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OFFICE OF THE  
**Auditor General**  
of British Columbia

**Follow-up of  
Performance Audits  
Issued November 1993  
to December 1995**

**Performance Review**

## Canadian Cataloguing in Publication Data

British Columbia. Office of the Auditor General.

Follow-up of performance audits issued November 1993 to December 1995

(Report ; 1996/1997: 11)

“Performance review.”

ISBN 0-7726-3289-8

1. Public administration – British Columbia – Evaluation. 2. Government productivity – British Columbia – Evaluation. 3. Legislative auditing – British Columbia. 4. Finance, Public – British Columbia – Accounting.

I. Title. II. Series: British Columbia. Office of the Auditor General.

Report ; 1996/97: 11.

HJ9921.Z9B74 1997

352.4'39'09711

C96-960178-9



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## auditor general's comments



This report contains the results of my office's follow-up work on eight performance audits (formerly described as value-for-money audits) issued from November 1993 to December 1995.

We conducted this follow-up to provide the Legislative Assembly and the public with timely information on the progress of management in implementing the recommendations my office made when the audits were carried out. Audit recommendations are designed to improve public sector performance, and are an important value-added component of my office's work. I believe this follow-up work is an essential element in the accountability process, whereby those who conduct public business are held accountable for the prudent and effective management of the resources entrusted to them.

Our general approach was to ask management of the organizations with responsibility for the matters examined in the audits to provide us with written reports describing action taken with respect to the audit recommendations. My staff then reviewed these reports to determine if the information reported was presented fairly, in all significant respects. I am pleased to say that, for each report we reviewed, we concluded that it was.

In this report, we provide a summary of each of the original audits and our overall conclusions from them, followed by each organization's response to our request for an accounting of progress.

I am pleased that action has been taken to implement most of the recommendations we made in our audits, although progress is slow in some areas. I recognize that many programs have been undergoing reorganization and downsizing, both of which affect the availability of resources. Nevertheless, I believe it is important that work in implementing these recommendations continue.

I wish to thank the staff and executives of the government organizations concerned for their cooperation in preparing the follow-up reports and their assistance to my staff throughout our reviews.

*George L. Morfitt, FCA  
Auditor General*

*Victoria, British Columbia  
July 1997*



# introduction

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This report provides information about the extent to which the recommendations arising in the performance audit (formerly described as value-for-money audit) reports issued during the period from November 1993 to December 1995 have been implemented by the organizations responsible.

The audits were:

- Ministry of Environment, Lands and Parks (1993/94 Report 1)

**Habitat Protection Function**

**Regulatory Process for Special Waste**

- Ministry of Education, Skills and Training (1993/94 Report 2)

**Ministry Role in the College System**

**Accountability Relationship of the Ministry with the Science Council of British Columbia**

- Ministry of Health (1993/94 Report 5)

**The Transfer of Patients from Riverview Hospital to the Community**

**Psychiatrist Services**

- School Districts (1994/95 Report 1)

**Purchasing in School Districts**

- Provincial Agricultural Land Commission (1994/95 Report 2)

**Provincial Agricultural Land Commission**

- Ministry of Finance and Corporate Relations (1994/95 Report 4)

**Management of Government Debt**

The audit report dealing with the **Accountability Relationship of the Ministry with the Science Council of British Columbia** did not require follow-up as there were no recommendations arising from the audit.

Our approach was to ask management of each of the government organizations with responsibility for the matters examined in our original audits to provide us with a written report describing their progress in implementing the recommendations they had agreed to when the audits

were first done. Where management did not accept our initial recommendations, their concerns were set out in management's response to the original audit report and, in some cases, were subsequently discussed by the Legislative Assembly's Public Accounts Committee. We did not consider it to be a productive use of our resources to follow up recommendations that management had indicated, in their initial responses to our audits, they did not intend to implement.

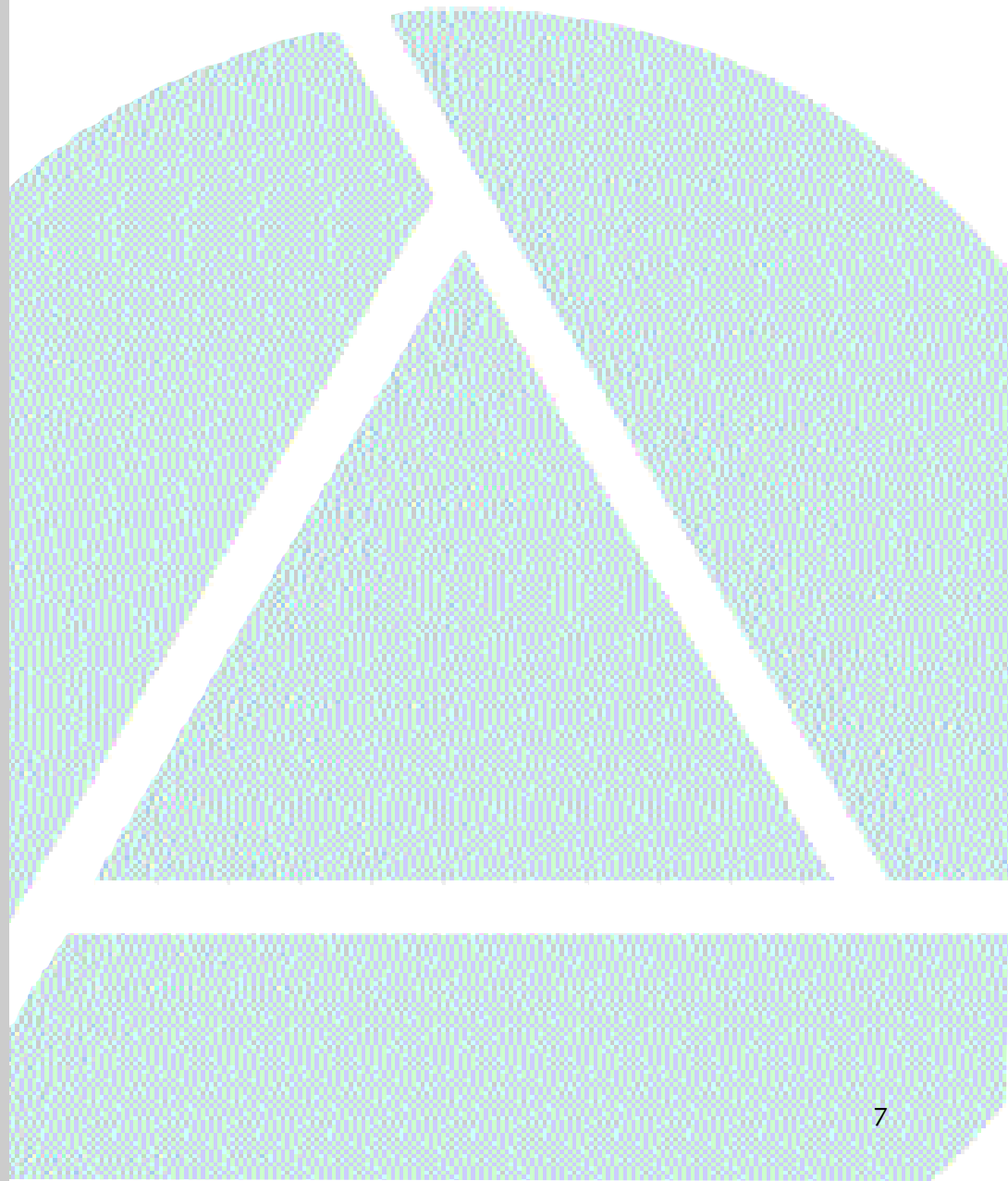
We sent out our requests to management for follow-up reports in January 1997 and, from March to May, reviewed each of the written responses we received to ascertain whether they were factually correct and fair. Our objective was to assess whether the progress being reported was plausible in the circumstances (Appendix B).

These examinations were reviews rather than audits and so they provide a moderate rather than a high level of assurance. They were, however, all carried out in accordance with standards for assurance engagements established by the Canadian Institute of Chartered Accountants, and accordingly consisted of enquiry, document review, and discussion.

In all the reports we reviewed, nothing came to our attention to cause us to believe that the reports did not present fairly, in all significant respects, the progress each organization had made in implementing the recommendations arising from our original audits.



ministry of environment,  
lands and parks:  
habitat protection  
function







# ministry of environment, lands and parks: habitat protection function

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Habitat protection is the key to protection of fish and wildlife. Only by ensuring that adequate habitats are retained can loss of species and loss of biological diversity be prevented. Habitat is threatened from many sources; developments due to urban growth, forestry, gas and oil exploration, and mining can all have detrimental effects on it. The Ministry of Environment, Lands and Parks directly manages designated protected areas and, for the remainder of the Province, provides information and recommendations to other government and public agencies so that the negative impacts of developments on habitat can be avoided or reduced.

In November 1993, we reported the results of our audit of ministry processes to protect fish and wildlife habitat. The audit focused primarily on the habitat protection activities of the ministry's Integrated Management Branch in Victoria and habitat protection staff in the regions. We looked at practices in use during the period from October 1992 to January 1993 and also considered initiatives being planned at the time.

In January 1997, we asked the ministry to provide us with a report on its progress in implementing the recommendations arising from the audit. The ministry's response and our review comments follow.



## summary of original audit report

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### Audit Purpose

We conducted this audit to assess the adequacy of the ministry's processes for protecting fish and wildlife habitat, and to determine the extent to which ministry management and the Legislative Assembly were provided with performance information.

We examined issues important to the conduct of habitat protection. Specifically, we looked at the ministry's role and the processes it had for establishing objectives and priorities, providing advice to other agencies, and determining the results of its efforts. We did not consider how laws and regulations for hunting and fishing were developed, applied or enforced.

### Overall Conclusion

We concluded that the ministry's role in protecting fish and wildlife habitats was primarily one of providing information about habitat protection concerns to agencies making decisions about land and water use. In deciding how best to do this, ministry management had established as a priority the communication of habitat protection advice to developers and regulating agencies before development took place. As a result, the ministry had formulated many technical guidelines, was active in interagency planning processes, and made numerous site-specific recommendations every year.

However, specific objectives for protecting habitat on a province-wide basis had not been established or communicated. Two reasons for this were: existing habitat inventory information was incomplete; and, the ministry was unwilling to state provincial objectives in a situation where it had no legal control. Without such objectives, the long-term vision for the status of different habitat types was not clear.

Given the ministry's decision to focus on reviewing development plans and providing guidelines and recommendations, it did not often gather information about whether habitat protection advice was followed or had the desired impact on habitat. Therefore, the ministry was not readily able to report to the Legislative Assembly and the public on how well its efforts were protecting habitat.

At the time of our audit, the ministry had recently received some additional resources with which it had begun to give more attention to developing and sharing information with other agencies. It had several goals: to increase involvement in long-term development; to improve the collection and management of inventory data; and to assess compliance of other agencies with ministry advice. In addition, the ministry had requested legislation aimed at expanding its legislated habitat protection provisions and to require formal reports of development impacts on habitat. Significant progress had been made in the last few years preceding the audit; however, a continuing commitment to these initiatives was required if they were to be effective.



## follow-up

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### Office of the Auditor General Review Comments

Information provided by the Ministry of Environment, Lands and Parks regarding progress in implementing the recommendations included in our 1993 audit report is set out below (in color). We reviewed this information to see if it is fairly stated, in all significant respects.

We carried out the review in March and April, 1997. The review was made in accordance with standards for assurance engagements established by the Canadian Institute of Chartered Accountants, and accordingly consisted primarily of enquiry, document review and discussion.

Based on our review, nothing has come to our attention to cause us to believe that the ministry's progress report does not present fairly, in all significant respects, the progress made in implementing the recommendations included in our 1993 audit report.

### Ministry of Environment, Lands and Parks Progress Report General Comments

A Strategic Plan for the Habitat Protection Program was released in March 1996. Much of this strategic planning was undertaken in response to the Auditor General's review of the Habitat Protection function in the Ministry. Representing the first Habitat Protection Strategic Plan, it was met with a great deal of enthusiasm by the Habitat staff, in both region and headquarters.

"Sustaining the diversity and integrity of British Columbia's ecosystems through habitat protection" is the mission, and the goals that support that mission are:

1. Maintain the diversity of habitats and ecosystems.
2. Maintain threatened and endangered habitats, and the habitats of rare and endangered species.
3. Advocate resource management alternatives that favor ecological integrity.
4. Support, enhance and share an ecological knowledge base.
5. Promote the understanding of ecological principles through communication and education.

The Strategic Plan goes into additional detail under each of the above goal statements. These details are directly linked to activities and are meant to provide direction to individual staff work plans.

During November and December of 1996, the Ministry of Environment, Lands and Parks underwent a major reorganization and downsizing exercise. The role of Habitat Protection was broadened to include water and land issues, as well as fish and wildlife issues, and it was partnered with Environmental Assessment, as a new Section under the newly established Resource Stewardship Branch, within the Environment and Lands Regional Operations Division. It should be noted that at a time when policy Branches in the Ministry were being reduced by 50%, Habitat Protection was reduced by 25%. Habitat resources were also transferred to the Fisheries and Wildlife Branches, to assist in the delivery of habitat objectives by these two programs.

Along with the Habitat Protection and Environmental Assessment Section in the Resource Stewardship Branch, there is also a Land and Water Section, which includes Land Use Planning, an Aboriginal Relations Section, a Special Investigations Section, and an Enforcement, Emergencies and Regional Support Section. At this time the new Resource Stewardship Branch is assuming the mission and the goals of the original Habitat Protection Program, reinforcing the high priority of Habitat Protection, but will be developing a new strategic plan to reflect also the broadened role of Habitat Protection and the multiple Ministry responsibilities now brought together under the new Resource Stewardship Branch.

## Establishing Objectives and Priorities for Habitat Protection

### *Setting Habitat Protection Objectives*

*In the original audit report we had noted:*

Even though the ministry was giving priority to influencing the long-term plans of others, it had not developed long-term habitat protection objectives. Instead, it was focusing on individual cases, with the broad objective of preserving as much habitat as possible. We acknowledged the complexities of defining objectives in a situation where the ministry did not have legal authority to ensure its objectives would be met, but pointed out that the ministry's broad objective of preserving as much habitat as possible was not sufficient to adequately guide land- and water-use decisions being made at a provincial level.

*We had recommended:*

The ministry should develop long-term provincial objectives for the protection of habitat, based on available information. These should receive government sanction and be publicly communicated.

Since the 1993/94 audit, there have been major steps taken by Habitat Protection to set objectives through regional/subregional plans, Landscape Unit Plans, and Growth Strategies mandates. Habitat protection objectives are being set as part of the State of Environment reporting and fact sheets and the ministry objective setting process under the strategic plan. The key is developing objectives at the appropriate scale, and objectives that have measurable outcomes and actually effect operations on the ground.

One of the most major changes for Habitat Protection since the Auditor General's report was the passing of the *Forest Practices Code of British Columbia Act* in October 1994. As was indicated very clearly in the Auditor General's report, one of the greatest difficulties in the field of habitat protection is having the mandate to protect habitat, without the legislative base to carry out protection requirements. The *Forest Practices Code of British Columbia Act* provides such legislation. Key elements of the Code include riparian protection, green-up criteria, watershed assessments, biodiversity, terrain assessments, identified wildlife protection, soil conservation, site disturbance limits, and strong joint enforcement provisions. There are joint sign-off provisions for Forest Development Plans and joint enforcement provisions in the Code for both

Ministry of Forests and Ministry of Environment, Lands and Parks staff, providing Designated Environmental Officials statutory authority under the Act. The equivalency to the *Environmental Assessment Act* was the underlying benchmark for the environmental provisions of the Code, as forest and range practices are not covered under the *Environmental Assessment Act*.

### *Habitat Objectives*

With respect to habitat objectives, there are three major areas of progress, since 1993/94 noted below.

#### ***Regional/Sub-Regional Land Use Planning***

As one of the key initiatives of government, land use planning has greatly increased our ability to set habitat objectives. In addition, under the *Forest Practices Code of British Columbia Act*, any part of a regional or sub-regional plan can be declared a "higher level plan" by the Ministers of Environment, Forests, and Employment and Investment. Operational plans under the *Forest Practices Code of British Columbia Act* must be legally consistent with these higher level plans, and therefore habitat objectives, which are included in the higher level plan declaration, can have a direct effect on forestry operations on the ground.

At the present time there are 3 regional plans, and 17 sub-regional plans (LAMP's) completed or underway, covering about 2/3 of British Columbia. Habitat Protection staff participate directly at these planning tables or indirectly through the technical interagency planning teams. Examples of objectives include:

- Maintain a viable population of caribou within defined ranges, while maintaining ecosystem health.
- Maintain the current distribution, abundance and critical elements of wildlife habitats.
- Maintain integrity of the unique ecosystem associated with the south facing slopes above the Euchiniko River.

These objectives are reviewed and approved by the multi-stakeholder planning tables, and approved by the ministers listed above. They provide legal guidance for more detailed planning at the landscape level (major watersheds).

## **Landscape Unit Plans**

Section 4(2) of the *Forest Practices Code of British Columbia Act* lays out the legislative mandate for landscape units. This part of the Act is the key to the biodiversity provisions of the *Forest Practices Code of British Columbia Act*, as biodiversity objectives are established jointly by Ministry of Forests and Ministry of Environment, Lands and Parks, after a Landscape Unit has been established by the District Manager. These biodiversity objectives include retention of old growth, seral stage distribution, landscape connectivity, stand structure, species composition, and temporal and spatial distribution of cutblocks.

Under recent Chief Forester policy, a Regional Landscape Unit Strategy outlining the landscape unit boundaries, emphasis options, planning priorities, and public participation strategy, jointly agreed to by the Ministry of Forests and the Ministry of Environment, Lands and Parks, is required for each forest district by October 31, 1997. At that time, the establishment of official landscape units and biodiversity objectives will begin.

These objectives are critical, as they also have the status of a higher level plan, under the *Forest Practices Code of British Columbia Act*, and can therefore directly effect operational plans and activities on the ground.

With respect to the role of the Forest Ecosystem Specialists in Habitat Protection, their work plans will reflect a shift to landscape unit planning over the next year, with a proposed five-year time horizon for the completion of biodiversity objectives and plans.

## **Growth Strategies Statutes Amendment Act**

Passed in 1995, this Act was designed to promote human settlement that is socially, economically and environmentally healthy, and that makes efficient use of land and other resources, and the public facilities and services. The Act embodies a number of goals that will directly enable habitat protection during the planning and development of urban land. These include: protecting environmentally sensitive areas, reducing and preventing air, land and water pollution, protecting the quality and quantity of ground and surface water, preserving, creating and linking urban and rural open space including parks and recreation areas.

Presently the provincial government is establishing planning mandates for each of the regional growth strategy areas—Lower Mainland, Vancouver Island and the Okanagan Valley. These mandates are not regulatory, but the Act does



allow for regional districts and the provincial government to enter into implementation agreements which detail how certain aspects of a regional growth strategy will be carried out; for example: "protecting fish habitat from degradation or loss in order to support the mandate of continued sustainability of the Province's freshwater and marine fish populations."

