gain a better understanding of the topic. Depending on what we learn, we may produce an audit report, guidance material or simply provide advice to the responsible organization. Alternatively, we may choose to postpone or cancel a project if our initial planning indicates that our resources could be better used elsewhere.

This coverage plan may change. The political, social and economic environment we operate in is constantly evolving, and our plan needs to evolve with it to remain relevant. As we have done over the past two years, we will update our coverage plan annually, building on our list of topics and explaining where our plans have changed.

WHAT HAPPENS NEXT

Project planning is the first phase of the audit process. It involves working with each organization to fully understand the program area and its responsibilities. Organizations are asked to provide us with access to documents, staff and work sites so that our teams can form a decision on whether to proceed with an audit. If we decide to do an audit, teams will develop a plan that establishes the:

- ♦ objective and scope of work
- ♦ criteria or standards for assessing performance in relation to the audit objective
- ♦ approach they will use to obtain sufficient appropriate evidence to form conclusions

After planning, we conduct the audit using the approach outlined in our plan. Our methodology meets professional audit standards and ensures that we safeguard our independence and objectivity. We work closely with organizations throughout the audit to keep them apprised of our work, including regular discussions of our findings. We then table our report with the legislative assembly and publish it on our website (www.bcauditor.com). We also present our report to PAC, which may call representatives from government that can speak to their program.

After the report is public, the audited organization submits an action plan to PAC that details how it will address the recommendations in our report. Approximately one year later, and annually thereafter, PAC requests a progress assessment that outlines the work the organization has done to implement our recommendations. In most cases, PAC continues to

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request progress assessments until the organization has implemented our recommendations, or has otherwise addressed them.

In some cases, we may decide to carry out a progress audit to confirm that organizations have accurately reported their progress. We publish the results of our follow-up work using the same approach described above, reporting to PAC, the legislative assembly and the public.

CURRENT PROJECTS

THE FOLLOWING IS a list of work that is already underway.

All of these projects were identified on last year's coverage plan, though, in some cases the project name or description has changed. This reflects our growing understanding of the topic and how we can best add value.

The status of each audit differs, with some close to being reported and others just getting started (in the

planning phase of work). Projects that are in planning do not yet have a description. It is only at the end of this phase that we determine the scope of work.

You can check our website for projects that are in-progress (www.bcauditor.com). If the project is not on our website, it is still in planning.

	Project name	Description of what the project will cover
1	BC Utilities Commission	Our observations from planning an audit of BCUC's effectiveness.
2	Capital Asset Condition	To inform readers about the state of asset management practices at the Ministry of Finance, BC Hydro and the Ministry of Transportation and Infrastructure, by providing independent verification of asset management maturity assessments.
3	Chronic Disease Prevention: Health Promotion in B.C. Schools	Whether the Ministry of Health and the Ministry of Education are working together to effectively oversee provincial public school policies and programs that promote healthy eating and physical activity.
4	Climate Change	Whether government is adequately managing the risks posed by climate change (part of a collaborative climate change audit involving legislative audit offices across Canada).
5	Commercial Vehicle Safety in B.C.	Whether the Ministry of Transportation and Infrastructure, ICBC and the Ministry of Public Safety and Solicitor General have effectively managed their respective programs to promote the safe operation of commercial vehicles on B.C. roads.
6	Emergency Health Services	Whether British Columbia Emergency Health Services has effectively managed access to ambulance and emergency health services across the province.
7	End of Life Care	This project is in planning - the scope will be determined at the end of this phase.
8	Environmental Impacts of Upstream Oil and Natural Gas Development	This project is in planning - the scope will be determined at the end of this phase.

CURRENT PROJECTS

	Project name	Description of what the project will cover
9	Forest Revenue (Phase 1)	Whether the Ministry of Forests, Lands, Natural Resource Operations and Rural Development has established necessary controls around timber harvest volume information to mitigate significant risk of revenue loss.
10	Industrial Control Systems Cybersecurity Audit at BC Hydro (<i>previously part of Industrial Control Systems</i>)	This project is in planning - the scope will be determined at the end of this phase.
11	Information Technology Asset Management: Cybersecurity Controls (<i>previously IT Landscape in Government</i>)	This project is in planning - the scope will be determined at the end of this phase.
12	Internal Audit Function	This project is in planning - the scope will be determined at the end of this phase.
13	International Education	This project is in planning - the scope will be determined at the end of this phase.
14	Justice Reform	This project is in planning - the scope will be determined at the end of this phase.
15	Oversight of Contracted Services for Children and Youth	This project is in planning - the scope will be determined at the end of this phase.
16	Protection of Drinking Water	This project is in planning - the scope will be determined at the end of this phase.
17	Rate-Regulated Accounting at BC Hydro	To explain rate-regulated accounting and BC Hydro's use of regulatory accounts.
18	Recruitment and Retention of Rural Nurses (<i>previously Rural Health</i>)	Whether Northern Health is effectively recruiting and retaining registered nurses and nurse practitioners to fill the rural registered nurse and nurse practitioner positions identified in its human health resources plan.
19	Release of Assets for Economic Generation	Whether government designed, and followed, appropriate processes and obtained its stated program benefits from the sales of surplus assets under the RAEG program.
20	Tax Expenditures (Phase 1) (<i>previously Implicit Expenditures</i>)	An information piece about what programs are delivered, in part, through deductions or credits to tax revenues, and how these deductions are used as tools for meeting policy objectives.

