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

**1997/98 Annual Report**

*Auditing in the  
Public Interest*

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contains further information about the Office:  
<http://www.oag.bc.ca/>**

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# *auditing in the public interest*

The Office of the Auditor General has provided over 20 years of service to British Columbians. Throughout that time, we have remained dedicated to providing the public and elected officials with independent assessments and advice that ultimately contribute to better government accountability and performance.

## our mission

*To serve the Legislative Assembly and the people of British Columbia by providing independent assessments and advice with respect to government accountability and performance*

## our values

*The Office of the Auditor General of British Columbia is committed to:*

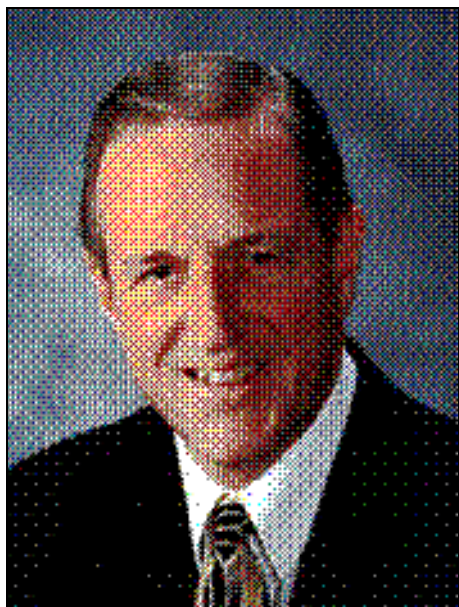
*Preserving its **independence**, which is crucial to its credibility, and using it in the public interest.*

*Exercising **due care** in all aspects of its work in order to provide accurate, reliable assessments and sound advice.*

*Striving to maintain **public trust** by conducting its work fairly, professionally and with integrity.*

# comments from the auditor general

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This past year my Office celebrated its 20<sup>th</sup> anniversary. Our celebration was also an opportunity to reflect on how the role of the Auditor General (and the expectations of the public) has matured as government itself has changed.

Since the Auditor General Act was first passed, we have evolved from being an office that audited the government's financial statements to one that examines all aspects of government's accountability and performance. Since those early days, the work we do today has expanded to include far more Crown corporations, schools, colleges and universities, as well as the health sector. This is appropriate. To serve legislators effectively, the Auditor General must have the latitude to conduct audits that match the breadth of legislators' responsibilities and interests.

There have been other developments as well. Under the terms of a Memorandum of Understanding with the Minister of Finance and Corporate Relations, I no longer audit certain entities. However, a number of government organizations previously audited by private sector auditors are now audited by my Office. These organizations want—and expect—the same types of services previously offered by the private firms: that is, expertise in areas beyond financial statement audits. Where possible and practicable, we have responded to their requests. But we also recognize that there may be important implications for the Office, and hence are giving greater thought to this aspect of our work.

Some things haven't changed with the times. For example, the legislation establishing the role and responsibilities of the Auditor General has not been amended since it was passed over 20 years ago, and so today it no longer reflects public sector developments. And while the responsibilities of my Office have increased, particularly in the last few years, staffing levels and resourcing have not kept pace. Consequently, I am not able to provide the audit coverage I believe is necessary.

*George L. Morfitt*  
Auditor General

*Frank Barr*  
Assistant Auditor General  
Financial Audit

*Peter Gregory*  
Assistant Auditor General  
Performance Audit

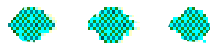
*Gordon Dawson*  
Assistant Auditor General  
Compliance Audit

Nevertheless, we have endeavoured to deal with these constraints head on. The Memorandum of Understanding addresses some of my concerns about the limitations of the legislation. This is an interim measure, however, while we continue to work with government ministers and officials to have my proposed new Auditor General Act brought forward to the Legislative Assembly. I would like to know that in future the Auditor General of British Columbia will be mandated by legislation that reflects the expectations of the Assembly and the public while truly providing for the independence of the Office.

I rely on the dedication and commitment of my staff, who continue to devote much time and effort to providing the Assembly with the information it needs. The staff of my Office work hard to meet the demands placed on them and I congratulate them on their outstanding performance. Their work is of the highest quality and the Legislative Assembly can be proud of their accomplishments.

*George L. Morfitt, FCA*  
*Auditor General*

*Victoria, British Columbia*  
*August 1998*





## 20<sup>th</sup> Anniversary Celebration

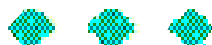
In September 1997, our Office celebrated a special milestone—our 20<sup>th</sup> anniversary. We began our audits in January 1978, soon after Erma Morrison took office as Auditor General in September 1977.

Looking back, there are many highlights worthy of mention. Examples include our first auditor's report on a public body, the Workers' Compensation Board, issued in 1978; our first comprehensive audit, on the Ministry of Human Resources in 1980; and our first special report, on the Expenditures of the Minister of Consumer and Corporate Affairs, released in 1982. During this period, the Office was also approved to train students interested in pursuing an accounting designation. Our first Chartered Accounting student, Mr. Tin Lok Ng, graduated in 1980 and is still with the Office today.

To mark our 20<sup>th</sup> anniversary, a reception was held at Government House, hosted by the Lieutenant Governor, the Honourable Garde Gardom. This was a particular highlight for the Office, as Mr. Gardom, Attorney General of the Province in 1976, played a key role in having the Auditor General Act introduced and passed in the Legislative Assembly. Invitations were extended to the Premier, the Finance Minister and the Opposition Leader who were in power when our Act was passed. Over 200 people attended the reception, including current Members of the Legislative Assembly, former Advisory Council Members, staff and alumni.

The Honourable Mr. Gardom led off the evening with congratulatory remarks. This was followed by speeches from the Honourable Mr. Andrew Petter (Minister of Finance and Corporate Relations, and Minister responsible for the Auditor General Act), Mr. George Morfitt (Auditor General), Mr. Dennis Culver (Advisory Council representative) and Mr. Gordon Dawson (Assistant Auditor General). As well, visitors were treated to many displays of items from our Office's past.

This 20<sup>th</sup> anniversary reception, one of the outstanding social events in the history of the Office, was a memorable celebration of our achievements.





# 1997/98—an overview



# 1997/98—an overview

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## Assurance and Advisory Work for the Legislative Assembly

As we do each year, in 1997/98 we audited the financial statements of government and of various government organizations. This year, however, it was necessary for the Auditor General to attach reservations to his auditor's reports to the Legislative Assembly on the financial statements of the government.