### *Establishing Clear Priorities*

#### *In the original audit report we had noted:*

Ministry habitat protection staff in many regions were focusing their efforts on providing advice to developers and regulating agencies before development took place. We found their justification for this—to prevent or mitigate habitat losses before they occur—to be reasonable. However, as a result of the focus on pre-development plans, little emphasis was being placed on the review of ongoing plans or the impact of actual development activities. The ministry had not evaluated whether those regions focusing primarily on the review of long-term plans were achieving the best use of available resources.

#### *We had recommended:*

The ministry should evaluate whether those regions focusing primarily on the review of long-term plans are achieving the best use of available resources.

This is more of a "resources" question than a "need to do" question. With only two habitat positions in each Forest District Office, and given the number of Forest Development Plans, 17 Land Resource Management Plans, and 3 regional plans, there is limited capability to review silviculture prescriptions, logging plans or any detailed cutblock monitoring. On a more positive note, the Ministry of Environment, Lands and Parks now has the ability to determine which activities staff are focusing on due to the introduction of annual operating plans.

## Providing Habitat Protection Advice to Other Agencies

*In the original audit report we had noted:*

To be able to review and provide input to the development plans of other agencies, the ministry requires current, detailed habitat inventory information. We found that this information was not available for most of the province. Much of the data being used had not been updated since the 1970s, and methods for accessing it were inefficient. In addition, referrals for habitat information from other agencies were not being properly tracked to ensure responses were being supplied in time to be useful.

*We had recommended:*

The ministry should complete its habitat inventory and the systems for accessing and updating it as soon as possible.

The ministry should produce better management information about whether it is meeting the needs of referring agencies.

In 1993/94 the Ministry indicated full support for these recommendations, and has made great progress in the field of inventory and data infrastructure, through the funding made available from Forest Renewal B.C. When the audit was carried out, the total amount of inventory dollars in the Fish, Wildlife and Habitat Department was less than \$2 million dollars. As of March 31, 1997 the total investment in inventory was \$50 million dollars. Most of the inventory and infrastructure is under direction from the *Forest Practices Code of British Columbia Act* and of direct benefit to our referring agencies.

In addition, through its recent reorganization, the Ministry has combined all of its inventory and data management capability into one Branch.

To support inventory and data needs for regional and subregional planning, the Ministry has also accessed inventory and Geographical Information System (GIS) dollars from the Corporate Resource Inventory Initiative (CRII) and Common Land Information Base (CLIB) funds for a total of \$3 million dollars for 1996/97.

There has been a considerable effort on the provincial forest land base, and the regional and sub-regional planning levels to improve the amount and quality of information supporting forestry and land-use planning in B.C. There is still an inventory gap in the urban/settlement lands. Some site-specific, species-specific inventories have been done under the

Urban Salmon Habitat Program, and as a result of the Fraser Basin Initiatives. However, there is no overall inventory strategy for these lands at this time.

## Determining Results of Habitat Protection Efforts

*In the original audit report we had noted:*

Most decisions affecting habitat that are under provincial government control involved the Ministry of Forests. That ministry's staff were trained to recognize breaches of habitat recommendations, but they did not usually have the expertise to assess the impact of such discrepancies. Although staff in the two ministries were communicating informally about such concerns, no systematic process was in place to record this information, assess its reliability and jointly decide what actions to take.

Because of deficiencies in available information about compliance of other agencies with habitat protection guidelines and recommendations, and about the impacts of development, ministry managers were not being provided with adequate performance information, nor was the ministry able to report meaningfully to the Legislative Assembly regarding its habitat protection efforts.

*We had recommended:*

The ministry should work with the Ministry of Forests to develop integrated compliance monitoring processes that address the needs of both ministries to the greatest extent possible.

The ministry should identify the performance information it needs to provide adequate accountability. It should develop measurement tools to gather that information, and should report on its performance to the public and the Legislative Assembly.

The Ministry agreed to these recommendations, and progress has been made since the audit. Throughout the development of the *Forest Practices Code*, a Joint Steering Committee with the Ministry of Forests, the Ministry of Environment, Lands and Parks and the Ministry of Employment and Investment representatives at the assistant deputy minister level, have managed the Code, and any policy needs associated with the implementation of this new legislation. Each of the Ministries proceeded independently on monitoring procedures, although they were developed cooperatively through a Joint Enforcement Committee, under the Joint Steering Committee.

Within the Ministry of Environment, Lands and Parks, the Monitoring Steering Subcommittee (MOSS) was established to develop a cross-ministry process which included air management, pesticides, water, enforcement, fisheries, wildlife, habitat protection, parks, waste management, and water quality. With the new ministry organization this will be modified. MOSS has produced an initial report on the state of the ministry's monitoring program. In addition, the Ministry-wide Referral Monitoring System (MRS) has been piloted in two regions, and is close to being operationalized. This system enables District Habitat Protection staff to provide monitoring information electronically. As for Habitat Protection, and specifically for the *Forest Practices Code*, a model for reporting on Code implementation activity has been developed, and staff have begun to collect and report information on what is happening in each region.

The larger issue in the Auditor General's recommendation is effectiveness monitoring of habitat prescriptions. Habitat Protection has carried out two Forest Ecosystem Specialist Implementation Monitoring (FESIM) projects since the 1993/94 Audit. With a cost of \$50,000 per forest district for a FESIM, the number completed each year is very low, given operational dollars. However, it is a very successful methodology to determine our effectiveness over the short term. Over the longer term, the Ministry has begun to track a series of Environmental Indicators—the ones most critical to Habitat Protection being Wildlife, Protected Areas Strategy, Species at Risk, and Forest Species at Risk. Initial reports are currently in draft form, but will eventually form the basis of an ongoing report to the public and the Legislative Assembly, on the trends in protecting our province's habitat.

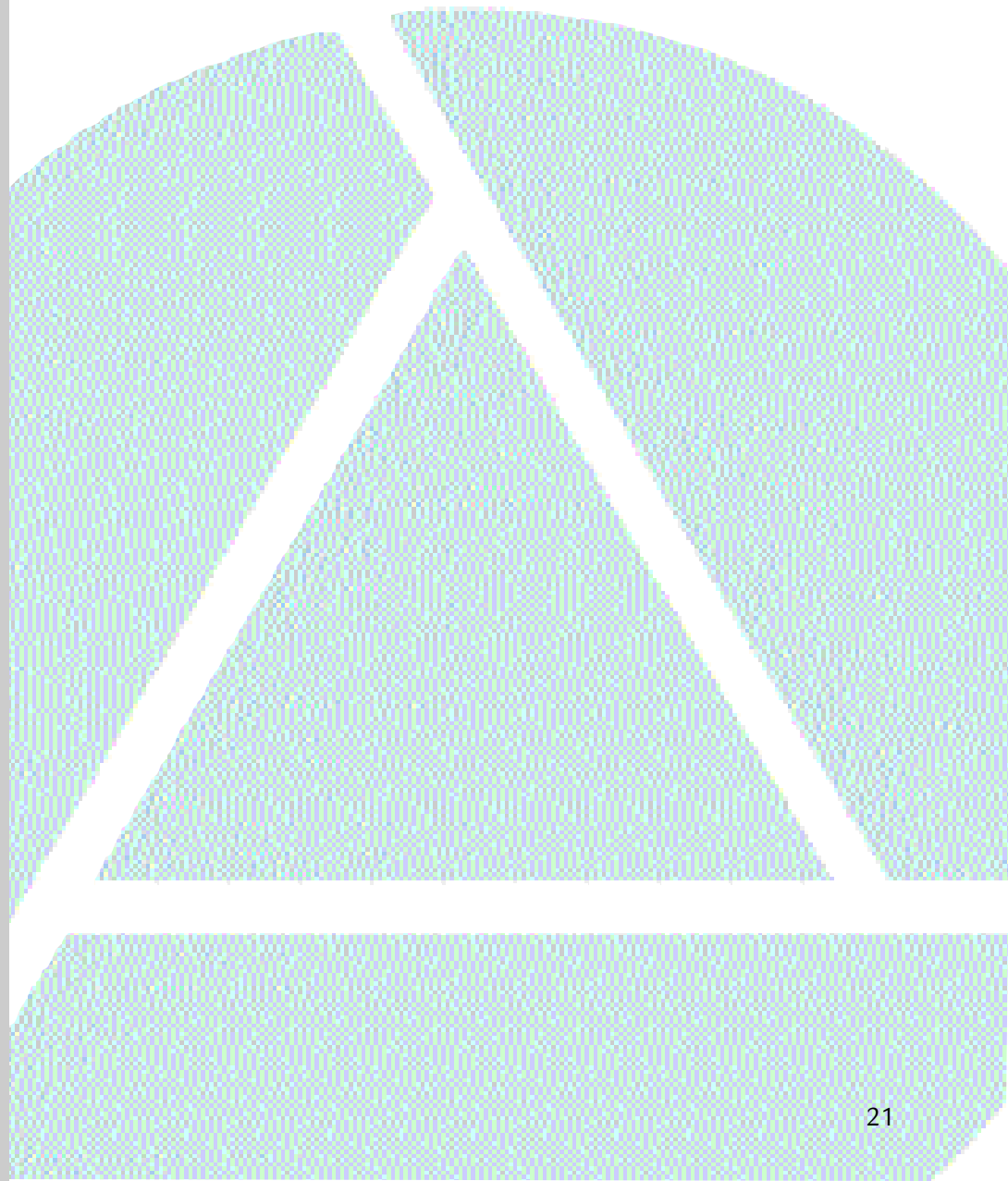
## Ministry Concluding Remarks

Overall, the Ministry has made significant progress in the field of Habitat Protection, with the single most important success being the wording of the *Forest Practices Code* to provide habitat protection over 85% of the province's land base. The largest single infusion of new resources over these past two years has been operation inventory dollars from Forest Renewal BC, which will go a long way in establishing sound habitat prescriptions in the province. The monitoring phase of the *Forest Practices Code* is just being initiated, but it will require additional resources to make any substantial progress.

The gaps that still remain from the Habitat Protection viewpoint are on private forest land and urban/settlement lands, but there is optimism that the implementation of the *Growth Strategies Act* and possible provincial fisheries protection legislation will strengthen the Ministry's ability to protect critical habitat throughout British Columbia.



ministry of environment,  
lands and parks:  
regulatory process  
for special waste





## ministry of environment, lands and parks: regulatory process for special waste

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Special wastes, also known as hazardous wastes, are materials of a toxic or reactive nature that must be handled or disposed of in appropriate ways to protect human health and the environment. To make sure that special waste is managed properly, the Ministry of Environment, Lands and Parks regulates the generation, handling, storage, transport, treatment, and disposal of hazardous wastes in British Columbia. It does so under the authority of the *Waste Management Act* (the Act) and the application of the Special Waste Regulation (the Regulation). Ministry staff carry out regulatory activities in each of the ministry's regional offices across the Province and at head office in Victoria. For example, they identify industries producing special waste, inform them about the Act and the Regulation, and provide them with assistance to comply.

In November 1993, we reported the results of an audit of government regulation of special waste in British Columbia. We focused our audit mainly on activities undertaken by the ministry in the 12 months ending December 1992.

In January 1997, we asked the ministry to provide us with a report on its progress in implementing the recommendations arising from the audit. The ministry's responses and our review comments follow.





## summary of original audit report

### Audit Purpose

We conducted this audit to assess whether the ministry managed the regulatory process for special waste in a way that:

- ensured regulatory standards were current and consistent with program objectives to minimize the effect of special waste on human health and the environment, and that the Regulation was clearly communicated;
- reasonably ensured that industry adhered to the Regulation;
- showed due regard for economy and efficiency in its management of the regulatory process; and
- showed due regard for accountability in the assessment and reporting of how well the Regulation met and how well the regulatory process minimized the effect of special waste on public health and the environment.

The audit examined ministry programs and activities at head office that dealt with special waste, including the planning and development of program policy. We looked at what the ministry did to control the generation, handling, transport, treatment, storage, and disposal of special waste in half of its regions and sub regions. We also examined regional activities to monitor compliance with the Regulation, although we did not audit enforcement activities.

### Overall Conclusion

The Special Waste Regulation came into effect in 1988 and at the time of our audit the ministry was still implementing the Special Waste Program.

We concluded that British Columbia's standards for management of special waste were current, and similar to those in use in North America generally. As a result, the standards provided a level of protection of human health and the environment that was comparable to that provided by other North American jurisdictions. However, we believed the ministry should better document the scientific information it used to determine that its standards were appropriate for British Columbia.

The ministry communicated the Special Waste Regulation clearly, and was implementing processes to monitor compliance with the Regulation. However, although hazardous situations were monitored systematically, not all regions carried out a full range of inspection activities. The ministry relied on complaints and appeals to know that the Regulation was being applied properly, but in our opinion these procedures were not enough to know and demonstrate that the Regulation was being applied in a consistent manner across all regions.

We found that the ministry had acted to improve the economy and efficiency of its regulatory operations when regional staff identified opportunities in their daily activities. However, it had not yet done a full evaluation of the special waste program to see how efficiently it was carried out.

At the time of the audit, ministry reports to the Legislative Assembly had described regulatory activities rather than compliance and protection results. The ministry had yet to report on how much of the special waste in British Columbia was regulated and whether the impact of special waste on health and the environment in the province was minimized. The ministry had begun gathering information to assess the performance of its Special Waste Program and the success of the regulatory process, and planned to report its findings in the future.



## follow-up

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### Office of the Auditor General Review Comments

Information provided by the Ministry of Environment, Lands and Parks regarding progress in implementing the recommendations included in our 1993 audit report is set out below (in color). We reviewed this information to see if it is fairly stated, in all significant respects.

We carried out the review from March to May 1997. The review was made in accordance with standards for assurance engagements established by the Canadian Institute of Chartered Accountants, and accordingly consisted primarily of enquiry, document review and discussion.

Based on our review, nothing has come to our attention to cause us to believe that the ministry's progress report does not present fairly, in all significant respects, the progress made in implementing the recommendations included in our 1993 audit report.

### Ministry of Environment, Lands and Parks Progress Report General Comments

The Ministry of Environment, Lands and Parks (the ministry) has made many advances in implementing the audit recommendations. Some of the advances have been specifically related to the Special Waste Program, such as new or updated training materials and the development of a new computer database called the Special Waste Information System. Others have been accomplished as broad ministry-wide initiatives, such as the development of a new standard setting policy and the introduction of electronic mail and ministry information made publicly available on the Internet.

## Setting Regulatory Standards for British Columbia

*In the original audit report we had noted:*

The ministry developed and maintained its standards by obtaining information from other jurisdictions and industry, discussing ideas with colleagues, accessing professional and scientific journals, and using data provided by the ministry's toxicology unit, other sections and outside agencies. While most of the evidence we gathered about the ministry's standard-setting activities was adequate, we did not find the ministry's management of scientific information to be documented well enough to show the appropriateness of the standards to the specific needs of British Columbia.

*We had recommended:*

The ministry should review its standard setting process with a view to improving its documentation of scientific information.

The ministry agreed that improved documentation of scientific and other information in support of standards was desirable.

In late 1993, the ministry initiated the development of a Guidelines and Standards (GAS) Policy for the setting of guidelines and standards in BC. The development of this comprehensive policy and the principles upon which it is based involved two years of external stakeholders consultation, including meeting with interested parties on seven occasions and reviewing more than 30 written submissions. The development of the accompanying procedures for the application of the GAS policy involved another year of predominantly internal review and feedback from all affected ministry branches and regions.

The GAS policy is designed to protect the environment and promote sustainability by integrating environmental, economic, health and social considerations into the guideline/standard setting process. The draft procedure explains how to establish guidelines and standards from a set of principles described in the policy. When new guidelines or standards are being developed, the procedure will require that all scientific information used to develop the proposed guideline or standard be documented in the assessment report.

The GAS policy and procedure, expected to be finalized in the next several months, will be applicable to the setting of all new or revised guidelines and standards, including those associated with the Special Waste program.

## Implementing the Regulatory Process

### *Communicating Individual Expectations*

#### *In the original audit report we had noted:*

On-the-job training by supervisors was relied on to orient new staff to the special waste program. During our audit, some new staff in the regions told us they did not receive an adequate orientation to their specific jobs. An orientation package was not in use at the time we visited the regions. We were told that one was introduced to head office staff in September 1992 and has since been introduced to the regions.

#### *We had recommended:*

The ministry should structure job-specific orientation for staff working directly with the regulation.

The ministry agreed that a formal orientation program would be beneficial. New materials have been prepared and existing documents updated on special waste program issues. These are effective orientation materials for new employees as well as training tools for other stakeholders.

The Special Waste Legislation Guide was updated in 1993. This document describes the province's special waste management programs and explains how to follow the special waste management laws and regulations.

In 1994, a training guide for completing the special waste manifest and supplementary forms was prepared to provide instruction to consignors, carriers and consignees in the proper completion of the manifest and related forms. An instructor's guide was also prepared to assist those wishing to deliver a short course on the subject. Two courses were delivered in Victoria and Nanaimo.

In 1995, the ministry introduced its Special Waste Information System (SWIS), a new initiative designed to provide user friendly access to, and manipulation of, data and other information collected through generator registrations, manifests, transport licenses and waste management permits. The ministry provided a training opportunity for both headquarters and key

regional staff to become familiar with SWIS. In addition, a SWIS users' guide was prepared. The training provided was at the introductory level.

All of the above materials, while not specifically developed for staff job orientation, are appropriate for the task and in many cases have been used in training staff.

It has also been our practice to assist regional staff in understanding the Special Waste Regulation through Headquarters' training initiatives. A comprehensive amendment package for the Special Waste Regulation is expected to be completed this coming fiscal year and it is our intention to provide training sessions for regional staff.

*In the original audit report we had noted:*

The ministry relied on job descriptions and annual work plans to communicate to staff its expectations for individual performance. Many staff also had job descriptions and individual work plans that specified activity levels and goals for some of the major tasks they had to perform. However, we found confusion among ministry staff as to whether the "deliverables" expected of them each year were general guidelines or performance targets for individual appraisals.

*We had recommended:*

The ministry should clarify its expectations about the deliverables set in the work plans.

Work plans are developed for staff in Headquarters. Deliverables and related due dates are identified and used as performance targets for staff. These work plans, and the expectations they represent, are discussed with staff prior to plan implementation.

The regions have confirmed that special waste duties and activities are also addressed in staff work plans, although some have commented that it is difficult to quantify special waste deliverables. For example, deliverables related to spill response and to the review of permit applications and contingency/spill prevention plans are difficult to quantify and schedule in advance as they are reactive activities. Job descriptions for staff have also been revised to clarify duties related to the special waste program.

## Controlling the Management of Special Waste

### *Promoting Acceptance*

#### *In the original audit report we had noted:*

Although the ministry was sensitive to stakeholder reactions on specific issues, we found that it did not have a comprehensive approach to assessing overall acceptance of the special waste regulatory process or to evaluating the relationship between that acceptance and the program's success. The ministry was in regular contact with those being regulated, but it did not maintain ongoing consultation with the public directly affected by regulatory activities. The ministry dealt with acceptance when it became an issue in specific instances, as when there was a public outcry over a permit application, but at times, the ministry had to react quickly to public concern. We found that the ministry was not always well prepared to deal with such concerns.