FUTURE PROJECTS

IN ADDITION TO our current projects, we expect to start the following projects between now and March 31, 2020. The start period is our best estimate, meaning things could change as we move through the planning cycle. We may postpone projects if we identify higher priorities elsewhere or if other projects prove to be more complex and take longer to complete. This flexibility allows us to be responsive to emerging issues.

This year we have added 24 new projects to our list, a figure that is much higher than last year. This reflects the more extensive planning we undertook, as well as the progress we have made since our first coverage plan was released in 2015.

We will determine the scope and timeline of each project as we complete planning. Projects that start in late 2019 or early 2020 will be completed after March 31, 2020.

Project name	
1	Abbotsford Hospital Public-Private-Partnership
2	Aboriginal Housing NEW
3	Access to Timely Cancer Care NEW
4	Avalanche Program NEW
5	BC Ferries
6	Community Living BC NEW
7	Driving Safety
8	Effectiveness of Oversight of Alternative Service Delivery Arrangements NEW
9	Employee Performance and Development Programs in the K-12 system
10	Employment Programs
11	First Nations' Accommodation Agreements
12	Hospital Medical Device Security NEW
13	Independent Power Projects Contract Management NEW
14	Information Technology Procurement NEW
15	Liquor Distribution Branch NEW

FUTURE PROJECTS

	Project name
16	Management of Resource Roads NEW
17	Natural Resource Permitting Project NEW
18	Patient Transfer Network NEW
19	Pension Plan Governance and Oversight NEW
20	Pharmaceuticals NEW
21	Policy Capacity: Effectiveness of Public Policy Development
22	Post-secondary Quality Assurance NEW
23	Post-secondary Student Mental Health NEW
24	Primary Care Transformation NEW
25	Provincial Nominee Program NEW
26	Public Guardian and Trustee IT System: Securing Trust Assets NEW
27	Public Sector Governance NEW
28	RCMP Contract NEW
29	Site C Dam
30	Strategic Outsourced Information Technology Hosting Services
31	Strategic Telecommunications Services Deal
32	Stroke Care NEW
33	Succession Management NEW
34	Wetlands Management NEW
35	Youth Corrections Case Management

WATCHING BRIEFS

IN UPDATING THE coverage plan, we identified several projects that better fit in a category of *watching briefs*. These are projects where, for various reasons, the timing or likelihood of an audit is unclear. Instead, we will monitor them over time to decide if and when an audit is appropriate.

This year, we put five projects on hold. In most cases, our decision to defer work on these relates to the degree of ongoing change at the organization. Some projects are the subject of a new review, or have just been reviewed, while others are simply not far enough along to audit. There are also two new projects which

we had intended to add to our plan, but are impacted by recent changes. We will first watch for the outcome of these changes before deciding to carry out further work.

As with all of our work, we will update the status of these projects through our annual refresh of this plan.

	Project name	Rationale
1	BC Services Card	Roll-out of the B.C. Services Card to residents is not expected to be complete until February 2018. Therefore, we've postponed audit planning until fall 2018.
2	Clinical Systems Transformation Project	Deployment at Lions Gate Hospital (the first of 35 facilities across the Lower Mainland) is behind schedule. We will continue to monitor implementation to determine the timing of our work.
3	Domestic Violence Programs	This topic will involve many of the same organizations and programs included in our <i>Follow-Up to the Missing Women's Commission of Inquiry</i> (released in December 2016). We will defer work in this area until such time that we determine an audit is appropriate.
4	Forest Revenue (Part 2)	Softwood lumber negotiations continue between B.C. and the United States. We will monitor the impact these negotiations have on the royalty structure and decide how we can best add value through our work.
5	George Massey Tunnel Replacement	In September 2017, the Ministry of Transportation and Infrastructure ordered an independent review of the George Massey Tunnel corridor. We will establish next steps after considering the ministry's report.

WATCHING BRIEFS

	Project name	Rationale
6	ICBC Capital Reserves NEW	In July 2017, the Attorney General committed to conducting a comprehensive review of ICBC. This follows the release of a report from Ernst & Young that examined the organization's financial health. We will establish next steps after considering the Attorney General's report.
7	Transportation Investment Corporation and Procurement of the Port Mann Bridge NEW	In September 2017, government eliminated tolls on the Port Mann and Golden Ears bridges. We will monitor the outcome of this decision and how it impacts the corporation.