We continued to work with government organizations to enhance their accountability for performance and ensure that appropriate governance structures are in place. We reported to the Legislative Assembly on the government's performance in a broad range of areas: transportation, earthquake preparedness, ethics, privacy, the government's financial and other information systems, and the Year 2000 deadline, to name a few.

## Assistance to the Legislative Assembly

Typically, our audit reports are referred to the Select Standing Committee on Public Accounts, a legislative committee of the Assembly. But this year the subject matter of our report, Ethics Codes in the Public Sector, was also considered by another legislative committee, the Select Standing Committee on Parliamentary Reform, Ethical Conduct, Standing Orders and Private Bills. Through our meetings with both these bodies, close to one-third of the Members of the Legislative Assembly had the opportunity to discuss the subject of ethics codes in the public sector.

Again this year, we devoted considerable effort to supporting the Public Accounts Committee as it deliberated on our work. One way we did this was to provide the committee with a formal presentation on each report under its review. As well, a senior member of our staff supported the committee in its participation at the Conference of Australasian Public Accounts Committees and in its meetings with various agencies of the government of New South Wales.

This past year, we also arranged for an independent consultant to meet with a number of MLAs about the work we do and the assistance we provide. The discussions were frank and forthright and have proved to be a useful source of information in our planning.

## New Auditor General Legislation

We continue to operate in accordance with a Memorandum of Understanding with the Minister of Finance and Corporate Relations, but this agreement addresses only some of the shortcomings inherent in our legislation. We are hopeful that a new Act will be considered by the Assembly this coming year, particularly given the interest of the Public Accounts Committee in our proposed legislation.

## Management of the Office

Focussing on staff matters was a high priority for the Office this year. We began with an internal assessment to evaluate our working environment. The results revealed that while staff derive great satisfaction and pride from their work, we need to do more in the area of cross-office communication. We have taken steps to deal with this, while continuing to invest time and resources in other areas such as office information management, systems and technology. Exhibit 1 provides information about our financial and operating performance. Audited financial statements for the Office are available at Appendix A.

### Exhibit 1

#### Our Financial and Operating Performance

	1996/97	1997/98
Appropriation from the Legislative Assembly	\$7,392,000	\$6,875,000
Authorized Full-Time Equivalents (FTEs)	95	95
Actual FTEs utilized due to funding constraints	89	88
FTE equivalent of overtime hours	6.3	6.9
Employee cost (% of total operating expenditure)	82%	87%
Staff turnover	11.75%	7.1%
Average hours of training/development per employee	15.97	17.55

## Input to Public Sector Accounting and Auditing Development

During 1997/98, we continued our close association with the Public Sector Accounting and Auditing Board of the Canadian Institute of Chartered Accountants, commenting on proposed accounting, reporting and auditing standards as they are being developed. We also worked closely with other legislative audit offices across Canada in developing accountability principles that can ultimately serve as the basis for performance reporting and auditing in the public sector. As well, we examined the likely implications of performance reporting on audit offices.

## Management Advisory Services

Increasingly, government organizations are requesting our assistance in assessing and advising them on management and accountability issues. This year we conducted several management reviews on matters such as the forest worker employment and training program, accreditation standards for mental health, social and community support services, and alternative amortization policies for highways, bridges, land improvements and traffic management systems. We carried out these reviews where we thought it appropriate to do so. However, because we recognize that there may be important implications for the Office in doing this work, we are giving this issue greater consideration.







# our corporate profile



## our corporate profile

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### Legislative Authority and Mandate

Legislative authority for the Auditor General is established in the Auditor General Act. The role of the Auditor General is to provide the Legislative Assembly with independent assessments of, and advice about, government accountability and performance. In this way, Members of the Legislative Assembly have an independent and credible source of information that they can use to ensure government is accountable for the performance of the organizations it administers or funds.

### Our Independence

The Auditor General is appointed by the Lieutenant Governor on the recommendation of the Legislative Assembly and may only be removed for reasons of cause or incapacity. He or she is therefore independent of government and accountable to the Legislative Assembly as a whole.

### Responsibilities and Functions

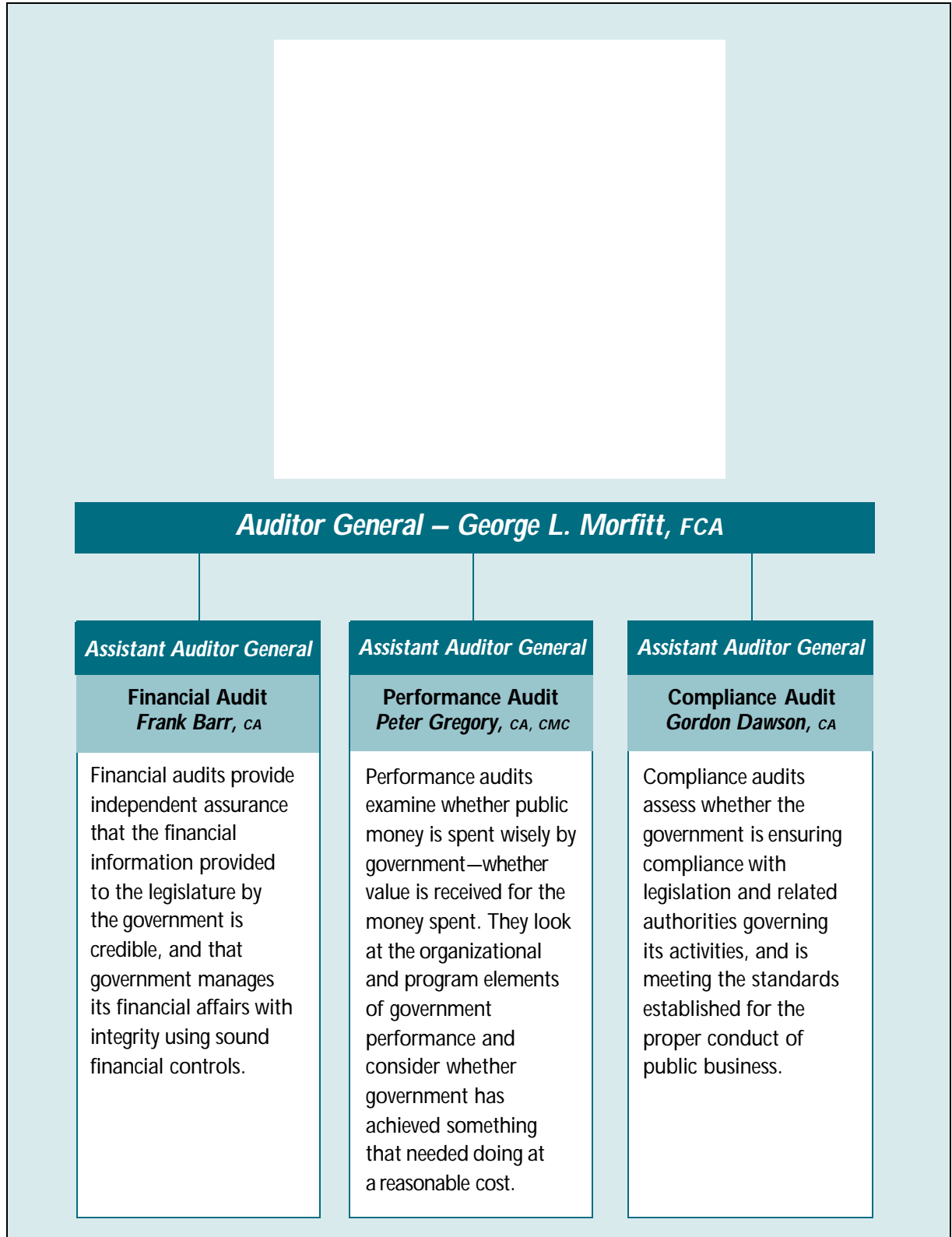
The Auditor General fulfills the mandate of the Office by providing both assurance and advice about the accountability and performance of government.