#### *We had recommended:*

The ministry should use a proactive approach to promoting public acceptance of the special waste regulatory process to improve the efficiency of regulatory operations.

As stated in our response to the original report, the ministry has made great strides in broadened and improved its external consultation process, especially in the area of public input. The ministry is committed to enhancing these efforts to incorporate public and other stakeholder input to its activities. Since the audit report was released, the ministry has amended the Public Notification Regulation to strengthen the requirements for public notification and increase the opportunities for public input associated with special waste initiatives. The government also introduced the environmental assessment process which provides for significant public input to the review of prescribed initiatives and which encompasses all significant projects involving special waste.

*Policies and Procedures**In the original audit report we had noted:*

For guidance on regulatory activities, staff looked to the Regulation, ministry policies, and the procedure manual. The ministry had also produced a Special Waste Legislation Guide which aided both the staff and the stakeholders in applying the Regulation. Some staff considered the Regulation to be sufficiently detailed to provide the necessary guidance and did not refer to other policies and the procedures; other staff said they looked elsewhere. While we did not find any inconsistency overall between various policies, procedures, and the Regulation, we did note that some of the material in the procedure manual was out of date.

*We had recommended:*

If the ministry plans to continue using the procedure manual, all sections of the procedure manual that predate the regulation should be updated to ensure consistency with the regulation.

The ministry agreed with this recommendation and indicated that the updating process was underway. Since the audit, we have updated all necessary existing procedures for the Special Waste Program and have established several new procedures (Vol. 8, Section 7 of the procedures manual).

Since the audit, the ministry has also eliminated use of the Policy and Procedures Ring Binder Manuals and has placed this information on the Internet. This is accessible to the general public as well as ministry staff. The Internet address for the procedure is:

<http://www.env.gov.bc.ca/epd/cpr/ppman/eppproc.html>



## Permit and Approval Authorizations

### *In the original audit report we had noted:*

Communication policies, procedures, and information were an important part of the ministry's process for ensuring that authorizations were carried out according to the Regulation. Head office staff communicated new items and amendments to regional staff through the Regional Waste Managers. Although regular communication existed between head office and the regions, we found that information about the practical application of the Regulation was shared only on an ad hoc basis.

### *We had recommended:*

The ministry should encourage the regions to share information among themselves about the practical application of the regulation.

The ministry agreed with this recommendation and has provided additional means to improve both dialogue between regions and feedback to head office via enhancements to the wide area computer network (WAN). In addition, the ministry has integrated the use of the Internet throughout its organization and has also encouraged the use of electronic mail to share information within and among regions and between regions and headquarters.

## Accounting for Regulatory Compliance and Results

### *Evaluating the Achievement of Goals*

### *In the original audit report we had noted:*

At the time of our audit, the ministry was establishing methods for carrying out a provincial inventory of special waste by type of industry. Without a full inventory, the ministry could only measure compliance with the Regulation for materials that had been identified through the authorization process or were otherwise monitored by the ministry; it did not know how successful the regulatory process was in promoting overall industry compliance with the Regulation. Without knowing the extent of industry compliance provincially, the ministry did not know the degree to which the regulatory process was protecting public health and the environment in British Columbia.

### *We had recommended:*

The ministry should evaluate the Special Waste Program to determine how well the regulatory process is achieving its goals.

Since the audit, the ministry has completed two studies related to special waste, one a characterization/inventory of hazardous wastes in British Columbia and the other an assessment of special waste management capabilities in the province. These studies provide necessary baseline information for subsequent use in program evaluation activities.

Key findings of the studies were the quantification of hazardous wastes being generated. It was further clarified that approximately 55% of special waste was managed on-site and that the most often selected management option of on-site management is recycling. Firms that manage their waste off-site most often choose commercial disposal.

It was also confirmed that, with one exception, the waste management capacity in BC exceeded the demand. The only gap was the lack of capacity to destroy concentrated PCBs. This shortfall was eliminated in 1994 with the opening of the Alberta border and the accompanying access to the Swan Hills hazardous waste management facility. More recently, on February 7, 1997, Environment Canada announced that its previously imposed ban on exports of PCB wastes to the United States has been lifted to allow exports of these wastes to the US for destruction only (i.e.: not to include landfill disposal).

The development of the SWIS database subsequent to the last audit has also provided an effective tool for special waste program evaluation. Simplified access to the data has enabled staff to review trends in special waste transactions.

With these tools, the ministry is now in a better position to evaluate the degree to which special waste handlers throughout the province are in compliance with the regulation.

## Evaluating Consistency

### *In the original audit report we had noted:*

The Special Waste Regulation called for professional judgment in its application. We found some differences between regions in their approach to carrying out regulatory activities. As well, a number of people in the regulated community expressed to us their perception that the Regulation was not always applied consistently between industries or regions. The ministry was aware of these concerns and relied on complaints and appeals from stakeholders to be sure that the Regulation was applied consistently. However, we believed that complaints and appeals did not provide a sufficient indication of whether the Regulation was being applied in a consistent manner between regions.

### *We had recommended:*

The ministry should develop a process for determining whether the regulation is being applied consistently in all regions.

The ministry agreed that consistent decision making across the province is important. However, based on regional manager discretion provided for in the *Waste Management Act* and Special Waste Regulation, policies and procedures are guidelines and managers cannot be fettered to operate in an absolutely identical manner to achieve this goal.

As indicated in the response under “Permit and Approval Authorizations,” the ministry has encouraged the use of electronic mail to share information among regions and between regions and headquarters and is using the Internet to provide easy access to information for both staff and stakeholders. We believe that these steps have resulted in more consistent application of the regulation across the province.

## Reporting Regulatory Results

*In the original audit report we had noted:*

The ministry's annual report to the Legislative Assembly contained little information on the results of the special waste regulatory process in British Columbia. Another problem was the lack of timeliness of the reporting. At the time of our audit, the most recent ministry report was for the 1991 fiscal year. This delay in reporting, we believed, did not allow the Legislative Assembly to make timely decisions about the program. The ministry had published the State of the Environment Report for British Columbia that contained some information on special waste and described provincial targets for waste disposal. The ministry saw this as a first step towards reporting what was happening in the environment as a result of its activities.

*We had recommended:*

The ministry should report annually and on a timely basis to the Legislative Assembly on the extent of regulatory compliance and protection of the public and the environment with respect to special waste.

The ministry has continued to present a summary of activities in the Special Waste Program in annual reports to the Legislature since the audit. Information presented ranges from the more routine program summary data (special waste quantities transported, transport licenses issued, manifests processed, exemption requests reviewed, delisting applications reviewed, etc.) to more specific details related to regulatory amendments and program improvements. The ministry has recently published a combined annual report for 1994/95 and 1995/96 and plans to provide future reports on a more timely basis.

These activity reports have also been enhanced by the introduction of state of the environment (SOE) reporting. SOE reports go beyond the basic accounting of activities and address the impact of ministry programs on the environment. To date, one comprehensive SOE report has been prepared (1993; revised January 1994) which identifies a goal to provide a comprehensive hazardous waste management system by 2000.

Since release of the SOE report, significant progress has been made in the area of household hazardous waste management, with the introduction of stewardship programs for waste lubricating oil, paints and pharmaceuticals. In addition, as previously discussed under “Evaluating the Achievement of Goals,” two new opportunities have become available for the destruction of concentrated PCB wastes, involving access to destruction facilities in Alberta and the United States. As a result, British Columbia generators of special waste now have a comprehensive network of privately owned and government regulated hazardous waste disposal facilities available to them for all special wastes.





ministry of education,  
skills and training  
(formerly ministry  
of advanced education,  
training and technology):  
ministry role  
in the college system



## ministry of education, skills and training: ministry role in the college system

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Planning and coordinating are essential to the success of the college system, which functions in an environment where funds are scarce and demand is increasing. It is through its planning and coordinating activities that the ministry establishes its goals and objectives for the college system. The ministry must take the lead in this area because service delivery is indirect: colleges deliver programs; the ministry pays for them.

In November 1993, we reported the results of our audit of ministry processes for planning, coordinating, funding, monitoring, and reporting on the college system. We focused our audit on ministry activities in the fiscal year ended March 31, 1993.

In January 1997, we asked the ministry to provide us with a report on its progress in implementing the recommendations arising from the audit. The ministry's response and our review comments follow.





## summary of original audit report

### Audit Purpose

We conducted this audit to assess whether the ministry was:

- providing appropriate planning and coordination for the college system;
- funding the colleges' operations in a way that encouraged the achievement of ministry goals; and
- monitoring and reporting on the performance of the college system in a way that provided good accountability.

### Overall Conclusion

The ministry had specified eight high-level goals for the college system: accessibility, efficiency, quality, responsiveness, comprehensiveness, occupational and economic development, social development, and accountability. It had laid out clear operational objectives for achieving two of these goals—accessibility and efficiency—but did not have such clearly defined objectives for its other goals.

The ministry's formal planning and coordinating processes were also focused on accessibility and efficiency. Its processes for negotiating enrollment levels in college programs, and for approving new college programs, were appropriately designed and managed to support these two goals. Coordinating processes which were less directly related to accessibility and efficiency, such as examining ongoing college programs to see that they continued to be suitable, were less consistent. However, the ministry carried out its work in a context where ministry and college staff were in frequent communication, shared a common perspective, and often worked together on common problems. This to some extent compensated for a lack of formal process. It also gave the ministry an effective means of responding to new challenges faced by the college system.

The ministry's funding methods appropriately encouraged its goals of accessibility and efficiency. The level of encouragement given to its other goals was less clear. In particular, funding did not directly address the goal of quality, as there was no link between a college's funding and what its students learned or how they benefited from college.

This was disquieting, but not unexpected: few jurisdictions in North America had been able to find effective ways of linking college funding to performance. One reason was the difficulty of defining and measuring quality. The British Columbia college system was in the forefront of collecting information on two important measures of college system achievement—how colleges contributed to their students' success in work and further education, and how students progressed through the college system. However, as was the case in many jurisdictions, the ministry did not collect information on another important measure of achievement—what students had learned by attending college.

The ministry's reporting processes focused on information related to the goals of accessibility and efficiency, with little information related to other goals. As a result they were unable to give the public and legislature an adequate understanding of the overall performance of the college system.



## follow-up

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### Office of the Auditor General Review Comments

Information provided by the Ministry of Education, Skills and Training regarding progress in implementing the recommendations included in our 1993 audit report is set out below (in color). We reviewed this information to see if it is fairly stated, in all significant respects.

We carried out our review between March and May, 1997. The review was made in accordance with standards for assurance engagements established by the Canadian Institute of Chartered Accountants, and accordingly consisted primarily of enquiry, document review and discussion.

Based on our review, nothing has come to our attention to cause us to believe that the ministry's progress report does not present fairly, in all significant respects, the progress made in implementing the recommendations included in our 1993 audit report.

### Ministry of Education, Skills and Training Progress Report Building The Foundation For Change

The 1993 Value For Money Audit (the Audit) on the role of the Ministry of Advanced Education, Training and Technology in the college system was timely and valuable. Government, the Ministry, and its system partners were poised for fundamental changes in the post secondary education and training system and found the Audit recommendations very useful.

As a first step towards implementing change, Government created the Ministry of Skills, Training and Labour in the fall of 1993 and charged it with two primary tasks:

1. to build on the many strengths of the current public post secondary education and training system; and
2. to refocus the system within a broader context of education and training for life and work.

In 1996, the Post Secondary Education Division and the Skills Development Division combined with the Ministry of Education to become the Ministry of Education, Skills and Training. This merger reflects Government's desire for an integrated public education and training system, as does the new Ministry mission (draft):

To provide leadership and support for an education and training system that provides all British Columbians with

opportunities to develop the skills and knowledge to live productive and fulfilling lives and to contribute to the changing economic, social and cultural life of our Province.

Throughout this restructuring, the Post Secondary Education Division significantly expanded its collaboration with system partners.

The Audit found the Division's close relationships, frequent communications and common perspectives with system partners to be "*an effective means of responding to new challenges.*" As a result, the Ministry's next step in fostering change was to build a broad system based consensus on the goals, objectives, and operational structures essential for educating British Columbians for the 21st century.

## 1993 Audit Challenges

The Audit recognized that the Ministry functions in an environment where "*funds are scarce and demand is increasing*" and recommended improvements to the Ministry's planning, communication, funding, monitoring and accountability processes. Specifically, the audit challenged the Ministry to:

1. enhance strategic planning processes by stating its goals and priorities for the college system and developing operational objectives for each goal;
2. improve the processes for reviewing college plans and existing college programs;
3. link funding and monitoring more closely to system goals, objectives and educational quality; and
4. enhance system monitoring and accountability by developing a comprehensive accountability framework for the reporting of system performance and the monitoring of the citizenship benefits of college education.

The Ministry agreed with most of the Audit's recommendations and its progress towards implementing them is discussed below. The Ministry also agreed with the Audit regarding the measurement of learning outputs and the value of a college education in contributing to citizenship. However, as was the case in 1993, these outputs remain technically difficult to collect. Regardless, for the post secondary system, the Audit served as a major catalyst for change, contributing to a renewed strategic planning process and providing a framework around which to build *Charting A New Course*, the 1996 strategic plan for the college, institute and agency system.

## Charting a New Course – A Coordinated Strategy for Change

Charting a New Course lays out an agenda for the future direction of the college, institute and agency system. It directly addresses the challenges raised in the Audit by clearly defining system goals, objectives, operational strategies and new mandates necessary to achieve desired outcomes. The strategic plan articulates and recommends coordinated system-wide approaches to complement the strengths and diversity of individual institutions and to promote high quality outcome-based program delivery.

Charting a New Course identifies four goals which provide a framework to guide the system and a reference against which to judge the plan's and the Ministry's success.

1. **Relevance and Quality** – To provide British Columbians with post secondary education and training to improve the quality of life and citizenship experienced in the Province and to enhance current and future job opportunities.
2. **Access** – To improve the availability of educational opportunities for the increasing number of British Columbians who seek post secondary education and training.
3. **Affordability** – To allocate resources to the college, institute and agency system in a manner which focuses the system on achieving the goals of relevance and quality, access and accountability, and on achieving these goals at costs that are within the provincial fiscal framework and are affordable to students.
4. **Accountability** – To enable the college, institute and agency system to measure performance as a basis for continual improvements and report on overall effectiveness and efficiency.

In order to facilitate and monitor the implementation of the strategic plan's components the Ministry reallocated resources internally and to the system, and restructured the Post Secondary Education Division.

## Planning and Coordinating

The Audit noted that planning and coordinating were key to the success of the college system. It found that while the Ministry had a set of high level goals, it

should develop operational objectives for all its stated goals...[including]...expectations for the achievement of these goals...[and] practical methods of conveying...the priority assigned to each.

The Ministry concurred and followed this advice with respect to the new goals for the post secondary system that are outlined in *Charting A New Course*. In order to ensure that the objectives and operational strategies are undertaken in a timely and effective manner, a detailed implementation plan was drafted that identifies the actions required, time frame, lead responsibility and accountability for final sign-off of completed activities. It applies to the Ministry and to the colleges, institutes and agencies.

The Ministry's communication of its planning priorities and operational objectives to the system will be critical to the success of this new strategic planning process. Historically, Ministry priorities have been conveyed through the institutional budget letter. *Charting A New Course* recommends use of both the budget letter and a separate management letter which will be sent to institutions at the beginning of each fiscal year.

The budget letter will detail Ministry operating grant allocations, levels of educational activity and associated accountability expectations for each college, institute or agency. The management letter will identify broad Ministry priorities for the system and specific local issues that are to be addressed. It will also detail the guidelines and template for colleges, institutes and agencies to use when developing and submitting their operational plans. Formal consultation, negotiation and review of all operational plans will take place in annual institutional profile meetings undertaken each fall to discuss both budget and planning issues.

Other changes to the annual institutional planning process include a detailed planning calendar which specifies Ministry priorities and planning assumptions and identifies critical institutional planning milestones and submission dates. These changes will be implemented on a pilot basis for the first year, with institutions' operational plans due June, 1997. This will allow Ministry staff and institutions to analyze the process prior to implementing the formal planning calendar cycle for 1998/99.

### **Program Planning**

The Audit also reviewed the established processes for evaluating college programs and found that the Ministry

has appropriate processes for ensuring that new college programs meet Ministry expectations [but recommended that] the major responsibility for carrying out the review of new and ongoing programs should be shifted to a joint body with college and Ministry representation.

The Ministry agreed that a comprehensive approach to program review and planning is essential to ensure the relevance, quality and effective distribution of post-secondary programs across the province. As a result, in addition to the existing program profile and new program approval processes that the Audit found to be effective, a new process for program planning and rationalization is currently under development.

The intent of this new model is to facilitate the transition from regionally based institutions to a networked system of delivery partners with complementary areas of specialization. Criteria to be examined in the program planning and rationalization model include labour market needs, anticipated employment destinations, student demand, learning outcomes, articulation and transfer arrangements, and program delivery methodology.

Ministry staff are currently consulting internally and with existing system level committees to develop a more systematic and integrated approach to program planning and rationalization. The development of a system level model is underway and should be complete by July 1997.

## Funding

Funding is one of the primary means by which the Ministry influences achievement of system goals. The Audit found that the Ministry's funding methods appropriately encouraged the Ministry's 1993 goals of access and efficiency. It also concluded that the

links between the Ministry's funding methods and its other goals...were less clear [*specifically*] the goals related to system responsiveness.

The new strategic plan identified a revised set of goals and objectives which makes it difficult to provide responses specific to the Audit recommendations on funding made in 1993. However, the Ministry agreed with the principles underlying the 1993 Audit's recommendations and worked extensively with its system partners to ensure that the funding framework described in *Charting A New Course* fully supported the agenda for change envisioned for the system.

For the past ten years the Ministry and its system partners have used the Joint Committee on Funding to periodically review and revise the operating grant allocation mechanism. Shortly after the Audit, this committee developed a conceptual paper advocating the complete revision of the allocation

mechanism from one which supports traditional program delivery and focuses on resource inputs to one which allows institutions greater stability and the flexibility to support program innovation, and also incorporates performance and learner outcomes into aspects of the allocation process. This conceptual work was the foundation of the “Affordability” section of *Charting A New Course*.

In the 1996/97 allocation process, the Ministry initiated the new funding framework with the introduction of inter-related funding envelopes. These envelopes were structured to ensure system stability while at the same time providing targeted funding for the purposes of fostering change. The four funding envelopes are:

1. the Basic Operating Grant Envelope;
2. the Learning Partnership Envelope;
3. the Learning Highway and Technical Innovation Envelope; and
4. the Capital Funding Envelope.

Each envelope has its own characteristics, performance criteria and allocation process and all are designed to support parts of the strategic plan.