PROJECTS REMOVED

THIS YEAR WE have removed six projects from our list, though only two have dropped off the office's work plan completely. These are the first two projects listed below where we determined that our resources would be better used in areas with higher risks and less oversight.

The other four projects (projects 3-6) have been transferred to our Compliance, Controls and Research (CCR) team, after considering the likely scope of work.

	Project name	Rationale
1	B.C.'s Post-Secondary Model	This project, included on our first coverage plan, was to be a review of the post-secondary education model ten years after the <i>University Act</i> was amended (in 2008) to allow for teaching-intensive universities. The project has been replaced with <i>Post-Secondary Quality Assurance</i> , which will explore the quality of degree programs offered by provincial post-secondary institutions.
2	Hospital Acquired Infections	Infection control is monitored through a number of existing structures within the province, including the health authorities, the Provincial Infection Control Network of B.C. and independent accreditors. As a result, carrying out audit work in this area is not seen to be as critical.
Transferred to the CCR team		
3	Executive Expenses (<i>formerly Executive Compensation and Benefits</i>)	
4	Follow-up on recommendation 22 in the Office of the Ombudsperson's report on the <i>Ministry of Health Employment Terminations and Related Matters</i> (<i>formerly Activities within the Pharmaceutical Division</i>)	
5	Implicit Expenditures (Phase 2)	
6	Management and IT Controls Reviews	

SUMMARY OF COVERAGE BY SECTOR

THE FOLLOWING TABLES illustrate our coverage by sector over the coming three years. Although projects are grouped by sector, many cross over multiple areas, especially those in finance and IT. Also, these placements may change over time as we enhance our understanding of the area and the direction of each project.

Education		
Employee Performance and Development Programs in the K-12 System	International Education	Post-secondary Quality Assurance NEW
Post-secondary Student Mental Health NEW		
Social Services		
Aboriginal Housing NEW	Community Living BC NEW	Employment Programs
Oversight of Contracted Services for Children and Youth		
Health		
Abbotsford Hospital Public-Private-Partnership	Access to Timely Cancer Care NEW	Chronic Disease Prevention: Health Promotion in B.C. Schools
Emergency Health Services	End of Life Care	Patient Transfer Network NEW
Pharmaceuticals NEW	Primary Care Transformation NEW	Protection of Drinking Water
Recruitment and Retention of Rural Nurses (<i>previously Rural Health</i>)	Stroke Care NEW	

SUMMARY OF COVERAGE BY SECTOR

Natural Resources		
BC Utilities Commission	Climate Change	Environmental Impacts of Upstream Oil and Natural Gas Development
Forest Revenue (Phase 1)	Independent Power Projects Contract Management NEW	Management of Resource Roads NEW
Natural Resource Permitting Project NEW	Site C Dam	Wetlands Management NEW
Transportation		
Avalanche Program NEW	BC Ferries	Commercial Vehicle Safety in B.C.
Protection		
Driving Safety	Justice Reform	Liquor Distribution Branch NEW
RCMP Contract NEW	Youth Corrections Case Management	
Economic Development		
First Nations' Accommodation Agreements	Provincial Nominee Program NEW	

SUMMARY OF COVERAGE BY SECTOR

Information Technology (IT)		
Hospital Medical Device Security NEW	Industrial Control Systems Cybersecurity Audit at BC Hydro (previously part of Industrial Control Systems)	Information Technology Asset Management: Cybersecurity Controls (previously IT Landscape in Government)
Information Technology Procurement NEW	Public Guardian and Trustee IT System: Securing Trust Assets NEW	Strategic Outsourced Information Technology Hosting Services
Strategic Telecommunications Services Deal		

General Government		
Capital Asset Condition	Effectiveness of Oversight of Alternative Service Delivery Arrangements NEW	Internal Audit Function
Pension Plan Governance and Oversight NEW	Policy Capacity: Effectiveness of Public Policy Development	Public Sector Governance NEW
Rate-Regulated Accounting at BC Hydro	Release of Assets for Economic Generation	Succession Management NEW
Tax Expenditures (Phase 1) (previously Implicit Expenditures)		



OFFICE OF THE
Auditor General
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Location

623 Fort Street
Victoria, British Columbia
Canada V8W 1G1

Office Hours

Monday to Friday
8:30 am – 4:30 pm

Telephone: 250-419-6100

Toll free through Enquiry BC at: 1-800-663-7867

In Vancouver dial: 604-660-2421

Fax: 250-387-1230

Email: bcauditor@bcauditor.com

Website: www.bcauditor.com

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