We give assurance in two ways: by informing the Legislative Assembly as to whether the information government provides is fair and reliable; and by providing the Assembly with credible information about the performance of government, whether that performance is good, satisfactory or poor. In giving advice, we make suggestions and recommendations to the Legislative Assembly and government about how the accountability and performance of government can be improved.

Each year, we undertake audits of government's operational, compliance and financial performance (Exhibit 2) and present our reports to the Speaker, as they are completed, for tabling with the Legislative Assembly. The Office's annual report is submitted in accordance with our Act to the Minister of Finance and Corporate Relations. The Minister is required to table the report with the Legislative Assembly as early as is convenient.

Exhibit 2

Types of Audits Conducted by the Office of the Auditor General



## Those Who Benefit from Our Work

Many groups benefit from the work we do, but generally they fall into two categories: those who rely on our work, such as legislators and the general public; and those whom we audit, such as government managers.

## Those Who Rely on Our Work

Legislation governing the Office of the Auditor General makes it clear that the work of the Office, first and foremost, is to report to the Legislative Assembly about the accountability and performance of government. We do this by providing reports and briefings periodically throughout the year as our audits and other projects are completed. Our reports are typically referred to a legislative committee, the Select Standing Committee on Public Accounts. Although we had expected that certain of our reports—such as the two on BC Transit, *Managing Operator Productivity* and *Its Success as a Market-focused Organization*—might have been referred to the newly established Select Standing Committee on Crown Corporations, this did not occur. Nonetheless, the reports were reviewed by the Select Standing Committee on Public Accounts.

In 1997/98, the committee issued three reports to the Assembly dealing with a range of audit matters addressed by the Auditor General. (Exhibit 3 lists recent reports produced by the Office and indicates the action taken by the Public Accounts Committee.)

## Those Whom We Audit

Providing the Legislative Assembly with assurance and advice about government's performance is integral to what we do. This requires us to audit the work of the government and to work closely with those who are most knowledgeable about its programs. The recommendations we propose, for example, are closely scrutinized by those who will be responsible for their implementation. We welcome this scrutiny because public sector managers can provide us with a good, first review as to whether our recommendations are feasible and practical.

We strive to maintain a positive and constructive relationship with those we audit, while ensuring that the interests of the Legislative Assembly are not compromised. And we believe we have been successful. Increasingly, for instance, government managers are turning to us for assistance and advice. They recognize that, as a result of our work, our staff have knowledge and expertise that can be of benefit to them.

## Exhibit 3

### Status of PAC Review of the Auditor General's Reports, 1996/97 and 1997/98

#### COMPLETED

Reports reviewed by the Select Standing Committee on Public Accounts (PAC) and reported upon in its reports to the Legislative Assembly.

Report 10:	June 1997 Privacy—Collection of Personal Information by the Ministry of Health Ethics Codes in the Public Sector Status of Public Accounts Committee Recommendations Relating to Prior Years' Compliance Audits
Report 9:	June 1997 BC Transit: Managing Operator Productivity BC Transit: Its Success as a Market-focused Organization
Report 8:	April 1997 Executive Severance Practices: Government Ministries and Crown Corporations
Report 7:	April 1997 Management of Travel, Ministry of Finance and Corporate Relations
Report 6:	April 1997 Report on the 1995/96 Public Accounts, Province of British Columbia
Report 4:	December 1996 Trucking Safety
Report 3:	December 1996 Vancouver Island Highway Project: Planning and Design
Report 2:	November 1996 Crown Corporations Governance Study
Report 1:	October 1996 Ministry of Women's Equality: Management of Child Care Grants
Joint Report:	April 1996 Enhancing Accountability for Performance: A Framework and an Implementation Plan
Annual Report	1996 Office of the Auditor General of British Columbia: A Review of the Activities of the Office
Report 5:	June 1996 Issues of Public Interest: Special Warrants Government Employee Numbers Public Communications: Distinguishing between Government Program and Partisan Political Communications
Report 4:	June 1996 Ministry of Finance and Corporate Relations: Revenue Verification for the Social Service Tax
Report 3:	February 1996 Home Support Services Environmental Tire Levy Safeguarding Moveable Physical Assets—Public Sector Survey Consumer Protection Act—Income Tax Refund Discounts Financial Administration Act Part 4—Follow-up
Report 2:	February 1996 British Columbia Ferry Corporation—Fleet and Terminal Maintenance Management British Columbia Ferry Corporation—Operational Safety
Report 1:	January 1996 Report on the 1994/95 Public Accounts, Province of British Columbia

**UNDER CONSIDERATION**

Reports not reviewed by the PAC as of March 1998.