### ***Basic Operating Grant Envelope***

The Basic Operating Grant Envelope is intended to provide the institutions with the funding infrastructure necessary to support the primary components of the new strategic plan regardless of institutional location or size of student population. For the 1996/97 fiscal year this envelope comprised the majority of the Ministry’s operating grants and used the Funding Formula as its primary vehicle for distributing funds.

The Audit section on funding focused on the Funding Formula and found it was “*effective in encouraging accessibility [and] organizational efficiency.*” However, practice has shown that the Funding Formula cannot easily be adapted to manage or motivate changes in educational delivery. Consequently, the next step in implementing the new funding framework will be the revision of the Basic Operating Grant Envelope’s components.

For the past eighteen months the Ministry and its system partners have been redefining the data elements and developing the operational structures required to provide the information on performance and institutional accountability necessary to support a new basic operating grant allocation process. Much

of this preliminary work is complete and institutions will begin implementing these new data and accountability structures over the next eighteen months. Now that this preliminary work is complete, the Joint Committee on Funding has been tasked with replacing the input based Funding Formula with a combined input and performance based allocation process grounded in these new data elements. It is intended that these revisions to the Basic Operating Grant Envelope be implemented in 1998/99.

### **Other Funding Envelopes**

The remaining envelopes complement the Basic Operating Grant Envelope by directing additional Ministry funds to new activities. These activities are expected to foster educational change and meet the goals of *Relevance and Quality* and *Access* established under *Charting A New Course*.

The Learning Partnership Envelope targets approximately \$5.5 million towards realigning traditional, or building new, educational delivery processes. Funds are to be used to increase access either by enabling students to easily bridge or ladder their training between various levels of education and types of delivery, or by delivering more programming in partnership with industry and business.

The Learning Highway and Technical Innovation Envelope of approximately \$2.0 million works in concert with the Learning Partnership Envelope to encourage institutions to take advantage of the opportunities for new delivery methods presented by computer and educational technology.

The Capital Funding Envelope does not relate to Ministry operating grants. However, it does focus the Ministry's capital budget development process on objectives which have the effect of reducing reliance on debt serviced capital funding and expanding the use of existing facilities in non-traditional delivery periods such as evening and weekends.

### **Monitoring**

Quality data systems capable of providing comprehensive information on performance are key to effective monitoring, planning, funding, and decision making in the college, institute and agency system. The Audit found that the Ministry's data systems produced sufficient information on college resources, costs and program delivery. It also noted that the Ministry was in the forefront of collecting information on how colleges "*contribute to their students' success in work and further education; and how students progress through the college system.*"



The Audit recommended, however, that the Ministry ensure that its data systems allow colleges to

compare their own programs against the best practices in similar programs in other colleges.

The Ministry agreed with this recommendation and in 1995 the joint Ministry and system partners Data Definitions and Standards Project (the Project) was initiated. The Project is mandated under *Charting A New Course* to establish a comprehensive data information model to meet the need for access to timely, accurate and comparable data across institutions.

Data standards are defined based on the question “What does the post secondary system need to know about itself to monitor its performance and manage its resources?” The Project will provide the data infrastructure necessary to support all key strategies arising out of the strategic plan including information in support of accountability, program planning, and performance funding. It is also specifically tasked with ensuring data are comparable across institutions so as to ensure the fostering of best practices analysis of student achievements and institutional performance.

The Project, based on an extensive feasibility study, is beginning a preliminary implementation phase whereby volunteer institutions will develop the systems and processes required to produce data to the new standards. This phase of the Project will be completed by the end of 1997 at which time those institutions involved will have the capacity to meet the new Ministry monitoring requirements needed for the college, institute and agency accountability initiative. All remaining institutions are expected to be using the new standards, databases and submission process by fiscal 1999/2000.

## Citizenship

The Audit also recommended that

the Ministry explore ways to monitor the citizenship benefits of college education as a measure of how well the system is meeting the ministry’s goal of social development.

As noted in the Audit and the Ministry’s 1993 response, defining and measuring citizenship is currently too technically difficult to collect to be practicable at this time. Nevertheless, the objectives and strategies associated with the goal of

*Relevance and Quality in Charting A New Course* clearly indicate the Ministry's belief in the importance of post secondary education as a means to enhance citizenship.

The concept of citizenship, developed as part of the colleges, institutes and agencies strategic planning process, is broader than that suggested by the Audit. The Audit suggested activities such as voting, holding public office, and involvement in voluntary organizations are a reflection of citizenship. *Charting A New Course* incorporates these activities and also considers the successful participation in the province's economic, environmental, social and cultural processes and the political process to be indicators of citizenship.

For several years the Ministry has supported a number of strategies to eliminate barriers to post secondary education and subsequently, to full participation in society. These strategies include an aboriginal education policy, disability initiatives, child care services, English language training, and literacy and adult basic education programs.

While recognizing that defining and measuring citizenship is difficult, particularly since many of the benefits associated with a college education do not emerge until several years after graduation, indicators of citizenship are important as a measure of how well the college system is meeting its goal of *Relevance and Quality*. Over the next several years the Ministry and its system partners will use both the accountability reporting initiative and the Outcomes Working Group to develop vehicles to monitor the system's performance in this area.

### *Accountability and Performance Measurement*

The Audit examined how well the Ministry reports system performance and noted that while

the information the Ministry collected on college resources, costs and internal processes was sufficient...the public and legislature do not receive adequate information...on student outputs or outcomes, or on whether outcomes are achieved at reasonable cost.

The Audit went on to recommend that

the Ministry should make use of the college accountability framework in structuring its own system-wide reporting.

The Ministry understood the need for meaningful, outcomes oriented accountability data. Prior to the 1993 Audit the Ministry, in partnership with the Office of the Auditor General and the college, institute and agency system, developed an institutionally focused seven question Effectiveness Reporting model. This model was considered for system accountability reporting but it now appears best applied as an institutional evaluation tool.

The Ministry and its system partners subsequently selected a performance management framework with Key Performance Indicators (KPIs) to fulfill system accountability reporting requirements. The KPI framework is intended to directly support the goal of *Accountability* under *Charting A New Course*.

A preliminary test of the new college, institute and agency KPI framework was undertaken during 1996. Based on the results of this pre-test, the KPI process is currently being reformulated and various key performance indicators modified to ensure that critical performance and outcomes information is generated.

Beginning in 1998, and annually thereafter, the Ministry will produce a formal performance summary of the college, institute and agency system using the KPI process. This will improve considerably the Ministry's ability to report publicly on significant outputs and outcomes of the college system.

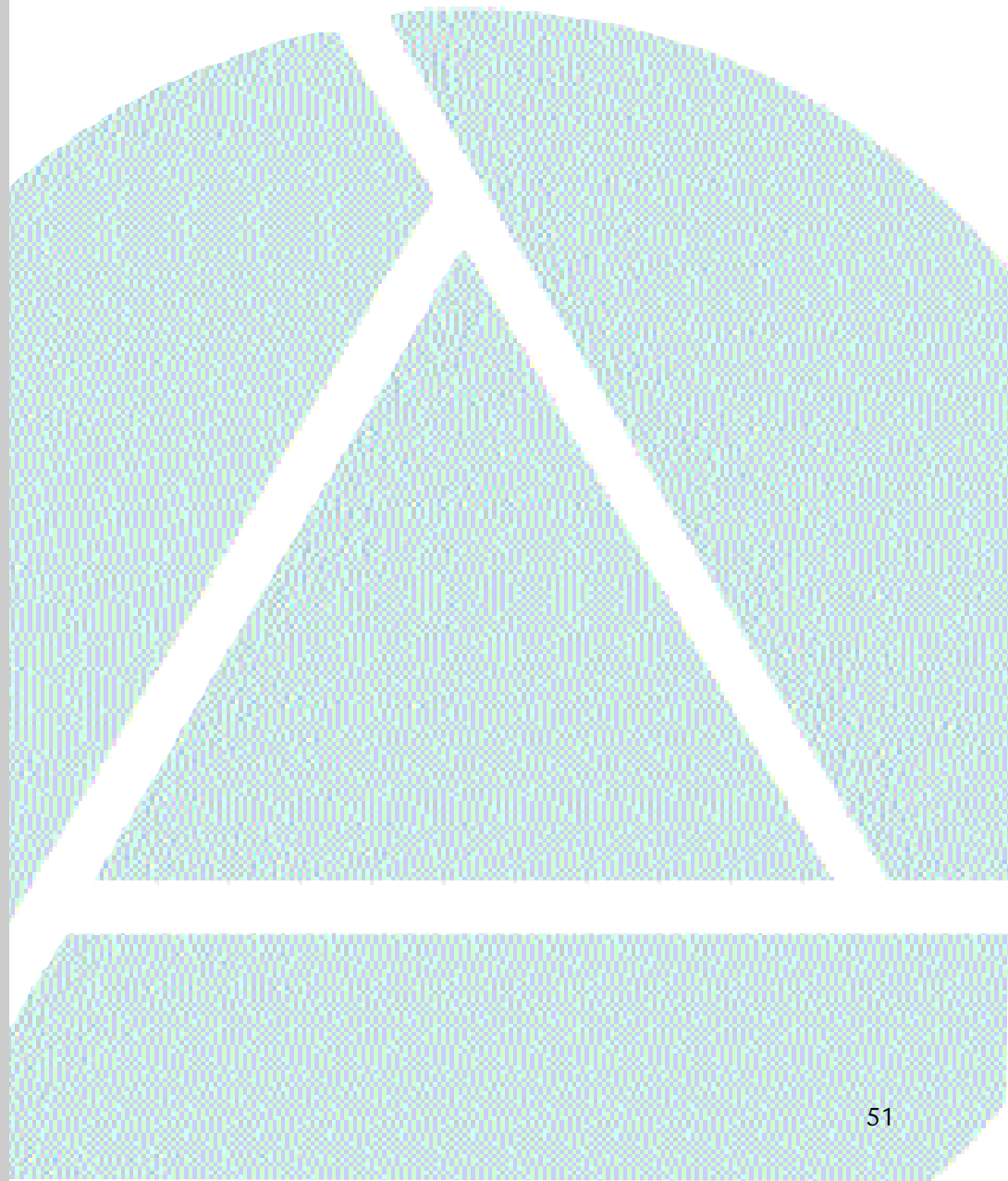
## Summary

The Ministry found the 1993 Value For Money Audit extremely beneficial and used many of the Audit's recommendations to shape the agenda for change in the college system. This collaboratively built agenda is formally articulated in *Charting A New Course*, a strategic plan for the college, institute and agency system.

Considerable progress has been made in each area of responsibility that the Auditor General reviewed in 1993, resulting in significant improvements in the Ministry's ability to provide first-rate information to the public and legislature regarding the performance of the college system.



ministry of health:  
transfer of patients  
from riverview hospital  
to the community





## ministry of health: transfer of patients from riverview to the community

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In mid-1985, the Ministry of Health began planning how to replace the outdated buildings at Riverview Hospital in Port Coquitlam and how, generally, to improve the Province's mental health care system. The results of this work were published by the ministry in 1987, in a report titled the *Mental Health Consultation Report: A Draft Plan to Replace Riverview Hospital*. The plan outlined in the report called for replacing Riverview Hospital and shifting the balance of the mental health care system in the Province from institution-based to community-based services.

In February 1990, the government announced the Mental Health Initiative, described as an endorsement of the Mental Health Consultation Report. It included a promise of a \$20 million increase in annual funding to address critical service shortages in mental health care.

In late 1991, the British Columbia Royal Commission on Health Care and Costs reported that it found general agreement that the policy outlined in the 1987 Mental Health Consultation Report represented an effective and ethical means of moving patients out of institutions while, at the same time, containing costs. It also discovered, however, a feeling that action had not followed the policy described in the report, and that the mental health service still lacked an overall plan.

In May 1994, we reported the results of our audit of how the ministry was planning the replacement of Riverview Hospital. We focused our audit on the transfer of patients that occurred between April 1, 1992, and March 31, 1993—the first year of formal downsizing.

In January 1997, we asked the ministry to provide us with a report on its progress in implementing the recommendations arising from the audit. The ministry's response and our review comments follow.



## summary of original audit report

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### Audit Purpose

We conducted this audit to assess how the ministry had planned, implemented and evaluated the transfer of patients from Riverview Hospital to community-based programs. As well, we assessed the accountability information that the ministry had given Members of the Legislative Assembly about the transfer of patients and funding from the hospital to the community.

### Overall Conclusion

Between April 1, 1992, and March 31, 1993, as part of the ministry's program to replace Riverview Hospital, 67 patients were moved out of the hospital to smaller facilities in the community—facilities that might be described as “closer to home.” Funding was also shifted from the hospital to the community. We concluded that these transfers were adequately planned, implemented, and later evaluated.

Since the government announced the Mental Health Initiative in 1990, the ministry began engaging in an extensive consultation process with mental health care stakeholders. However, it did not yet have a well-documented, comprehensive long-term plan on which a shared understanding of expectations concerning the replacement of Riverview Hospital and related patient and funding transfers could be based, or against which progress could be evaluated.

At the time of our audit, the Members of the Legislative Assembly had not yet received information about the transfer of patients and funding from Riverview Hospital to the community.



## follow-up

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### Office of the Auditor General Review Comments

Information provided by the Ministry of Health regarding progress in implementing the recommendations included in our 1994 audit report is set out below (in color). We reviewed this information to see if it is fairly stated, in all significant respects.

We carried out the review between March and May 1997. The review was made in accordance with standards for assurance engagements established by the Canadian Institute of Chartered Accountants, and accordingly consisted primarily of enquiry, document review and discussion.

Based on our review, nothing has come to our attention to cause us to believe that the ministry's progress report does not present fairly, in all significant respects, the progress made in implementing the recommendations reported in our 1994 audit report.

### Ministry of Health Progress Report General Comments

The Ministry of Health has made significant strides in implementing the recommendations, particularly as they relate to the audit on the transfer of patients from Riverview Hospital.

However, on February 21, 1996, the Honourable Paul Ramsey, former Minister of Health, announced the temporary suspension of bed reductions at Riverview Hospital until service pressures in the Lower Mainland had been alleviated. The Honourable Joy K. MacPhail, Minister of Health has recently reaffirmed the province's continuing commitment to the redevelopment and reinvestment of Riverview Hospital resources and to the overall process of reform underway in the mental health care system.

A process is underway to begin to review the assumptions and objectives associated with the mental health initiative, as originally articulated in the 1987 document *Mental Health Consultation Report: A Draft Plan to Replace Riverview Hospital*. The product of this process will be a renewed and updated provincial mental health plan developed by Fall, 1997, for consideration by government.



## Long-term Planning for Replacement of Riverview Hospital

### *In the original audit report we had noted:*

Because most of the funding for development of community-based facilities and services was to come from Riverview Hospital, the ministry needed to ensure that the replacement of the hospital was coordinated with the development of community-based facilities and services. This required a shared understanding of expectations. However, the ministry had not yet determined how much of which services would be required; when, where, and how these services would be created; what resources would be required and how they would be obtained; and how and by whom progress would be monitored and reported.

In its planning for development of community resources and downsizing of Riverview Hospital, the ministry has focused on the short term. Despite its announcement of the Mental Health Initiative, which called for a 10-year implementation period, the ministry viewed shifting the delivery of mental health care services from an institution-based to a community-based model as an iterative process. It had focused on year-to-year budgeting, with implementation based on available funds.

The ministry did not have a well-documented, comprehensive long-term plan on which a shared understanding of expectations concerning the replacement of Riverview Hospital could be based.

### *We had recommended:*

The ministry should prepare a detailed plan for the replacement of Riverview Hospital and update it annually.

The document, *British Columbia's Mental Health Initiative: 1995 Report*, provides a comprehensive report on the planning and implementation of the mental health initiative. The document describes the overall project management strategy and timetable, as well as multi-year plans and the status, as of March 1995, of their implementation in relation to a number of specific sub-projects.

By March 31, 1995, the capacity of Riverview Hospital had been reduced to 808 beds from the 1220 beds at the hospital in March, 1988. Planning for the transfer of 60 patients and associated resources to the community continued; however, on February 21, 1996, the Honourable Paul Ramsey, then Minister of Health, announced the temporary suspension of bed reductions at Riverview Hospital until service pressures in the Lower Mainland could be alleviated. The suspension of bed

reductions remains in effect; however, the functional planning for tertiary replacement facilities was authorized to continue in view of costs associated with stopping and restarting this part of the Riverview Hospital replacement project.

A primary impact of the suspension, from a project perspective, was that hospital bed reductions planned for 1995/96 and 1996/97 were not achieved. As a consequence, Riverview Hospital has not been required to close beds and return the associated funding to the Ministry for reinvestment in alternative services.

Subsequent to the announcement of the suspension, the Provincial Mental Health Advisory Council and British Columbia Mental Health Society produced a joint report outlining recommended resource enhancements and utilization management strategies sufficient to resume the transfer of patients and resources to the community. The report to the Honourable Joy K. MacPhail, Minister of Health, requested that a stronger commitment be made to preserving existing community mental health resources and that an increase of approximately \$34 million be invested in community and acute psychiatric mental health services provincially. A secondary working group produced a supplementary report which outlined a number of recommended preliminary strategies and activities. The strategies focussed on maximizing the use of current resources and making an initial investment of \$10 million to develop up to 1000 new supported housing units.

The Adult Mental Health Division has begun work to update British Columbia's Mental Health Plan by reviewing the assumptions and objectives associated with the mental health initiative, as originally articulated in the 1987 document *Mental Health Consultation Report: A Draft Plan to Replace Riverview Hospital*. The revised plan will reflect issues raised through continuing public consultation and recommendations from the Provincial Mental Health Advisory Council and the British Columbia Mental Health Society, which operates Riverview Hospital. It will be submitted to Cabinet in September 1997.

There are two significant government initiatives which will be factored into the implementation of the Riverview Hospital replacement plan and the continuing reform of mental health services.

The divestment of direct service operation to regional health authorities occurred on April 1, 1997. This effectively removes the government from the management of direct service delivery and positions the Ministry in a policy role.

The government-wide review of capital expenditures has also impacted the ability of the Adult Mental Health Division to bring new community short and long stay residential facilities on line in the 1996/97 fiscal year. Consequently, all such capital developments have now been delayed at least one year with a consequent need to adjust project timelines upon resumption of capital spending approvals.

*In the original audit report we had noted:*

In addition to those elements already identified as necessary in an implementation plan—project objectives, implementation strategy, timetable and target levels of achievement, funding strategy, and human resource plan—two others were critical to make project management effective: provision for monitoring and evaluation of progress, and provision for approving the plan and controlling changes to it. In our opinion, the application of these formal project management techniques would give the ministry some assurance that it is meeting the objectives of the project within established time and funding parameters. By exercising project control, the ministry would be able to review its achievements, compare them to its plans, and revise its long-term plan to reflect any variances between plans and actual progress.

*We had recommended:*

The ministry should apply the principles and practices of project management to manage the replacement of Riverview Hospital and the accompanying transfer of patients from Riverview Hospital to the community.