- Report 4: March 1998  
Loss Reporting in Government  
Waste Management Permit Fees  
Motor Dealer Act
- Report 3: March 1998  
A Review of Governance and Accountability in the Regionalization of Health Services
- Report 2: February 1998  
Report on the 1996/97 Public Accounts
- Joint Report: January 1998  
Enhancing Accountability for Performance in the British Columbia Public Sector  
—A Progress Report to the Legislative Assembly
- Report 1: November 1997  
Earthquake Preparedness and Summary reports
- Report 11: July 1997  
Follow-up of Performance Audits Issued November 1993 to December 1995

**NOT CONSIDERED**

Reports tabled with the Legislative Assembly, but not expected to be considered by the PAC.

- Special Report: July 1997  
Members' Office Mail: Liberal Caucus January 1997 Province-wide Mailing
- Report 5: March 1997  
A Review of Government Revenue and Expenditure Programs Relating to Alcohol,  
Tobacco, and Gaming
- Annual Report 1997  
Office of the Auditor General of British Columbia: Auditing in the Public Interest

Although we have accepted certain requests for assistance, we are careful to ensure that this work is not supported with our appropriation from the Legislative Assembly; rather, we recover the full costs of this work from those who engage us.

**How We Approach Our Work**

The assurance and advice we provide to the Assembly and government arise from four lines of activity: our audits of government's accountability information, our audits of government's performance, our advocacy work and our advisory services.

## Auditing Government's Accountability

We believe it is government's duty to measure and report publicly on its performance. Our role is to attest to the accountability information government provides to the Legislative Assembly. Financial audits are typical of the attestation approach, where management prepares financial statements—which are assertions about the organization's financial position and results of operations—and the auditor comments on the fairness of those assertions.

All government organizations are required by statute to prepare annual financial statements and make them publicly available. Where the Auditor General is the appointed auditor, we audit the financial statements to determine whether these statements are fair and reliable.

We report to the Legislative Assembly every year on the audit of the government's Summary Financial Statements and the financial statements of the Consolidated Revenue Fund. Where the Auditor General is the appointed auditor of a government organization, the audit report on its financial statements is typically issued to the organization's board. We also include comments about such audits in our report to the Assembly. Similarly, comments about the financial statements of organizations audited by private sector firms may be included in the Auditor General's report to the Legislative Assembly.

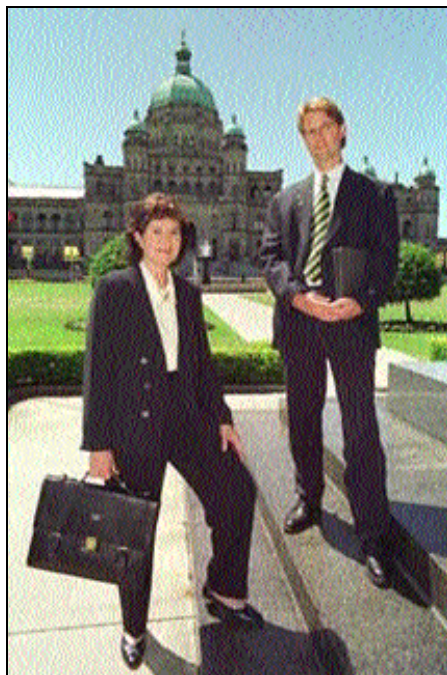
Where new government organizations are created, we ask to be appointed the auditor for the first five years so that we can develop our knowledge and expertise of their business.

## Auditing Government's Performance

We believe that management reports on performance, along with independent audits, are the best way of meeting accountability responsibilities. However, with the exception of financial statements, government organizations generally do not provide comprehensive accountability information publicly.

Therefore, in the absence of reports from management, the second—and only practical—way for auditors to fulfill their mandates is to gather management information directly and to include it in their own reports along with their opinions. This is known as the *direct reporting* approach. In these cases, the auditor comments on the performance of the organization directly, as opposed to commenting on an assertion or representation made by management. The Auditor General conducts direct audits of the organizations of government on a cyclical basis.





*The Auditor General's staff at the Parliament Buildings*

When selecting our audits, we consider all of government, including its ministries, Crown corporations and agencies. We may also undertake reviews of provincial participation in organizations outside government, if those organizations deliver significant government programs and receive substantial provincial funding or other government support.

Audit subjects are selected based on the significance and interest of an area or topic to our primary clients (MLAs and the public). We do not focus exclusively on areas of high risk or known problems, nor do we deliberately seek out areas where cost savings could be made. Our aim is to provide the Assembly with a “snapshot” of government’s performance, including positive assessments where warranted. This approach is consistent with our mandate: to provide the Legislative Assembly with *assurance* about the performance of government and advice on where there are opportunities for improvement.

## Advocating for Improved Accountability

The Auditor General, in commencing his second term in 1994, made it clear that improving the accountability of government to the Legislative Assembly would be an overarching goal for the Office. Our strategy is to effect change in the most direct way we can: filling the gap in public reporting standards by assisting in the development of an accountability framework to guide government’s organizations; by promoting the move toward a results focus, in the way government organizations both manage and report on their performance, through the *Accountability for Performance* initiative; by offering advice on issues of governance within public sector organizations; and by working with legislators, senior government officials and program managers to gain acceptance of our ideas.

We work, as well, with the legislative auditing community across Canada and with professional accounting bodies to develop reporting, accounting and auditing standards that better reflect developments in public sector accountability. Our objective is to see consistent and generally accepted standards that can be applied to the operational, compliance and financial information that government will one day provide.

## Providing Advisory Services

Increasingly, government managers are turning to our Office for advice in particular areas. They acknowledge that we have the expertise and—more critically for some—the credibility necessary to carry out management reviews in an objective and neutral fashion. We consider such requests for advisory services where it will further our objective for improved accountability. But, as these requests for assistance increase, we are also assessing the extent to which we should be involved.

We are also finding that government organizations previously audited by a private sector firm, but now audited by this Office, expect the same level of service they once received. Consequently, they are turning to us for advice on issues such as accounting systems and internal controls. Where we are the appointed auditor, we provide such services to the extent that we have the skills available to us. These services are provided on a cost-recovery basis.

## Meeting Professional Standards

The audits we undertake are carried out in accordance with the auditing standards established by the Canadian Institute of Chartered Accountants. These standards are rigorous and demanding, but designed to ensure that our audit conclusions are based on well-substantiated evidence. Furthermore, all staff of the Office are committed to maintaining the trust and confidence of those who rely on our work. We do this by:

- approaching our work in a fair and constructive way;
- providing accurate, reliable assessments and sound advice; and
- conducting and reporting our work in a manner that builds strong relationships.

These service standards are published in *Our Commitment to Service* booklet so that government organizations know what they can expect from us as we carry out our work.

## Professional Representations

As an Office, we are reaching out to the broader community to effect change. Many of our senior staff are often asked to speak at professional conferences and workshops or to offer advice on a range of matters, from issues of accountability and auditing of results-based information, for example, to specific



*Oman—a long way from British Columbia*

concerns such as the configuration and installation of an Internet security enhancement known as a firewall. (A list of the professional representations we made this past year is provided in Appendix B.)

Throughout the year, our Office hosts a number of visitors including some participating in the CCAF-FCVI Inc. International Fellowship Program. As part of that program, Mr. Abdul Rahman Ahmed Hamad Al-Harthy, from the Secretariat General for State Audit, Sultanate

of Oman, has begun a six-month training program in our Office. During this period, Mr. Al-Harthy will receive training and experience in all areas of auditing, with particular emphasis on methods and techniques of planning, interviewing and documentation, including information technology auditing.

This past year, we also received numerous visitors from across Canada and abroad. We welcome such visits, not only for the opportunity to share our experiences, but to learn from others. Besides Canada, our visitors this past year came from such diverse places as Australia, Bangladesh, Barbados, the People's Republic of China, the Philippines and the Republic of Yemen (see Appendix C).

## Our Staff

For the last 10 years, the Office has been under the leadership of Mr. George Morfitt, Fellow of the Institute of Chartered Accountants of British Columbia. He is assisted in his role as legislative auditor by three Assistant Auditors General and a staff of 84. Eighty-six percent of our staff are directly employed in audit and related work; the remainder provide technical assistance and staff support.

We are fortunate to retain a highly skilled and motivated workforce. Most of our staff hold accountancy and/or management consulting designations, and these are often accompanied by university degrees in commerce, business and economics. We also have staff with degrees in such areas as mathematics, nursing, architecture, zoology, psychology and education. In addition to this, many of our staff are members of various professional associations. These associations are listed in Appendix D.

## Congratulations on 25 Years!

Congratulations to Mr. Gordon Dawson who received his 25 year long-term service award.

In September 1997, Mr. Dawson, Assistant Auditor General, passed the 25 year mark for provincial public service: five years with the Office of the Comptroller General, and 20 years with the Office of the Auditor General of British Columbia. His service was recognized at a December 8<sup>th</sup> evening at Government House, which included a reception, a long-service awards ceremony, dinner and dancing.

**The practical experience of our staff is wide-ranging, too. Many have worked in the private sector before joining the Office, and others have experience in the public sector at the provincial, national and international levels. Staff with such diverse backgrounds bring a broader perspective to the audits we undertake. They are also skilled interviewers, negotiators and communicators.**

**Our staff take part in exchange programs with other legislative audit offices and government organizations. We also participate each year in a secondment program, lending our staff to ministries and Crown corporations and in turn providing developmental opportunities for government personnel. This past year, six of our staff gained valuable experience in their secondments to the University of British Columbia, Columbia Power Corporation, Elections BC, the**

**Workers' Compensation Board, the Ministry of Attorney General, and the Ministry of Children and Families. As the year came to an end, two of our staff began secondments with BC Ferries. We currently have one staff member seconded to us from the Ministry of Human Resources.**

**Outside the Office, our staff are active members of the community. Many are involved in volunteer work and fundraising with charitable, service and community organizations.**

**Further information about our Office and the work we do is available in our publications. (A list is provided in Appendix E.)**



*Running clinic*

## Our Accounting Students

The Office of the Auditor General is an approved training office, recognized as such by the Institute of Chartered Accountants of British Columbia and the Certified General Accountants Association of British Columbia. Each fall we recruit eligible candidates interested in obtaining either a Chartered Accountant or Certified General Accountant designation, to train as articling students in our Office. Our goal is to develop students into qualified and competent professionals through a balance of study and on-the-job training. While working on a variety of audit assignments for the Office, our students complete the examination and experience requirements they must meet to attain their professional designation. The students are supervised by senior staff in the Office, but also receive individual counselling, technical training and performance feedback from our Student Coordinator. We provide other support as well: in-house and external training courses and, in keeping with industry practice, time off for studying and partial reimbursement for the costs of courses that students successfully complete.

The process for obtaining a professional designation is a tough one, but our students always do well. Many have gone on to work at senior levels in the provincial government, Crown corporations and industry—locally, nationally and internationally. We are proud of their success and pleased to have played a part in their professional development.



*Our students*





# our planning process





## our planning process

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### Our Corporate Plan

Since our Corporate Plan was developed in early 1996, a number of changes have taken place and new opportunities and challenges have arisen. For example, we have had continuing discussions with government and with the Select Standing Committee on Public Accounts about the decision to remove public health care and educational bodies from the Summary Financial Statements. We also voluntarily curtailed our spending below the appropriation voted to us by the Legislative Assembly in support of the government's deficit reduction program across the public sector. Moreover, organizations are asking us to provide additional services, going beyond our audit responsibilities to include advice on a range of financial and management matters. Given these developments, we thought it timely to affirm the strategic directions we had set for ourselves in our Corporate Plan.

As part of that assessment, we held consultations with legislators from all parties and with senior government officials to determine their perceptions of the Office—how we are doing, how we can improve and where we should focus our effort. Some of the key questions they had for us—and our strategy for dealing with these issues—are highlighted in Exhibit 4.

At about the same time, virtually all staff participated in group discussions or one-on-one interviews, focussing on issues such as management direction and internal communication, job satisfaction and workload, and career development and advancement. The insights we gained as to how the Office can operate more effectively have already proved valuable.

The information gathered from our external and internal assessments suggests we need to reconsider the way we communicate about the future direction of the Office. We are dealing with this issue now, re-examining the strategic directions of the Office and involving staff at all levels. At the same time, we are taking steps to improve our working environment by focussing greater attention on the issues that concern people.

## Our Operating Plan

Typically, the next step in the planning process would be to link the broad objectives of the Corporate Plan directly in a formal, yearly operating plan. The integration of unit operating plans into an office-wide one has not progressed as far as intended. Instead, this past year we concentrated our effort on communicating with staff about the future direction of the Office. We believe this was an important step in our planning process, leading to operating plans that are supported throughout the Office.

### Exhibit 4

#### Our External Assessment—What People Asked

Our external assessment, conducted in the fall of 1997 by an independent consultant, provided Members of the Legislative Assembly and senior government officials with an opportunity to ask questions of their own. Below are three issues they raised, and our strategy for dealing with them.