Since the Auditor General's value-for-money audit on the transfer of patients from Riverview Hospital, Ministry of Health staff have continued to adopt a more formal project management approach to the implementation of the Mental Health Initiative.

The Mental Health Division Management Committee – Riverview Replacement Project (MHDMC-RRP) was established as an overall project steering committee and is co-chaired by the Director of the Adult Mental Health Division and the President/Chief Executive Officer of Riverview Hospital.

Reporting to the MHDMC-RRP are a number of related committees focusing on the varied interrelated activities of the project. These include:

- Patient Placement
- Human Resources/Labour Adjustment
- Acute Programs
- Tertiary Programs
- Fiscal Framework and Transition Funding
- Psychogeriatric Programs

## Reporting to the Legislative Assembly

*In the original audit report we had noted:*

Members of the Legislative Assembly had not been provided with adequate information about the planning for the transfer of patients and funding from Riverview Hospital to the community.

*We had recommended:*

The ministry should provide Members of the Legislative Assembly with sufficient information about the progress of establishing community-based care for persons with mental illness and of replacing Riverview Hospital to enable the Members to assess the ministry's performance in meeting the commitments made in the Mental Health Initiative.

Information on Riverview Hospital in the Ministry of Health's annual reports and the recently released document *British Columbia's Mental Health Initiative: 1995 Report* are the two primary mechanisms that have been developed to provide members of the legislative assembly with information that will allow them to assess the progress of the mental health initiative.

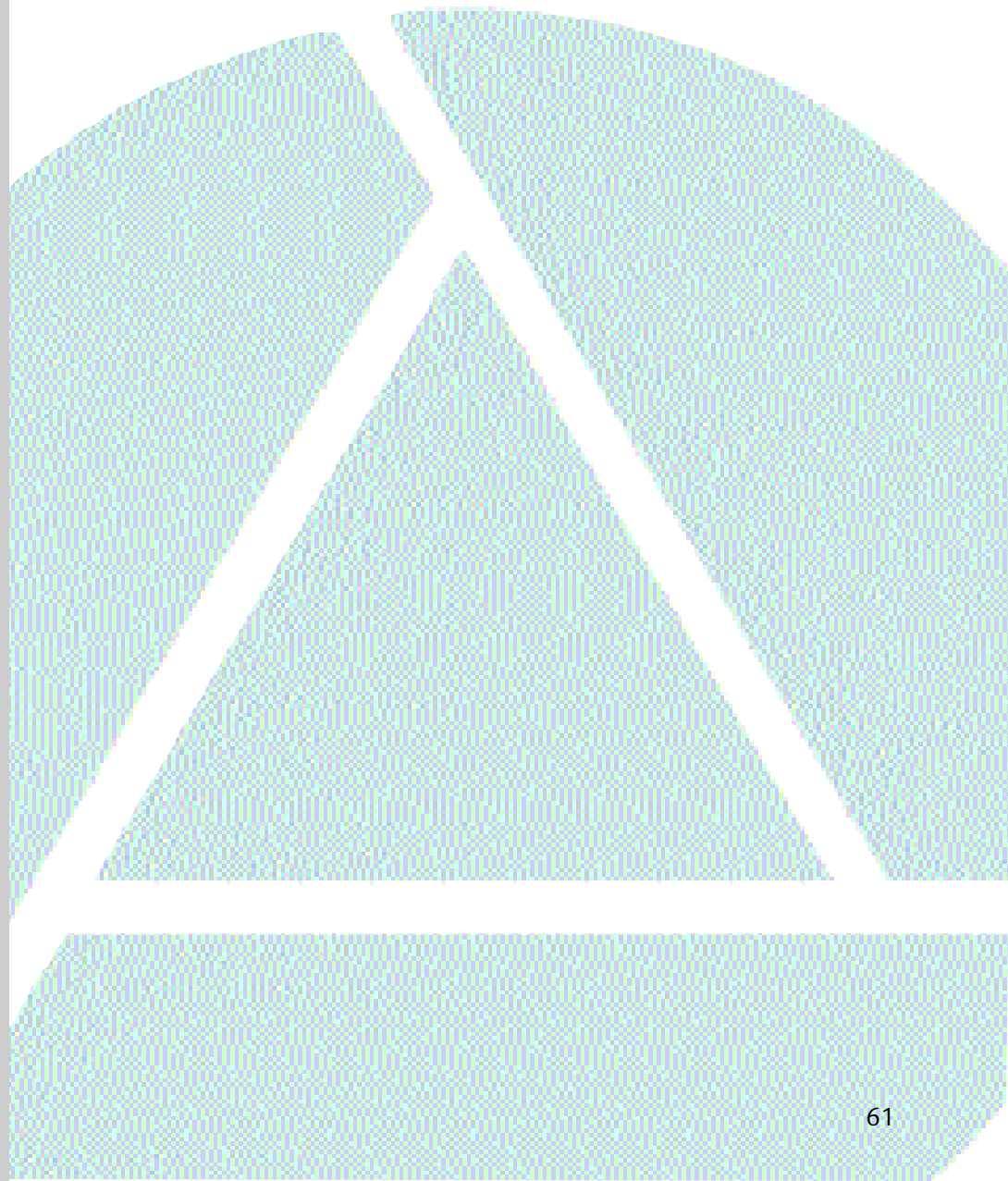
An analysis of the recently released 1994/95 annual report indicates that there are inaccuracies in the statistics provided on bed days and average occupancy per day. This will be noted and amended in the 1995/96 annual report.

The *British Columbia's Mental Health Initiative: 1995 Report* was ready in draft in May 1995. A number of intervening events occurred, including ministerial and executive changes, and significant Ministry restructuring. These events resulted in delays which compromised a timely release of the document. It was released in February 1997.





# ministry of health: psychiatrist services





## ministry of health: psychiatrist services

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The Ministry of Health's mission is to maintain and improve the health status of all British Columbians and, in so doing, it aims to ensure that both its programs and personnel are equitably and efficiently distributed throughout the Province. One important element in meeting this responsibility is to ensure that those with serious mental illness have appropriate access to psychiatrist services when needed.

In May 1994, we reported the results of our audit of how the ministry was ensuring psychiatrist services were accessible to the seriously mentally ill. We focused our audit on the period from September to November 1993, and also looked at psychiatrist services initiatives being planned at that time.

In January 1997, we asked the ministry to provide us with a report on its progress in implementing the recommendations arising from the audit. The ministry's response and our review comments follow.





## summary of original audit report

### Audit Purpose

We conducted our audit to assess how the Ministry of Health ensured that psychiatrist services were accessible to the seriously mentally ill in a cost-effective way. First, we looked to see whether the ministry had developed a good understanding of the state of psychiatrist accessibility in the province and whether it was actively trying to deal with any significant access problems identified. We then looked at management issues that could have an impact on the provision of psychiatrist services. Specifically, we assessed whether the ministry had:

- established what it wanted to accomplish in mental health and the roles and responsibilities of those involved in providing psychiatrist services;
- established accessibility objectives and standards for psychiatrist services;
- monitored, evaluated, and reported on its performance; and
- informed the Legislative Assembly about the extent to which the ministry's accessibility objectives were being met in a cost-effective manner.

### Overall Conclusion

The ministry was aware that British Columbia had significant psychiatrist accessibility problems for the seriously mentally ill. These difficulties stemmed from a geographic maldistribution of psychiatrists and an inadequate supply of their services in many public sector facilities. This was not unique to British Columbia: other jurisdictions in Canada faced similar problems. The ministry had developed strategies to help address the problems, but, at the time of our audit, they had met with limited success. Resolution of these issues would require the cooperation and support of the British Columbia Medical Association. Also, at the time of our audit, the ministry and the British Columbia Medical Association had established a joint committee to look at issues related to psychiatrist supply, deployment, and remuneration. We believed this was a positive step.

In addition to trying to improve psychiatrist accessibility, the ministry also needed to ensure that it was managing well in those areas that could affect the provision of psychiatrist services. We found several areas where improvements could be made.

The Mental Health Services Division had overall responsibility for mental health but it lacked the authority needed to ensure that all parts of the ministry providing related services worked towards achieving the ministry's mental health goals. At the time of our audit, a recent ministry reorganization was expected to provide better opportunities to establish appropriate authorities and coordinate services for the benefit of the seriously mentally ill.

To help guide and prioritize access to psychiatrists in both public sector facilities and private practices, the ministry also needed to clarify its mental health service priorities and clearly define its objectives and standards of service. It had begun to develop long-term objectives for the mental health care services needed around the province, including psychiatrist services, but further work was required.

The ministry did not have an adequate system to collect complete and reliable information about the state of the province's entire mental health system. This made it difficult for the ministry to assess whether scarce mental health resources, including psychiatrist services, were being applied to the highest priority cases and whether those resources were provided cost-effectively.

Finally, the ministry did not regularly provide adequate information to the Legislative Assembly and the public about the extent to which it had been able to meet its objectives for psychiatrist services.



## follow-up

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### Office of the Auditor General Review Comments

Information provided by the Ministry of Health regarding progress in implementing the recommendations included in our 1994 audit report is set out below (in color). We reviewed this information to see if it is fairly stated, in all significant respects.

We carried out the review between March and May, 1997. The review was made in accordance with standards for assurance engagements established by the Canadian Institute of Chartered Accountants, and accordingly consisted primarily of enquiry, document review and discussion.

Based on our review, nothing has come to our attention to cause us to believe that the ministry's progress report does not present fairly, in all significant respects, the progress made in implementing the recommendations included in our 1994 audit report.

### Ministry of Health Progress Report General Comments

While some progress has been made in addressing the Auditor General's recommendations regarding psychiatrist services, considerable progress is still required. The Ministry of Health and the British Columbia Medical Association (BCMA) established the Temporary Advisory Subcommittee (TASC) on Psychiatry which was mandated to review the provision of psychiatric services in British Columbia. The TASC produced a report containing 16 recommendations which are intended to effect significant improvements in the provision of timely and coordinated psychiatric care at minimal additional cost. Included in the recommendations is a strategy for organizing and managing the delivery of psychiatric care around a central locus of care for each health region. The TASC's final report was produced in September 1995. Subsequent to the report, the Ministry of Health and the BCMA established a joint implementation subcommittee on the TASC recommendations to address disincentives and introduce incentives for improving the availability of psychiatrist services in the system.

Ultimately, the TASC failed to resolve the central divergence of opinion between the Ministry of Health which perceives the fundamental problem to be primarily one related to allocation of existing psychiatrist resources and the BCMA

which perceives inadequate government funding of psychiatric care to be the primary problem. A preliminary discussion document, developed to achieve consensus between the BCMA and Ministry by outlining the areas of potential agreement, has been prepared by senior Ministry and BCMA officials. The resolution of long standing issues between organizations such as the Ministry and the BCMA requires a lengthy process which recognizes the complexity of the issues and the relationship between the parties.

## Accessibility to Psychiatrist Services

### *In the original audit report we had noted:*

The ministry was aware that the lack of access to psychiatrist services was a significant problem in British Columbia for the seriously mentally ill, the result of a geographic maldistribution of psychiatrists and an inadequate supply of their services in many public sector facilities. This was not unique to British Columbia: other jurisdictions in Canada faced similar problems. Those in the ministry involved with providing psychiatrist services had identified many reasons for these accessibility problems and had proposed solutions to help improve access. However, at the time of the audit, these solutions had met with limited success and accessibility problems persisted. Resolution of these issues required the cooperation and support of both the ministry and the British Columbia Medical Association (BCMA). In this regard, a joint committee of the ministry and BCMA had been struck to look at the issues of psychiatrist supply, deployment and remuneration. This represented a positive step towards improving accessibility to psychiatrists by the seriously mentally ill.

### *We had recommended:*

The ministry should work closely with the BCMA to find ways to bring about the changes needed to improve psychiatrist accessibility.

The ministry should determine the extent to which disincentives or the lack of incentives in the system contribute to psychiatrist accessibility problems, and take steps to address them.

The ministry should ensure that optimum use is being made of the Outreach Program and general practitioners to help improve psychiatrist accessibility.

Strategies to use existing remuneration methods to more effectively support the involvement of general practitioners in the delivery of limited psychiatric care require discussion by the Alternative Payments Branch and the Adult Mental Health Division. These strategies require implementation in communities where there are no psychiatrists and where appropriately trained general practitioners, supported by itinerant outreach psychiatrists, assume responsibility for treating people with serious mental illness.

Problems associated with the recruitment of psychiatrists have been minimized since the Medical Services Commission's approval and implementation of the physician supply plans which helped to direct new psychiatrists into regions of greatest need.

Significant increases in sessional funding were approved for mental health centres and the Greater Vancouver Mental Health Services Society in 1996/97.

A differential sessional payment provided in locations where it is particularly difficult to attract psychiatrists has been included in the tentative Sessional Agreement between the BCMA and the Ministry.

A differential fee-for-service payment provided in locations where it is particularly difficult to attract physicians will be implemented on April 1, 1997. As the result of initiatives of the BC Psychiatric Association, these incentives may vary from 101 to 121 percent of the existing fee-for-service guide for psychiatric services.

The Ministry intends to give greater priority to psychiatric leadership, program management and indirect consultation funded through the Alternative Payments Branch. The Medical Services Commission intends to pursue a demonstration project for psychiatric televideo consultation.

Under discussion between the Ministry and the BCMA is the recommendation to increase remuneration of psychiatrists delivering services in programs funded on a sessional basis so that it is equivalent to fee-for-service. Sessional negotiations have been completed and there is increased compensation for those physicians who do not have a fee-for-service income. The elimination of multiple levels of sessional remuneration—which act as disincentives to increasing service time in community programs—has been partially addressed.

Control measures for new psychiatrists in areas exceeding the provincial average of psychiatric utilization have been developed (e.g. limitations on 100 percent billing numbers and

a rate of 99 percent of the current fee for service guide are in place for those areas exceeding the provincial average).

It is expected that the joint implementation committee will consider the cost implications of the recommendation that fee-for-service billing be allowed within community care programs funded by the Adult Mental Health Division.

Similarly, it is expected that the joint implementation committee will consider ratification of standards and benchmarks for basic psychiatric services.

## Establishing a Mission and Responsibilities

*In the original audit report we had noted:*

The ministry needed to clarify its mission and service priorities to help guide service providers. It also needed to ensure that the related authorities required to achieve the mission were established.

*We had recommended:*

The ministry should ensure that it has a clear mission and clear service priorities for mental health services in the province and that responsibilities and related authorities necessary to achieve the mission are established.

The Ministry has partially addressed the recommendation that it should ensure it has a clear mission and clear service priorities for mental health services. Similarly, the recommendation that related responsibilities and authorities be established has also been partially addressed.

With the establishment of regional health authorities, it is proposed that all health care services, including psychiatric services, be developed within a locus of care. While the Adult Mental Health Division has demonstrated leadership in providing policy direction on issues that relate to people with mental illness, the nature and scope of the government's role in this area is extensive. The provision of care and services to people with disabilities associated with mental illness crosses several program areas within the Ministry of Health and many social policy branches of government.

A joint implementation subcommittee of the TASC has tabled a proposal for the establishment of guidelines for regional and local health care management by regional health authorities. The guidelines will provide for the establishment of a central locus of care in each region.

The joint implementation subcommittee will consider the endorsement of practice models that encourage physicians to develop patterns of practice that focus on people with the most serious mental illnesses as a priority population.

## Establishing Objectives and Standards

*In the original audit report we had noted:*

Historically, psychiatrist services evolved in each area of the province, not based on established long-term needs and ministry-defined objectives and standards, but on factors such as historical service utilization levels, prior year budgets, and psychiatrists' choice of location. The ministry recognized that this had led to psychiatrist accessibility problems and it had started to establish long-term objectives for mental health care services around the province, including psychiatrist services. However, further work was required. The ministry also needed to clearly define service standards, to help guide and prioritize access to psychiatrists in both public sector facilities and private practices.

*We had recommended:*

The ministry should establish clear objectives and well-defined service standards for access to psychiatrist services. These objectives and standards should be based on an analysis of the long-term mental health needs of the population.

The ministry should work with all providers of mental health services to ensure that all services provided are consistent with the ministry's overall mental health goals.

Preliminary work has taken place regarding the establishment of clear objectives and standards for access to psychiatrists and on issues that the Ministry of Health should work with all providers of mental health services to ensure consistency with broader goals. Benchmarks for psychiatric care in communities have been identified. Their implementation, however, is contingent on the ability of the Ministry and BCMA to resolve issues of physician supply and compensation.

The recommendations of TASC, if implemented, would substantially address these issues. Other than the fee-for-service component, the totality of resources allocated to serve people with mental illness and/or emotional dysfunctions would be the responsibility of the Regional Health Boards, the Community Health Councils and Community Health Service Societies, regardless of the program in which the patient was registered.

The Adult Mental Health Division has struck a committee to develop clinical practice guidelines for psychiatric care in British Columbia.

The Alternative Payments Branch is committed to allocating funding on a basis that recognizes epidemiology and population. To achieve this will require applying any new money to areas which have been determined to be of the highest priority and which are significantly below the provincial average in funding allocation.

Innovative accreditation pilot projects intended to examine the functioning of the entire mental health care system are in place in 11 sites, provincially.

## Monitoring and Reporting

*In the original audit report we had noted:*

The ministry did not have an adequate system to collect information about services provided by hospital psychiatric unit programs, community mental health centers, and private psychiatrists. As a result, it did not have complete and reliable information about the extent of mental illness or the availability of psychiatry services in each region of the province. It also lacked information to assess whether scarce psychiatrist resources were being applied to the highest priority cases and whether they were being provided cost-effectively.

*We had recommended:*

The ministry should develop, as soon as possible, a system that would allow it to gather the information needed to monitor and evaluate the extent to which its objectives are being met.

The Ministry of Health can now monitor service utilization and associated costs for services rendered to identified patients in programs. Accreditation and utilization management strategies are being developed by the Ministry. Both of these approaches will cross the existing program boundaries and will include services funded by the Medical Services Commission.

A system for monitoring and reporting services provided by physicians and other caregivers funded by the Alternative Payment Branch is under development for community care programs of the Adult Mental Health Division. This will help the Ministry ensure that psychiatrist resources are distributed fairly and equitably.



## Reporting to the Legislative Assembly

*In the original audit report we had noted:*

The ministry had not provided the public and the legislature with adequate information about the extent to which it had been able to meet its objectives for psychiatrist services.