***How does the Auditor General select his direct audits?***

The Auditor General follows a rational process in selecting audits from among the many possibilities that are available to him. This process is described in our publication, *Auditing for Better Public Sector Accountability and Performance—A Description of Our Work*, and is also summarized in our annual reports to the Legislative Assembly. (In this annual report, it is covered in the section “How We Carry Out Our Work” and in Appendix F, under Strategic Direction 3.) As well, with each new parliament we typically provide a verbal briefing to the Select Standing Committee on Public Accounts. But clearly the passive distribution of information has not proved effective. We need to re-examine the way we communicate our audit selection process and supplement it with a more interactive approach.

***How does the Auditor General distinguish “policy” from “administration”?***

We address administrative matters in our audits but do not deal with issues of public policy. This position is consistent with our legislation and with the legislative auditing community in general. But clearly it is a contentious issue for some, particularly when the line between “policy” and “administration” is open to debate. We understand the potential for confusion. That is why we intend to meet with legislators and Deputy Ministers, to openly discuss the issue and come to a common understanding. And we will consider other, more traditional forms of communicating—setting out our position, perhaps, in a discussion paper or brochure.

***Why is the Auditor General involved in auditing ethical conduct?***

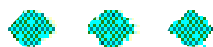
Our role in ethics auditing is to determine whether government is meeting the standards it has set for itself for the proper conduct of government business. There is some confusion, however, as to how our role differs from that of the Conflict of Interest Commissioner and some concern that we will be commenting on political matters. In fact, the standards of ethical conduct which apply to the Province’s 75 MLAs are not within our purview—but they are of interest to the Conflict of Interest Commissioner. Our focus is in determining whether the administrative, financial and operating affairs of public sector organizations are being conducted properly. We need to clarify these and other issues. That is why, as we continue to undertake audits in the area of ethical conduct in the public sector, we will be communicating with legislators and others as to our role and place in ethics auditing.

## Our Performance Measures

Organizations use a range of measures to plan, monitor and evaluate their performance, including inputs, outputs and outcomes. Typically, they encompass aspects such as quality, timeliness, responsiveness and acceptance. Such measures often serve different users. Staff turnover and staff satisfaction, for example, can provide useful information for human resource management. We have such measures in place and report on them under Strategic Direction 4 in Appendix F, “Meeting Our Key Objectives”.

Outcomes are better suited for accountability, allowing an organization to report externally on the impact it is having on its clients. But outcomes are also much more difficult to identify and measure. We know that our outcomes should focus on the two key streams of our work—assurance and advice—and we have therefore concentrated much of our effort here. To some extent, we can determine if our advice is having an impact by following up with government managers to see whether they have implemented our recommendations. (We report on our findings each year in our follow-up reports; we also summarize these and other results in Appendix F of this report.) Determining the impact of our assurance work—whether legislators and the public derive comfort or take action based on the overall assessment we provide of government’s accountability and performance—is more problematic. We can, and have, surveyed MLAs on this issue, but their opinions can vary widely. Reconciling these points of view in a way that helps us develop outcomes associated with our assurance work is difficult to do.

To help us set appropriate performance measures, we are developing a model to illustrate the flow of our work, from its inputs and outputs to its outcomes, and from there to our performance measures. We are also working with other legislative audit offices across Canada to develop meaningful performance measures and a consistent approach to outcome measurement. This work will take time, but should prove useful in identifying measures to evaluate our effectiveness. In the short to medium term, we will look for reliable ways to measure our more immediate impacts or outcomes. Ultimately, however, we seek to contribute to public confidence in the institutions and processes of government, and to improve government’s performance.





our assessment overall



# our assessment overall

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Our review of performance this past year is structured around the four strategic directions of the Office. Below we provide an overall assessment of our performance against each strategic direction; more detailed information about our performance is provided in Appendix F, “Meeting Our Key Objectives.”



## Strategic Direction 1

*To contribute to an effective accountability relationship between government and the Legislative Assembly*

Our efforts continued to be directed to helping improve accountability in the public sector. This past year we worked with the Deputy Ministers’ Council to have published a report on the progress of the government-wide Accountability for Performance initiative. As part of that assessment, we now recognize that our work in gaining acceptance of an accountability framework is an ongoing task and should be pursued on many fronts. For example, within the health sector, we took a proactive approach, providing an assessment of progress at a point in time and guidance with respect to an appropriate governance, accountability and performance structure for the Province’s new regionalized health care system. In a more traditional role, we continued to encourage improvements in the financial accountability of government, focussing on issues such as the financial statements, full accrual accounting and the reporting of public debt. And we took a leading role in working with other legislative auditors to have reporting principles developed that could also serve as the basis for future auditing standards.



## Strategic Direction 2

*To assess whether the accountability information provided by government to the Legislative Assembly and the public is fair and reliable*

We continue to provide the Legislative Assembly and public with credible information as to the fairness and reliability of government’s accountability information. In particular, we fulfilled our responsibility for attesting to the financial statements of government and its organizations, and again reported to the Legislative Assembly on the accuracy and completeness of the information contained in the government’s Debt Statistics Report. The feedback we have received, in consultations with legislators and senior government officials, about the attestation work we do is positive—the assurance we provide is seen to be fair and believable.

Our Memorandum of Understanding with the Minister of Finance and Corporate Relations, now in its third year, is working well. We have developed a good working relationship with the private sector firms. Our role in providing advice in the selection of private sector auditors is, we believe, of benefit to the public sector in general. We are pleased by our success, as the agreement better positions the Auditor General to provide audit services that reflect the interests and responsibilities of legislators.