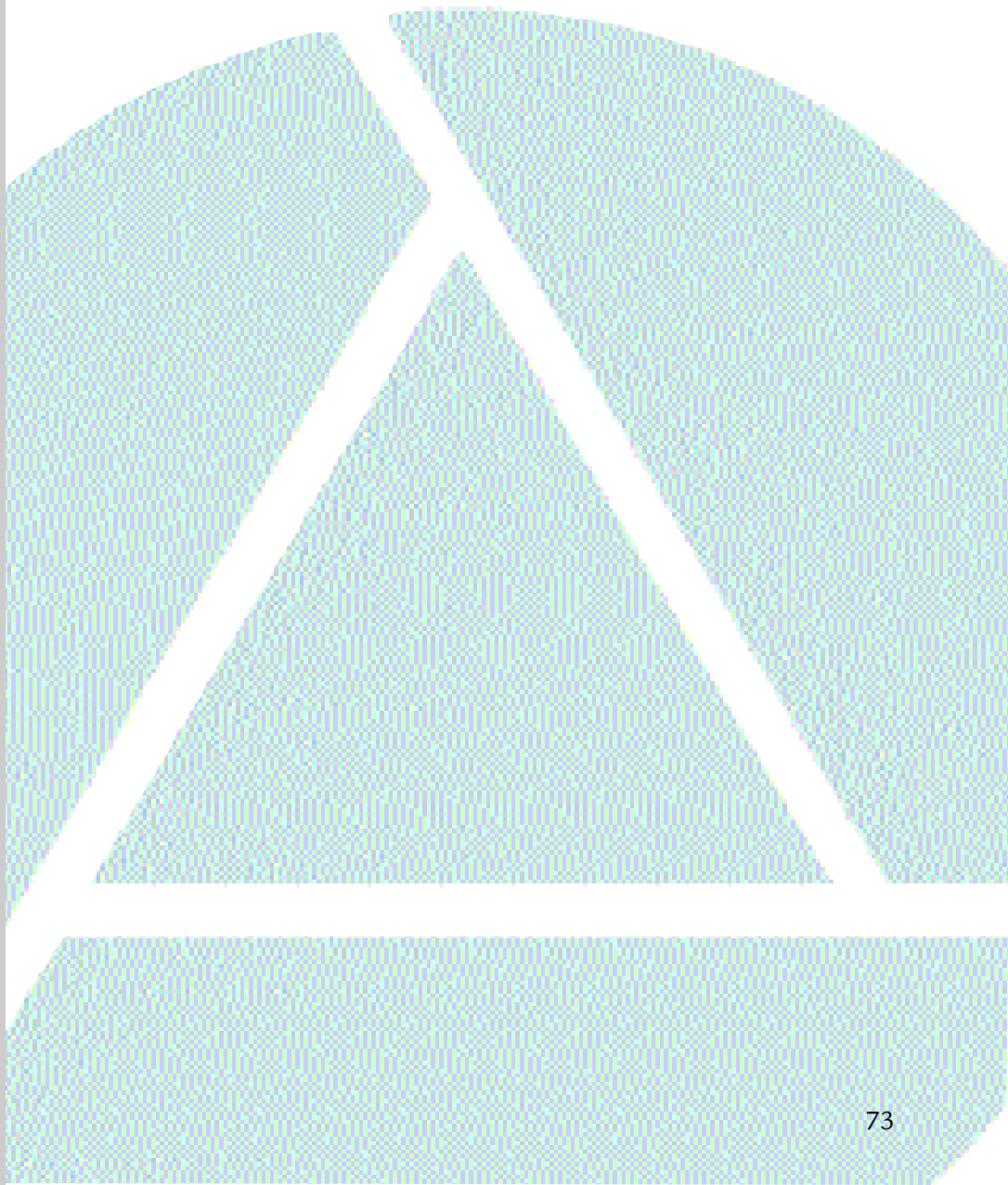
*We had recommended:*

The ministry should provide the Legislative Assembly with information about the extent to which the ministry has been able to meet its objectives for psychiatrist services.

The Ministry expects to address the recommendation with the release of a separate report on psychiatrist services. Future reports will update government on progress made.



# purchasing in school districts





## purchasing in school districts

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In September 1994 we issued a value-for-money audit report entitled *Purchasing in School Districts* (Auditor General 1994/95 Report 1). This contained the results of audits conducted in six school districts: Courtenay (#71), Kamloops (#24), Langley (#35), Peace River North (#60), Surrey (#36), and Windermere (#4). The purpose of the audits was to determine whether school districts' purchasing methods gave them good value.

Each audit gave rise to some recommendations for improvement. For four districts (Courtenay, Langley, Peace River North, and Windermere), the conditions that led to the recommendations were not significant enough to affect our overall conclusion. Accordingly, for those audits, we decided to not initiate any follow-up work.

For the other two districts (Kamloops and Surrey), that was not the case. The conditions there that led to our recommendations were, in total, significant enough to lead us to draw overall negative conclusions. However, both districts disagreed with our audit conclusions, and their reservations were included in our 1994/95 audit report. Nevertheless, as part of our follow-up work we invited these two districts to describe any actions they had taken with related to the recommendations contained in our 1994/95 audit report.

Kamloops District—now School District No. 73 (Kamloops/Thompson)—indicated that it feels no action is required on 8 of our 12 recommendations, but provided some information about the other four. Surrey District, while reiterating its disagreement with the original audit conclusion, did provide a status report with respect to all eight recommendations.

Since both districts disagreed with our original premise that significant changes were needed in their purchasing operations, we did not think it useful to carry out a follow up review of the information they provided. Still, we believe that the information they gave us is of interest to both the Legislative Assembly and residents of the districts, and so are including it in this report, without comment.



## kamloops school district response

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### Needed Knowledge and Skills

*In the original audit report we had noted:*

The district had not supplied purchasing staff with microcomputers to help them carry out their work, nor with training in microcomputer use. In our opinion, supplying the department with this equipment and training would have been easily justified by the time savings and quality improvements achievable simply from the use of spreadsheet software to collate and analyze tenders and bulk orders.

*We had recommended:*

The district should supply its purchasing staff with the appropriate computer hardware, software, and training to allow them to maximize their efficiency.

Continued reductions to funding for education has kept computer upgrades for the Purchasing Department at a low priority.

We are in the process of examining the feasibility of a wide area network for the district. Implementation plans include the Purchasing/Maintenance facility. Funding will dictate our progress in this area.

### Ad Hoc Purchases

*In the original audit report we had noted:*

District policy required all purchases, with limited exceptions, to be made through the purchasing department. We believed the district should examine whether it was cost-effective to process small purchases this way. In our opinion, allowing schools to make their own purchases below a certain dollar value would have reduced central administrative costs, allowed the purchasing department to concentrate on big purchases where its expertise could result in significant savings for the district, and saved time and frustration in the schools.

*We had recommended:*

The district should examine the cost-effectiveness of allowing schools to make direct purchases of lower-value goods.

Expanded direct purchasing by schools is now being examined in conjunction with our evaluation of the Central Stores facility. To this end we are examining the usefulness of procurement cards and the viability of direct shipment to schools.

## Cooperative Purchasing

*In the original audit report we had noted:*

Kamloops school district, like most others we visited, perceived few advantages in making joint purchases with other school districts or local agencies. The time and effort to coordinate such purchases, and the need to change district standards sometimes to make joint buying possible, were seen by district staff as making cooperative purchasing more trouble than it was worth.

On the other hand, transactions that individually had only a small payoff for each district may have, taken together, significantly benefited the province as a whole. For example, we were told that buying textbooks in bulk could result in savings of up to 20%. Districts may have been able to combine their textbook orders with their neighbors' to gain sufficient volume.

*We had recommended:*

Senior management of the district, with their counterparts in other districts and public bodies, should examine the benefits of cooperative purchasing and, where possible, reduce obstacles preventing its use.

Several meetings with senior management of the City of Kamloops, the University College of the Cariboo, and Royal Inland Hospital have taken place. Lack of common purchasing needs resulted in no progress in this area.

## Warehousing Materials for Economy

*In the original audit report we had noted:*

The district had not recently carried out a formal cost-benefit study on the warehouse. Such periodic scrutiny was necessary because there were, increasingly, cost-effective alternatives to operating one's own warehouse.

*We had recommended:*

The district should periodically analyze the cost-effectiveness of its warehouse.

Changes to the market and expansion of the geographic area of the School District by amalgamation led us to a review of the purchasing function in general and the Central Stores facility specifically. No decision has been made to date but factors strongly suggest that the operation of a centralized warehouse cannot be justified in today's environment.

Removal of the warehouse will require some delegation of purchasing authority and better coordination of major annual volume purchases. Schools will have to handle and store direct shipments.

The review will be finalized and any changes implemented before the next fiscal year.



## surrey school district response

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### Assignment of Responsibility

*In the original audit report we had noted:*

Policy made it clear that all but minor purchases and standing-order purchases must go through the purchasing department. However, exactly where responsibilities were divided between the purchasing department and the schools was often unclear. For non-bulk orders, the purchasing department sometimes accepted the supplier recommended by the school. Other times, especially for purchases of significant cost, it did not.

The idea of concentrating the purchasing department's efforts in areas where there were significant cost or quality payoffs was a good one. However, benefits were lost when the rules were not clear and schools duplicated the work of the purchasing department in researching products and suppliers.

*We had recommended:*

The district should ensure that responsibilities for purchasing activities are clearly communicated, understood, and accepted by staff.

The Purchasing and Materiel Department's mandate has been clarified and communicated within the school district via:

- board review and renewal of purchasing policies; and
- management review and renewal of purchasing regulations.

The department has been reorganized to change the nature of the interface with schools and operational departments. The reorganization has facilitated more personalized contact and enhanced communication.

Responsibilities for purchasing activities have been communicated both formally and informally.



## Setting Performance Goals and Judging Performance

### *In the original audit report we had noted:*

Policy stated that one of the district's objectives was to procure quality goods and services at the least expense to the district. We expected Surrey, a large school district with a professional purchasing department handling a large volume of purchases, to have developed effective ways for gauging how well it achieved this goal, in order to find out where inefficiencies lie and where process improvements would pay off. However, we were unable to find formal measures of performance against which several of the district's purchasing goals could have been assessed.

### *We had recommended:*

The district should develop more formal measures for gauging the extent to which its purchasing objectives are achieved.

The district realizes its purchasing objectives on a daily basis by designed balancing of three interest-driven perspectives:

- Users seeking comprehensive best value for their limited funds;
- Vendors competitively seeking to demonstrate their best value solution; and
- Purchasing professionals:
  - structuring purchasing activities to increase the intensity of competition;
  - systemizing purchasing to achieve economies of scale;
  - facilitation of cross-fertilization of cumulative district experience to advance placement on the “learning curve of product selection;” and
  - providing professional expertise and business acumen to realize added-value benefits.

The tension between these perspectives is designed to continuously deliver best value in the context of purchasing objectives.

The district has an institutionalized forum and processes to receive feedback and advice on the results of purchasing activities.

The department also does price comparisons with other public purchasing agencies.

Further formal measurement was not considered to be a prudent investment. Only 7% of operating expenses involve supply and service purchases and there is general satisfaction that purchasing objectives are being achieved.

## Planning: Opening New Schools

### *In the original audit report we had noted:*

At the time of our audit the district was working on several initiatives which would improve its process for equipping new schools, such as developing standard catalogs of school equipment and scheduling more time for purchasing steps that caused bottlenecks in previous years. However, we believed, that given the magnitude of the purchasing task and its long-term impacts on schools, further improvements were needed in setting out responsibilities, managing time, and laying out the detailed steps that had to be carried out in equipping a school.

### *We had recommended:*

To improve its process for equipping new schools, the district should:

- make clear assignments of responsibility, and ensure that those individuals given responsibility are appointed early enough and given sufficient resources to allow them to carry out their responsibilities;
- manage time better, for example, by making use of scheduling software to work out and meet timelines; and
- ensure that those responsible for equipping new schools are supplied with current and complete written guidance on their tasks and on the best way to accomplish them.

Continuous significant growth of student enrollment has necessitated development of considerable expertise in opening new schools, including their equipping.

- School leadership is appointed well in advance of opening dates in order to facilitate the logistics of start-up.
- The sufficiency of resources to achieve the task can always be debated. However, our experience satisfies us that the allocation of limited resources is appropriately balanced in relation to competing needs.

- Principals of new schools are regularly contacted by the Manager of Purchasing and Materiel and senior purchasing staff to ensure orderly progress to a smooth school commencement. We believe this personal contact is critical to our success.
- Responsibility to open a new school is clearly that of the Principal. Many other departments support and assist in achieving the objective.
- Purchasing arranges a contextual schedule with the Principal and provides both written and personalized guidance which is designed to achieve an on-schedule opening and realize best value in equipping the school.
- The Manager of Corporate Services is now responsible to coordinate the provision of district services to new schools.
- When multiple schools are being opened, a coordinated approach is facilitated through an opening new schools committee.

## Standardization

*In the original audit report we had noted:*

In recent years the need to get new schools equipped and opened on time had become paramount, so the department had focused on standardizing furniture purchases. This was a reasonable response to the pressures faced by the department, but meant that school choices, even well-researched ones, might sometimes have been overridden. This in turn perhaps contributed to an erosion of morale.

*We had recommended:*

The district should develop more appropriate methods for gathering information on furniture use in schools, deciding on standards, and communicating both the standards and the reasons for them to all interested parties.

A Standard Furniture catalogue has been developed, published and distributed within the school district. There were multiple objectives for producing the catalogue.

- To establish a focal point for the systematic accumulation and review of best value furnishings experience within the school district.
- To facilitate competitive bidding in a manner which utilizes the leverage of economy of scale available to us as a large school district.
- To improve efficiency within the purchasing department by achieving a degree of standardization and enabling the establishment of competitively bid pre-established pricing arrangements.
- To improve cycle time for the delivery of furnishings.

Products were selected for inclusion in the catalogue on the following basis:

- The database of furnishing most frequently selected by users was reviewed to identify the most commonly requisitioned items as the basis for the catalogue.
- The linkage of purchasing to the equipment repair function provides input on product durability and on repairability.
- Vendor product is selected on criteria which include price, quality recognition, warranty and availability. All of which are designed to determine a best value selection.
- Furnishing users routinely discuss their requirements with the responsible purchasing Buyer. Specialized requirements are specifically ordered. Future catalogues are always being influenced by evolving district needs and vendor market conditions.

Positive feedback that the catalogue has realized its objectives has encouraged the department to expand the use of catalogues.

## Competitive Tendering

*In the original audit report we had noted:*

District policies required that all purchases of individual items over \$2,500 or groups of items over \$10,000 be competitively tendered. Except in special circumstances, invitations to tender were sent to all companies on the bidders list for that commodity. The district advertised annually to inform all interested parties of the kinds of goods it would be buying in the coming year. A vendor needed only send in a written request to be added to the bidders list.

What the district lacked, however, was an organized way of prequalifying bidders (outside of standing offers) or of dropping those who, for example, had not responded to recent invitations to tender. As a result, invitations to tender were often sent to a large number of suppliers, even when purchasing staff believed that only a few could meet the tender requirements.

*We had recommended:*

The district should examine its policies and procedures on when to tender purchases and who to tender to, with the aim of balancing the costs and benefits of open competitive tendering.

The district increased the dollar value of contracts which must be tendered in order to reduce administrative burden where compensating savings are not expected to be realized.

The process for adding and maintaining potential vendors on the bidders list has been revised to eliminate non-responding and unacceptable vendors.

*In the original audit report we had noted:*

When reviewing transactions to understand the district's competitive tendering practices, we were usually able to obtain sufficient information to answer our questions about the transactions, but only by interviewing the purchasing staff involved. This was necessary because we often had difficulty determining from the district's files how purchase decisions had been made. It was not always clear how the options presented by each vendor were weighed or what the reasons were for selecting the successful bid (if it was not the lowest), nor was relevant information in one place.

*We had recommended:*

The district should ensure that major purchase decisions are documented in a consistent and easily accessible way.

There is an established protocol for documenting purchase decisions which satisfies professional standards.

## Bulk Buying

*In the original audit report we had noted:*

Surrey school district bulk-ordered a large number of its purchases. The cost-effectiveness of this approach varied with the commodity. For standard goods, such as heating fuel and photocopy paper, bulk ordering worked well. For other goods, the success of bulk buying depended on the measure used, as we found when examining the bulk purchasing of textbooks and other learning resources, and of stationery and other supplies for schools.

*We had recommended:*

The district should examine the cost-benefit of its systems for bulk buying.

One of the strategic advantages that Surrey enjoys as a large school district (#2 in B.C., #12 in Canada) is that by organizing purchases, economies of scale can be created, and greater influence is brought to bear on vendors and manufacturers to access additional resources and solve problems. Our former processes were producing attractive savings and vendors service; but delivery performance was less than we desired.

Delivery performance has been improved by:

- advancing the processing schedule;
- simplifying the business process;
- structuring new business arrangements; and
- utilizing computer network processing technology.

In the case of textbooks, 97% of orders are delivered before school commences.

Bulk purchasing has always saved money. We've now improved processes to achieve our desired delivery performance.

## Warehousing Materials for Economy

*In the original audit report we had noted:*

We believed that it was important for the district to periodically reexamine the cost-benefit of having a warehouse and to assess the methods by which it was operated. Such periodic scrutiny was necessary because there were, increasingly, cost-effective alternatives to operating one's own warehouse.

*We had recommended:*

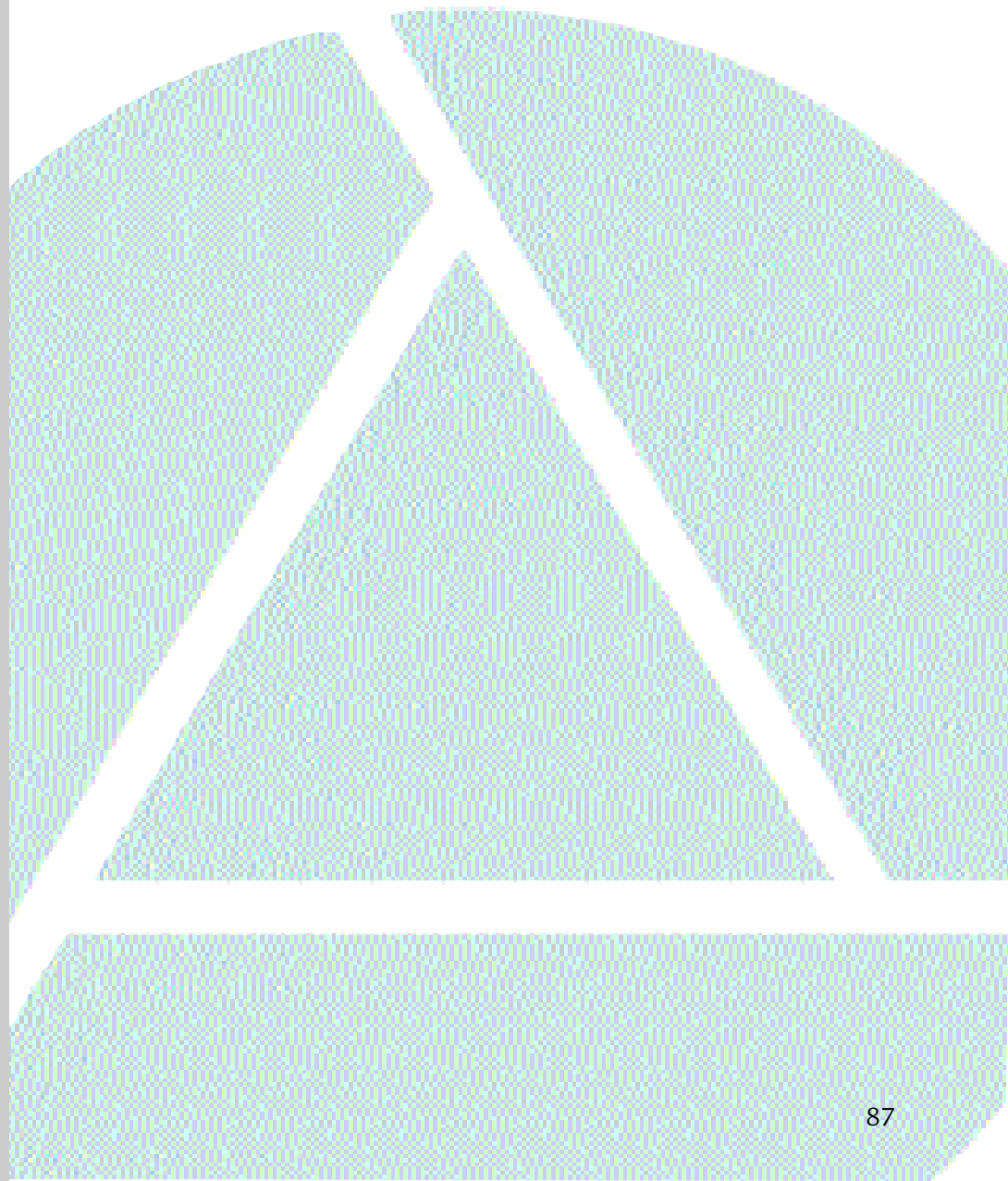
The district should periodically examine the cost-effectiveness of its warehouse.