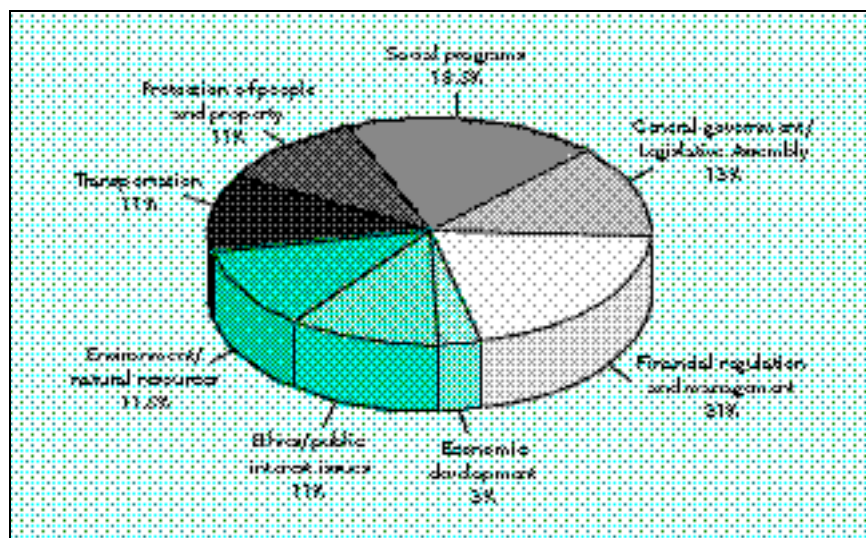
**Strategic Direction 3**

*To assess directly, and provide advice on, government performance as required by the Legislative Assembly and the public*

This year, as we do each year, we provided the Legislative Assembly and the public with direct assessments about the performance of government, including ways to improve management practices. We have been successful in targeting three key areas: government’s operational performance, compliance and ethical performance, and financial performance. Over the last five years, we have—to varying degrees—examined government’s performance in eight functional areas (Exhibit 5). Because of our resource constraints, we ensure we have coverage in areas where government has given high profile or considerable public funds—such as, social programs. This has limited the amount of work we can do in other functional areas. As a result, we

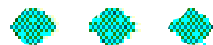
### Exhibit 5

Audit Coverage by the Office of the Auditor General for 1993/94 – 1997/98





are not able to complete the amount of work we believe to be appropriate.



#### Strategic Direction 4

*To ensure the  
Office of the  
Auditor General  
is an effective,  
well-performing  
organization*

We produce good quality assessments and advice, and strive to continuously improve our efficiency. We streamline our work wherever possible so that we can provide the Legislative Assembly and public with greater audit coverage in a more timely fashion. In recent years, for example, we have purchased or updated our computer equipment and software to increase the efficiency of our work.

We use the government's Corporate Human Resources Information and Payroll System to record costs, salaries and related employee benefits. We are phasing out the accounting system that has been in place since 1981, replacing it with the government's Corporate Accounting System. Preparations for this major conversion are well underway. The way we manage our information, selecting and distributing the right information from among a wide variety of sources, has improved across the Office; our information systems and technology are upgraded and enhanced as needed; and the type of information we gather about our administration and management is being redeveloped for more efficient use. At the same time, we are taking steps to ensure staff are well informed about day-to-day matters and involved in the Office's planning process.

Our staff are proud of the work they do, and rightly so. They derive high satisfaction from their work and this is reflected in the low staff turnover we experience. Staff are also offered many training and development opportunities to ensure they have the competence they need to do their work.

Our financial controls operate effectively and we manage within the resources available to us. We continue to have concerns, however, that our resource allocation is controlled by government and not by the Legislative Assembly.

We are working towards a greater degree of accountability, providing the Legislative Assembly with an assessment of our performance relative to our Corporate Plan. This year, we shifted our annual report to a fiscal year reporting period and, in Appendix F, discuss our performance against the key objectives set out in our Corporate Plan. Nevertheless, we need to do more, in particular focussing on the development of performance measures that are meaningful to the Legislative Assembly and public.





# our future direction



## our future direction

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Looking back over the past year, we believe progress has been made in providing the Legislative Assembly and public with the assurance and advice they need.

Much of our work does not change from year to year. Auditing the financial statements of government and its organizations, for example, will always be a part of our business. Other areas will continue to receive our attention as well: environmental matters, for instance, will be a focus of our work, as they are every year.

In the coming year, we will focus on other topical issues that are also of concern to legislators and the public. We will continue our work in auditing the ethical conduct of government—determining whether government has codes established for the proper conduct of public business. As well, we will continue to promote good management practices and accountability for performance across government.

To help us achieve these goals, we will push for a new Auditor General Act. Our present legislation does not provide for the many developments that have occurred in the public sector since the Act was first passed. Twenty years ago, for example, there were no Summary Financial Statements. Professional bodies such as the Public Sector Accounting and Auditing Board, which today provides guidance in financial accounting, reporting and auditing standards, did not exist. And the public's concern about the effectiveness of government's programs was not the issue it is today.

We have dealt with some of the shortcomings of the present Act in a Memorandum of Understanding with government. But there are two problems with this approach: first, the agreement does not address all our concerns, among them the need to enhance the independence of the Auditor General; and, second, while workable, an agreement such as this can also be transient. That is why this coming year we will press government to replace our legislation with a modern Auditor General Act.





# appendices





# appendix a

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## Financial Statements, 1997/98

**These audited financial statements of the Office of the Auditor General of British Columbia were submitted to the Speaker on July 24, 1998.**











## appendix b

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### Presentations by the Office

- *Crown Corporation Governance*, Canadian Evaluation Society, Vancouver, B.C., May 1998.
- *Earthquake Preparedness in British Columbia: How Well Prepared Are Governments Today?*, Institute of Public Administration of Canada, Victoria, B.C., March 1998.
- *Earthquake Preparedness in British Columbia*, Association of Vancouver Island Municipalities, Qualicum Beach, B.C., March 1998.
- *A Positive Role for the Auditor: Adding Credibility to Performance Measurement and Accountability*, presented at the National Summit on Performance-based Accountability in Government, San Antonio, Texas, February 1998.
- *Performance Measurement in Government*, presentation to the Masters in Public Administration Program, University of Victoria, December 1997.
- *The Effectiveness Framework*, a presentation to the BC Childrens' Hospital, Vancouver, B.C., December 1997.
- *The Auditor General's Perspectives on Government Reform*, presentation to the Masters in Business Administration Program, University of Victoria, November 1997.
- *Enhancing Accountability for Performance: An Overview of the Initiative in B.C.*, presentation to the Masters in Public Administration Program, University of Victoria, November 1997.
- *Configuration and Installation of a Firewall*, presented at the USA National State Auditors Association's 17th Annual Peer Conference on Information Technology, Raleigh, North Carolina, October 1997.
- *Accountability in Education*, British Columbia Confederation of Parent Advisory Councils, Vancouver, B.C., October 1997.
- *Ethics and Accountability in the Public Sector*, Financial Executives Institute, Vancouver, B.C., September 1997.
- *Similarities and Differences Between Performance Measurement and Evaluation*, facilitator at the Canadian Evaluation Society's 1997 Annual Conference, Victoria, B.C., September 1997.

- ***Effectiveness Measurement and Reporting***, presentation to the East Kootenay Community Health Care Society, September 1997.
- ***Outcome Measurement***, seminars and workshops for the United Way of Victoria, June 1997.