Consideration was given to the possibility of hiring a materials management consultant to do the recommended review. We did not proceed with such a study due to the general satisfaction with the current operation and the cost of engaging such consultants.

In the spring of 1997, management responsibility for the warehouse was reallocated from Purchasing to the warehouse's sole "customer" Physical Plant, who are reviewing the operation at this time.



# provincial agricultural land commission







## provincial agricultural land commission

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To protect agricultural lands, the government designated certain lands, primarily during 1974 and 1975, for an Agricultural Land Reserve (ALR). The Provincial Agricultural Land Commission is responsible for preserving agricultural lands and for encouraging the establishment and maintenance of British Columbia's farms.

In September 1994, we reported the results of our audit of how the Commission preserved agricultural land and established and maintained farms. We focused our audit on practices in use during the period July 1993 to November 1993.

In January 1997, we asked the Commission to provide us with a report on its progress in implementing the recommendations arising from the audit. The ministry's response and our review comments follow.



## summary of original audit report

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### Audit Purpose

We conducted this audit to assess how the Commission carried out its role, and to determine whether it was gathering and reporting sufficient information on its performance to the Legislative Assembly and the public. In particular, we looked at the two methods the Commission used in fulfilling its role: processing of applications and involvement in land-use planning issues.

### Overall Conclusion

Overall, we concluded that the Commission needed clearer direction, improved management processes, and better information about the results it was achieving if it was to carry out its role adequately and provide full public accountability on its performance.

Although the legislation gave the Commission a general mandate to preserve agricultural land, the Commission had not established clear objectives for doing so. Without such objectives, the long-term direction of the ALR was unclear and there was insufficient information against which actual results could be compared.

The Commission's management processes were appropriate to enable it to carry out its role, but not as efficient as they could be. The Commission needed to increase its automation through greater use of computer technology, and to improve its ability to monitor and analyze both internal operations and land use in the ALR.

As well, the Commission needed to identify the measures that were appropriate for reporting on its performance, and then to collect that information and provide it to the Legislative Assembly and the public. Information provided in its annual report was not as comprehensive as it should have been.



## follow-up

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### Office of the Auditor General Review Comments

Information provided by the Provincial Agricultural Land Commission regarding progress in implementing the recommendations included in our 1994 report is set out below (in color). We reviewed this information to see if it is fairly stated, in all significant respects.

We carried out the review between March and May 1997. The review was made in accordance with standards for assurance engagements established by the Canadian Institute of Chartered Accountants, and accordingly consisted primarily of enquiry, document review and discussion.

Based on our review, nothing has come to our attention to cause us to believe that the Commission's progress report does not present fairly, in all significant respects, the progress made in dealing with the issues reported in our 1994 audit.

### Provincial Agricultural Land Commission Progress Report General Comments

The Provincial Agricultural Land Commission (commission) welcomes this opportunity to report on steps that have been taken since 1993 in response to issues identified by the Auditor General. The commission considered all of the recommendations and incorporated several of them into its business plans. The commission believes that it has made significant improvements in its program, particularly in setting clear directions and in improving service to the public. These improvements are primarily the result of automating information systems and active participation in new land use planning processes.

Significant changes in land use and resource management planning have been made by the Government of British Columbia since the audit was conducted. These changes have provided sanctioned program directions for the commission within a comprehensive Provincial land use strategy. The resulting framework addresses the Auditor General's principal concerns by providing a process for defining regional land use objectives and improving the co-ordinated collection of land use information.

The commission encouraged and participated in the development of two key elements of this strategy: the *Growth Strategies Statutes Amendment Act, 1995* and the *Farm Practices Protection (Right to Farm) Act*.

The new growth strategies legislation creates a better link between Provincial interests and local governments, and it defines a process for establishing urban growth boundaries and refining land use zones. To date, seven regional districts have initiated growth strategies, and commission staff are active participants in plans for the Fraser Valley, Okanagan, and Vancouver Island regions. At a local level, the *Farm Practices Protection (Right to Farm) Act* has moved the needs of the agriculture industry into the mainstream of community planning. This new legislation provides protection for farmers who use normal farm practices, and encourages local governments to adopt supportive plans and bylaws. The commission has formed 'agri-teams' with staff from the Ministry of Agriculture, Fisheries and Food to help local governments develop agriculture area plans and farm bylaws.

In addition, the Government has established a 15.9 million hectare Forest Land Reserve, and a new commission was made responsible for the *Forest Land Reserve Act*. The Forest Land Commission was linked to the Agricultural Land Commission to avoid the duplication of government services, and as a result, both commissions share the same office and staff. Few additional resources were provided with this new responsibility, and this will require on-going co-ordination with the commission to ensure both programs are delivered effectively.

## Setting Objectives for Agricultural Land

### *In the original audit report we had noted:*

Although the Commission's mandate was provided in legislation, clear direction beyond this broad mandate had not been set. The Commission had started a strategic planning process but it had not yet developed clear objectives against which results could be compared. Because the Commission was responsible only for land in the Agricultural Land Reserve (ALR), it was not developing a complete provincial strategy that looked at the province's total agricultural land capacity.

### *We had recommended:*

The Commission should identify its objectives and have them sanctioned by government. Consideration should be given to setting regional and provincial level objectives. These objectives should be identified in a way that would allow for future measurement of the degree to which they have been achieved.

The commission believes that independently setting arbitrary numerical objectives for agricultural land would raise false expectations and be counter-productive. These objectives may lead people to believe that it is possible to accurately quantify the amount of agricultural land that will be required by future generations. The agriculture industry must continually change and adapt to remain competitive, and therefore its future land needs can not be accurately measured.

In addition, this approach is a significant departure from the current mandate of the *Agricultural Land Commission Act*. The intent of this legislation is to preserve and protect our scarce agricultural land and to create a process for adjudicating land use decisions on behalf of the Government. It is not the mandate of the commission to establish Provincial policy on whether to set numerical objectives.

Regardless, the commission believes that the Auditor General's concerns are being effectively addressed through recent improvements to land use planning processes. The solution lies in improving the coordination and integration of these processes so that a comprehensive land use strategy emerges. The development of regional growth strategies, and incorporating the needs of farm businesses in community plans, will provide land use guidelines and objectives for local areas.

The commission has adopted a strategic plan and related business plans which embody this approach. For example, a comprehensive reference guide, titled "Planning for Agriculture," is currently being prepared for community planners. In addition, the commission has taken the initiative to review and clarify operational policies to assist community planning and the development of farm businesses.

Next year marks the 25th anniversary of the Agricultural Land Reserve (ALR), and the commission intends on developing a long range plan to mark this occasion. The purpose of this plan will be to outline a renewed mandate for the commission and to provide a vision of what the ALR can look like in another 25 years. The development of this plan will begin in 1997 with an assessment of the role of the commission to date and an analysis of trends in agriculture, urban growth, and other land use issues. The commission will revise its strategic plan in 1998 to reflect recent changes in land use legislation and its new mandate for the future.

## Stakeholder Understanding and Acceptance of the Commission's Role

*In the original audit report we had noted:*

The Commission had recognized the need to communicate its role and policies better, and plans were under way to improve the communications process. The Commission did not have a formal process of its own to obtain information on the extent to which its role is accepted, but it collected some information gathered by other agencies.

*We had recommended:*

The Commission should document all of its policies affecting ALR land decisions and communicate them to its stakeholders.

The Commission should obtain a broader base of information about the extent to which its role, policies, and decision-making are accepted by its stakeholders.

The commission has improved communication with stakeholders by producing an updated reference manual containing current policies and procedures. The manual was completed in 1996, and it is available in both print and electronic formats. To date, over 300 copies have been distributed to local governments, agricultural organizations, and the public.

In addition to its on-going liaison with the 138 local government representatives, the commission has also expanded its contact base through meetings with Real Estate Boards throughout the province, meetings with farm groups and organizations.

The commission will continue to use information from a variety of sources to assess acceptance of its role, including survey results, but it primarily relies on direct feedback from stakeholders. This direct feedback results from its participation in land use planning, its newsletter, and in particular, taking the initiative to meet with a broad range of critical audiences.

Regardless, it is important to remember that the commission is a quasi-judicial body, and it would not be appropriate for it to design its program solely in response to the popularity of its decisions.

## Delivering the Service

### *In the original audit report we had noted:*

The Commission faced three main difficulties regarding service delivery:

- Operational processes were inefficient and restricted the Commission's ability to respond to information needs and requests on a timely basis. Greater use of information technology could have made the maintenance of information systems more efficient.
- Although the Commission had identified useful criteria to guide decision-making related to the ALR, information about the suitability of the land for agricultural production was not generally available.
- Allocation of resources to other priorities and lack of specific follow-up procedures had made it hard for the Commission to ensure that matters of non-compliance and enforcement were identified and addressed.

### *We had recommended:*

The Commission should expand its use of computer technology to improve the efficiency of its operations and to ensure the consistency and accuracy of the ALR information being used by other agencies.

The Commission should obtain additional information about agricultural land to improve its decision-making.

The Commission should review the extent to which its compliance and enforcement capability could be improved to maintain the integrity of the ALR.

Automating information systems has been a high priority because it is a prerequisite to improving the management of program activities and assessing program performance. A local computer network was installed in December 1994, and a software program for tracking applications and projects was in place by April 1995. This new system has improved service to the public by reducing the time required to process an application, and by providing accurate statistics quickly. In addition, new geographic information systems (GIS) are currently being designed, primarily to meet the needs of the Forest Land Commission, but also to accommodate the needs of the commission.



Automating information systems has also helped to provide the commission with more information on the suitability of land for agriculture. The tree fruit suitability atlas produced by the Okanagan Valley Tree Fruit Authority has been incorporated into the commission's routine procedures. Similar GIS data for other agricultural commodities would be useful.

The commission has improved its capability to monitor and enforce compliance with its legislation. Since 1995 additional staff have been assigned to administering applications under the *Soil Conservation Act*, and this has allowed the enforcement officer more time to respond to complaints and coordinate enforcement actions. In addition, the officer has recently clarified shared enforcement procedures with local governments, which has resulted in several problems being successfully resolved out of court.

## Monitoring Agricultural Land Use

*In the original audit report we had noted:*

The Commission did not have a process to collect information and monitor land use in the ALR. It collected some data from other sources, but that information was neither comprehensive nor directly related to the ALR.

*We had recommended:*

The Commission should establish the information gathering processes it needs to be able to better monitor and assess land use trends in the ALR.

Digital attribute and graphic data is continually being created by other organizations that is useful to the commission, but it can not be easily correlated with maps of the ALR. As a result, the commission has worked with the Ministry of Agriculture, Fisheries and Food on two initiatives to improve the management of land use information.

The commission has placed a high priority on creating a digital record of the boundaries of the ALR and making them accessible to the public and government agencies. This record was created in 1996, is currently being verified, and should be available in 1997.

The commission has also supported the ministry's recent development of a central database that can integrate information on agriculture with local community plans. This database is part of an information systems plan, called the Resource Information Management Plan, that will allow data created by local studies, such as the current review of agriculture on the Saanich Peninsula, to be compared with other land use data.

## Evaluating the Intended Results and Other Impacts

*In the original audit report we had noted:*

The Commission did not have a formal system for evaluating the extent to which intended results had actually been achieved. It also lacked the measures with which to evaluate how well it was achieving its mandate. Some information was available about the extent to which agricultural lands had been preserved and farms established and maintained, but there were no objectives against which the information could be compared.

*We had recommended:*

The Commission should identify the performance measures required to allow it to report on the extent to which it has achieved its goals and objectives.

*In the original audit report we had noted:*

The Commission lacked a process to assess other impacts in a structured way. The information it collected from other sources, such as academic reviews and studies by other agencies, could provide some of this information.

*We had recommended:*

A comprehensive review of impacts, other than intended results, of ALR decisions should be carried out and the information provided to policy-makers.

The development of performance measures has been delayed by a lack of suitable land use information and the need to give priority to Government initiatives. The commission agrees that identifying performance measures is an important step in evaluating a program, and it intends on proposing measures in accordance with the framework for improving accountability in the public sector, developed by the Auditor General and the Deputy Ministers' Council.

The commission has given priority to automating information systems and creating a digital record of the ALR boundaries because these steps are a prerequisite to creating the information necessary to measure program performance. Performance indicators have been identified in previous business plans and more detailed measures will be proposed in 1997.

However, these measures need to be developed in the context of a comprehensive provincial agri-food policy which covers a broad range of factors such as international trade rules, labour costs, market forces, and environmental constraints. The commission continues to encourage the Minister of Agriculture, Fisheries and Food to lead the development of this policy.

In addition, British Columbia now has the interdependent elements that research in other jurisdictions suggests are essential to an effective agricultural land program: a process for developing regional growth strategies, right-to-farm legislation, and exclusive resource zones for both agricultural and forest land. Steps should be taken in conjunction with a central agency, such as the Growth Strategies Office or the Land Use Coordination Office, to monitor the interaction of these programs to ensure that they achieve the intended results.

## Reporting to the Legislative Assembly

*In the original audit report we had noted:*

The commission did not report adequately to the Legislative Assembly on the key aspects of its performance.

*We had recommended:*

The commission should provide the Legislative Assembly with more complete information about its performance.

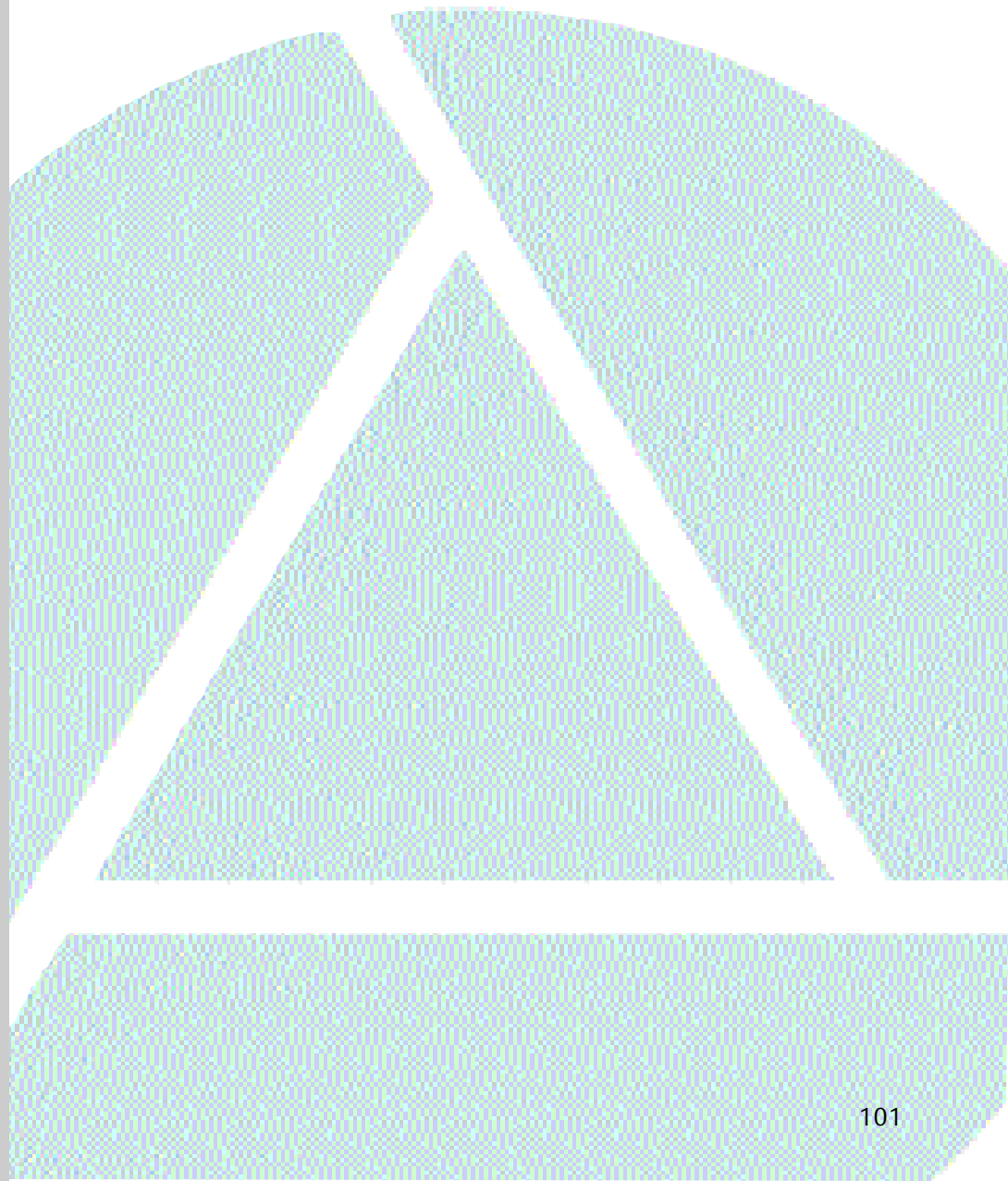
The commission continues to strive to improve the quality of information provided to the Legislative Assembly and the public. The format of its annual report was changed after the audit was conducted, and the commission has continued to seek input on how best to report on its performance.

The 1995/96 annual report will reflect advice received from the Auditor General's staff and members of the Legislative Assembly. The report will have three main sections which assess the program, account for decisions of the commission, and provide information on the commission's performance. The section on the state of the ALR is intended to provide aggregated data that allows trends to be analyzed and comparisons to be made with other jurisdictions. A second section summarizes selected examples of applications and community planning processes which illustrate the basis of decisions. The third section reports on the performance of the commission for objectives contained in the related business plan.





ministry of finance  
and corporate relations:  
management of  
government debt





## ministry of finance and corporate relations: management of government debt

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The Ministry of Finance and Corporate Relations is responsible for managing cash balances and ensuring there is sufficient cash available to meet central government needs. To provide funds for capital investments and operating deficits when they occur, it issues short-and long-term debt. The way cash balances and borrowing transactions are managed can have a significant influence on the costs of servicing debt.

In March 1995, we reported the results of an audit of how the ministry managed cash balances and borrowing transactions. We focused on Provincial Treasury processes for planning, managing, and reporting on cash surpluses and overdrafts, cash requirements information, borrowing arrangements, and existing debt. The audit examined activities taking place from April 1993 to October 1994 and, as well, considered the impact of initiatives that were underway during the audit.

In January 1997, we asked the ministry to provide us with a report on its progress in implementing recommendations arising from the audit. The ministry's response and our review comments follow.





## summary of original audit report

### Audit Purpose

We conducted this audit to assess whether the Ministry of Finance and Corporate Relations was properly managing government cash balances and borrowing transactions. To do this, we first examined how the ministry was reducing the need to borrow by managing cash requirements for central government. Next we examined how, in managing financing transactions for both new and existing debt, it was minimizing debt servicing costs for central government and Crown corporations. In addition, we examined whether sufficient, appropriate information was being provided to the Legislative Assembly and public about the result of debt management activities.

The question of how much debt to incur is largely a political decision that was not within the Office's mandate to review. Consequently, we did not examine how spending for capital investments or operations is decided. Also, we did not examine the adequacy of policies or systems used by ministries for ensuring prompt collection of revenue and receivables or for delaying, as may be deemed appropriate, the payment of expenditures or payables.

### Overall Conclusion

We concluded that the ministry was properly managing government cash balances and borrowing transactions.

The Banking and Cash Management Branch was managing government cash balances in a way that helped to minimize borrowing requirements. Branch staff tracked cash flows so that surpluses and shortages were kept to a minimum. They also transferred funds so that surpluses earned maximum interest and shortages were covered with borrowing at the best available rates.

The Debt Management Branch maintained continuous contact with financial markets and borrowed through a wide variety of programs. Its staff, when making financing and debt management decisions, gave due consideration to the need for minimizing debt servicing costs within existing risk guidelines.

Although the ministry provided much information to the legislature about borrowing activities, this material needed to be consolidated in a single reference about government debt. This should have included all pertinent information about debt management, such as the strategies used to manage borrowing and the results achieved.



## follow-up

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### Office of the Auditor General Review Comments

Information provided by the Ministry of Finance and Corporate Relations regarding progress in implementing the recommendations included in our 1995 audit report is set out below (in color). We reviewed this information to see if it is fairly stated, in all significant respects.

We carried out the review in March and April 1997. The review was made in accordance with standards for assurance engagements established by the Canadian Institute of Chartered Accountants, and accordingly consisted primarily of enquiry, document review and discussion.

Based on our review, nothing has come to our attention to cause us to believe that the ministry's progress report does not present fairly, in all significant respects, the progress made in dealing with the issues reported in our 1995 audit.

### Ministry of Finance and Corporate Relations Progress Report

#### Managing Cash Balances

*In the original audit report we had noted:*

The Banking and Cash Management Branch was efficiently managing a complex network of bank accounts with the aid of a computerized cash flow forecasting system. Our only concern in this area was that changing forecasts were not backed up and stored off-site on a daily basis. Given the ease with which routine daily backups can be done, and the inefficiencies that would result from a system failure, we concluded it would be worthwhile to do so.

*We had recommended:*

The ministry should make daily backups of all cash flow information to assist in the continuance of operations in case of system failure.

Since the audit report was released, the Corporate Operations branch has installed a branch wide Local Area Network (LAN). The Cash Flow Forecasting System (CFS) resides on this network.

As per the audit report's recommendation, the Cash Management section revised its operating procedures and began backing up the CFS at the end of every day. These procedures lasted for approximately two years until the new LAN was installed. The LAN now automatically backs-up the CFS on a daily basis. Data is stored in offsite tape silos.

This has benefited the branch in two ways: first, staff no longer need to spend 10–15 minutes doing manual backups and ensuring disks are properly stored; second, there is no risk of overlooking the back-up procedure.

Furthermore, the branch is currently redeveloping the CFS. Security features of the new system are planned to be equally robust.

## Guiding the Management of Borrowing Transactions

### *Development and Review of Annual Strategic Plans*

#### *In the original audit report we had noted:*

British Columbia differs from most other provinces in that legislative approval is not required for individual borrowing transactions. This gives managers the flexibility to better manage complex portfolios where quick responses to financial market changes can produce significant savings. It also, however, increases the need for compensating controls. Although we found there were adequate internal reviews of borrowing transactions after they are arranged, we pointed out that further assurance could be gained by having external reviews of longer-term borrowing strategies used to guide day-to-day decisions.

#### *We had recommended:*

The ministry should include external representation on the Risk Committee to obtain more objective points of view about the policies of the Debt Management Branch. In addition, minutes of committee meetings should be provided to senior decision-makers, along with details of borrowings on a quarterly basis.

The Risk Committee was formed in 1994 to review debt management strategies and establish policies and procedures for monitoring and managing financial risks. The Risk Committee is comprised of the Deputy Minister and the Assistant Deputy Minister. Since the Auditor General's audit, an "external" member has been added from the academic community—a professor from the Faculty of Business at University of Victoria.

The roles and responsibilities of the Risk Committee include: reviewing risk policies and management parameters; reviewing debt management strategies; and ensuring debt managers are accountable for transaction decisions.

In previous years, Risk Committee meetings have generally taken the form of “briefing sessions” for ministry executive. Recently, efforts are being made to focus meetings more heavily on developing the province’s risk management capabilities. This has been deemed essential in order for the province to keep pace with increasingly sophisticated risk management techniques. The addition to the Committee of the external member is expected to complement the existing membership in this regard by bringing: expertise in portfolio management theory; an understanding of quantitative methods used for conducting portfolio analysis; and familiarity with advanced portfolio modeling techniques for portfolio valuation, risk measurement and performance evaluation.

In terms of ensuring key Risk Committee information is reviewed by senior ministry officials, Committee meeting minutes are circulated to all members of the Committee and to senior Debt Management Branch staff. In addition, the Chair of the Risk Committee (the Assistant Deputy Minister, Provincial Treasury) is responsible for identifying items which require review or approval of the Minister.

### *Clarifying Procedures for Ministry Representatives*

#### *In the original audit report we had noted:*

A review of the way borrowing was being arranged for capital expenditures, conducted just prior to our audit by the Internal Audit group in the Office of the Comptroller General, identified two problems that affected value-for-money:

- higher debt service costs on occasion, due to inconsistencies in ministry representative decisions about when to convert short-term to long-term debt and when to retire debt; and
- inefficiencies in processing documentation for borrowing, due to the high volume of paperwork required.

#### *We had recommended:*

The ministry should revise procedures for dealing with representatives from other ministries on capital financing, to promote consistency of borrowing decisions and reduction in duplication of paperwork.

In an effort to address the concerns that were originally identified by the Internal Audit Group in the Office of the Comptroller General (OCG), Provincial Treasury has taken steps to resolve these concerns related to the way borrowing is arranged for capital expenditures. Firstly, a report called “Social Capital Review” was prepared which outlines the current financial administration process and identifies inefficiencies and recommends alternative mechanisms to streamline the process. Approval to proceed with implementation was given by the Deputy Minister of Finance and Corporate Relations on October 24, 1996.

In following the recommendation of the OCG, Provincial Treasury is looking at procedures for dealing with representatives from other ministries on capital financing, to promote consistency of borrowing decisions and reduction of paperwork.

Three committees have been formed to initiate the implementation process:

- Certificate of Approval (COA) and Systems Enhancement Committee
- Documentation and Legislation Committee
- Debt Servicing Committee

The committees are preparing recommendations that include consolidation of debt service budgets. This would involve the systematic transfer of all borrowing decisions and control of debt service budgets from the supporting social capital ministries to Provincial Treasury. In addition, it would promote the streamlining and automation of supporting documentation for these ministries, thereby realizing savings in staff and system resources. This would allow the supporting ministries to focus on their mandate to provide coordinated capital planning and budgeting without becoming buried in the paperwork surrounding these transactions.

Under this model, the short-term COA model would remain unchanged, but the provision for long-term funding would be at the discretion of the Debt Management Branch (DMB). Automated allocation of long-term funds will alleviate intensive manual review. As well, with the centralization of the debt service budgets, the DMB will be able to streamline the payments process and eliminate various journal vouchers and other documents that are currently required. The defeasance of debt process would be coordinated by Provincial Treasury and simplified through the standardization of documentation.

As well the committees will consider whether to:

- amend legislation of the Capital Finance Authorities (CFAs) and the districts institutions to reflect the changes in ownership and financial responsibilities; or
- dissolve the CFAs and provide provincial grants. This would eliminate the need for special funding for districts, thereby reducing the large volume of reporting, recording and monitoring that is currently being done. To do this, amendments to the legislation governing the CFAs and the individual districts and institutions would be required.

## Keeping the Public and Legislature Informed

*In the original audit report we had noted:*

The ministry disclosed much information about amounts, terms, and sources of debt in a number of reports that were available to the public and Legislative Assembly. It also disclosed the potential cost savings for some of its borrowing programs. However, there was no single report that interested readers could refer to for summary information or explanations of specific strategies being used to reduce risks while minimizing debt servicing costs.

*We had recommended:*

The ministry should provide a summary of all pertinent information about its management of government debt, to be included either as part of the Public Accounts or in a government annual report. This summary should include details about total government debt, strategies used and levels of risk taken to manage it, and the accomplishments of each borrowing program.

Currently, the ministry provides numerous reports on its borrowing activities. They are as follows:

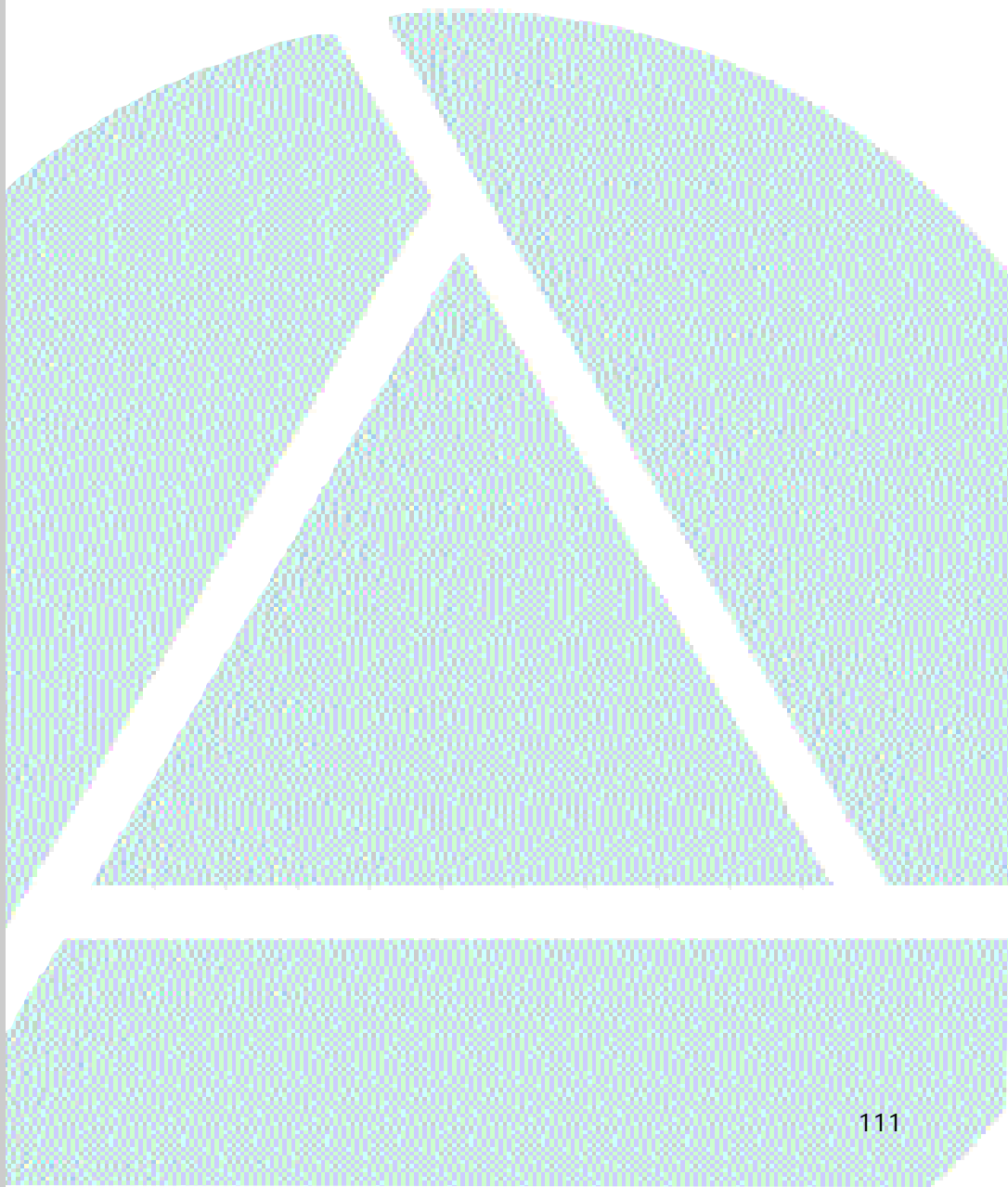
- monthly borrowing report (a requirement of the *Financial Administration Act*)
- quarterly summary borrowing report
- annual summary borrowing report (tabled in the Legislature)

Details of borrowing program activities and strategies are outlined in the recently released *Debt Statistics 1995/96* report (previously the *Debt Management Progress Report*, first produced in 1995 for the 1994/95 year). The report provides an overview of provincial debt, a discussion on debt management operations including recent financing activities, an outline of provincial borrowing programs, and various other debt summary statements.

The ministry plans to include information relating to its debt “portfolio management” performance in future reporting. Development of techniques for measuring portfolio management performance is a major priority for the Debt Management Branch (DMB). DMB recently hired a systems expert and selected two external investment banks as advisors to support the development of an “in-house” portfolio management performance measurement system. Preliminary results have been obtained for “phase one” of the project—portfolio benchmark selection; software tools to be used in “phase two”—performance measurement—are currently being tested. DMB expects to implement a fully-operational, risk-adjusted portfolio management performance measurement system in 1997. Commencement of public reporting of portfolio management performance is targeted for the 1997/98 fiscal year-end.



# appendices







## appendix a

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### 1996/97 Reports Issued to Date

**Report 1**

*Performance Audit*

Management of Child Care Grants

**Report 2**

Crown Corporations Governance Study

**Report 3**

*Performance Audit*

Vancouver Island Highway Project: Planning and Design

**Report 4**

*Performance Audit*

Trucking Safety

**Report 5**

A Review of Government Revenue and Expenditure  
Programs Relating to Alcohol, Tobacco, and Gaming

**Report 6**

*Financial Audit*

Report on the 1995/96 Public Accounts

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**Report 11**

*Performance Audits*

Follow-up of Performance Audits  
Issued November 1993 to December 1995



## appendix b

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### Office of the Auditor General: Performance Audit Follow-up – Objectives and Methodology

#### *Purpose of Following Up Performance Audits*

The Office conducts performance audit follow-ups in order to provide the Legislative Assembly and the public with information on the progress being made by government organizations in implementing the recommendations arising from the original audits.

Performance audits are undertaken to assess how government organizations have given attention to economy, efficiency and effectiveness.

The concept of performance auditing, also known as value-for-money auditing, is based on two principles. The first is that public business should be conducted in a way that makes the best possible use of public funds. The second is that people who conduct public business should be held accountable for the prudent and effective management of the resources entrusted to them.

#### *The Nature of Performance Audit Follow-ups*

A follow-up of a performance audit comprises:

1. requesting management to report the actions taken and to assess the extent to which recommendations identified in the original audit report have been implemented;
2. reviewing management's response to ascertain whether it presents fairly, in all significant respects, the progress being made in dealing with the recommendations;
3. determining if further action by management is required and, consequently, whether further follow-up work by the Office will be necessary in subsequent years; and
4. reporting to the Legislative Assembly and the public the responses of management and the results of our reviews of those responses.

#### *The Nature of a Review*

A review is distinguishable from an audit in that it provides a moderate rather than a high level of assurance. In our audits, we provide a high, though not absolute, level of assurance by designing procedures so that the risk of an inappropriate

conclusion is reduced to a low level. These procedures include inspection, observation, enquiry, confirmation, analysis and discussion. Use of the term "high level of assurance" refers to the highest reasonable level of assurance auditors provide on a subject. Absolute assurance is not attainable since an audit involves such factors as the use of judgement, the use of testing, the inherent limitations of control and the fact that much of the evidence available to us is persuasive rather than conclusive.

In a review, we provide a moderate level of assurance by limiting procedures to enquiry, document review and discussion, so that the risk of an inappropriate conclusion is reduced to a moderate level and the evidence obtained enables us to conclude the matter is plausible in the circumstances.

### *Scope of Performance Audit Follow-ups*

The follow-ups focus primarily on those recommendations that are agreed to by management at the time of the original audit. Where management does not accept our original recommendations, this is reported in managements' responses to the original audit reports. Since our reports are referred to the Legislative Assembly's Select Standing Committee on Public Accounts, management's concerns with our recommendations in some cases are discussed by the committee, which may also make recommendations for future action. If the committee endorses our recommendations, we will include them in a follow-up.

### *Frequency of Reporting on Performance Audit Follow-ups*

We follow up our recommendations approximately one and a half years after the reporting date of the original audit. For example, the status of recommendations included in performance audit reports released in the year ended December 31, 1996 will be reported in the spring of 1998. Where observations have critical implications for areas such as health or public safety, however, we may decide to request a status report sooner. However, some prior audits may have their follow-up review deferred to a later date because of such factors as program reorganization. Some audits may not require a follow-up as no recommendations arose.

### *Review Standards*

We carry out our follow-up reviews in accordance with the standards for assurance engagements established by the Canadian Institute of Chartered Accountants.

## *Methods of Obtaining Evidence*

Our reviews involve primarily enquiry, document review and discussion.

Enquiry consists of seeking appropriate information of knowledgeable persons within or outside the entity being audited. Types of enquiries include formal written enquiries addressed to third parties and informal oral enquiries addressed to persons within the entity. Consistent responses from different sources provide an increased degree of assurance, especially when the sources that provide the information are independent of each other.

Document review consists of examining documents such as minutes of senior management meetings, management plans, and manuals and policy statements to support assertions made in management's written report.

Discussion consists primarily of interviews with key management and staff, as necessary, for further verification and explanation.



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Compiled and typeset by the Office of the Auditor General of British Columbia  
and published by the Queen's Printer for British Columbia®  
Victoria 1997