## appendix c

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### Visitors to the Office

Brian Emmett, Commissioner for the Environment and Sustainable Development, Ottawa

**Mr. Emmett met with senior staff to discuss the Office's interest and direction in environmental auditing. He discussed our interest in adopting a more focussed approach to environmental auditing and provided comments about resource issues, external advisors and joint audits.**

Peter Wilkins, Principal Project Director, Office of the Auditor General of Western Australia

**Western Australia requires government organizations to report publicly on their performance and, in turn, requires the Auditor General to audit the representations. Mr. Wilkins met with staff to discuss his state's experiences with legislated reporting and auditing of performance information.**

Tom Jambrich, Assistant Auditor General, Audit Office of New South Wales

**Mr. Jambrich met with senior staff of the Office to discuss his experience with the ISO 9000 certification, the political vulnerability of the Auditor General's office in the State of Victoria, and the results of a client satisfaction survey carried out by his office.**

Wee-chong Tan, President of the Canadian College for Chinese Studies, and a delegation from the People's Republic of China

**Reverend Dr. Wee-chong Tan and 20 senior officials from various government departments in China wanted to learn about the financial management systems of government and the financial industry in Canada. Senior staff of the Office briefed the delegation about the government structure and processes in place in British Columbia, the work of the Office, and the role of the Select Standing Committee on Public Accounts.**

CCAF International Fellows

**Five members of the CCAF's International Fellowship Program, from Barbados, Indonesia, the Philippines, the Republic of Yemen and Bangladesh, joined the Office for a three-day visit to exchange information about the organization, accountability and work of audit offices. As part of their program, they also visited other offices to learn about the way provincial offices conduct their work.**

Alain-F. Desfossés, Federal Secretary, Task Force Year 2000

**The Task Force Year 2000 is composed of senior executives of firms in Canada's key economic sectors. Mr. Desfossés' visit was part of a cross-country tour to promote the Task Force's report, *A Call for Action*, and to urge all Canadian business leaders, chief executive officers, presidents and business owners to take immediate action to implement a formal plan for Year 2000 preparedness. As part of his tour, Mr. Desfossés met with members of the Office who are monitoring the Year 2000 preparedness of the public sector in British Columbia.**

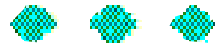


## appendix d

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### Professional Associations of Our Staff

- Canadian Environmental Auditing Association
- Canadian Evaluation Society
- CCAF-FCVI Inc.
- Certified General Accountants Association
- Financial Management Institute of Canada
- Information Systems Audit and Control Association
- Institute of Certified Management Consultants
- Institute of Chartered Accountants
- Institute of Internal Auditors
- Institute of Public Administration of Canada
- Law Society of British Columbia



## appendix e

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### Publications About Our Office

- *Corporate Plan, 1996/97 to 2000/01*
- *Auditing for Better Public Sector Accountability and Performance*
- *Our Commitment to Service*
- *A Guide to the Appointment of Auditors of Government Organizations*
- *Auditing for Better Public Sector Accountability and Performance—A Description of Our Financial Audit Work*
- *Auditing for Better Public Sector Accountability and Performance—A Description of Our Performance Audit Work*
- *Auditing for Better Public Sector Accountability and Performance—A Description of Our Compliance Audit Work*

Please contact this Office if you wish to receive one of these publications or check our homepage address at <http://www.oag.bc.ca/>



## appendix f

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### Meeting Our Key Objectives

In the section below, we describe in greater detail our performance against the key objectives established for each of our strategic directions.

#### Strategic Direction 1:

*To contribute to an effective accountability relationship between government and the Legislative Assembly*

#### Objective 1:

*To have accountability principles and an accountability framework developed that are accepted by Members of the Legislative Assembly and by government*

### A Comprehensive Accountability Framework

In 1996 we developed, with the Deputy Ministers' Council, an accountability framework to guide government organizations in reporting publicly on key aspects of their operational performance, compliance and ethical performance, and financial performance. The framework is set out in the report, *Enhancing Accountability for Performance: A Framework and an Implementation Plan*, issued jointly with the council.

Since our 1996 joint report was issued, membership on the council has changed frequently and, as a result, new members are not as familiar with the framework or its intent. We have learned that gaining and sustaining acceptance of the framework among senior government officials is a recurring task—one that will require our ongoing commitment and leadership. And while we have always valued the non-partisan nature of our work with the council, we believe it is time to seek greater support from elected officials.

Among legislators, members of the Select Standing Committee on Public Accounts have endorsed the principles underlying the accountability framework. (The principles, set out in the committee's report to the Legislative Assembly, are reproduced at Exhibit 6.) Several legislators have used the framework in debating the government's Estimates to discuss the costs and intended results of government programs. However, acceptance of the framework among the broader legislative community in British Columbia is uncertain.

## Exhibit 6

### Principles for Accountability

In its report to the Legislative Assembly, the Select Standing Committee on Public Accounts endorsed the following principles underlying the accountability framework. They are:

- *Governments have an obligation to measure and report publicly on all aspects of their performance.*
- *Governments should measure and report on three key elements: operational performance, financial performance, and compliance and ethical performance.*
- *Legislators and the public should be informed about the outcomes that government is seeking—that is, the impact which government intends its policies and programs to have on the lives of its citizens.*
- *Legislators and the public should have information to judge what government has achieved compared to what it intended.*
- *The way in which results are achieved is important information for legislators and the public. The Assembly should know whether government is complying with legislation governing its activities, is meeting the standards of conduct expected by the public, and is conducting its affairs fairly and honestly.*
- *Results should be understood in the context of the government's capacity to repeat or improve upon its performance in the future.*
- *Accountability to the Legislative Assembly and the people is required at two levels: from government's organizations—its ministries and Crown corporations—and from government as a whole, including its sectors.*

### Governance and Accountability in the Health Sector

**In British Columbia, responsibility for health care services has been transferred to regional health boards and community health services societies, as well as to a number of community health councils. With this transfer, health authorities now have responsibility for about \$4 billion of annual expenditures—more than half of the total health care budget of the Province.**

**Clearly a transfer of responsibility of this magnitude is a significant undertaking and it is critical that an appropriate governance and accountability structure be in place. Such a structure must ensure that all parties fully understand their new roles and responsibilities, and that they are accountable to government for their performance. And no matter how government organizations are structured or funded, the government remains accountable for them to the Legislative Assembly.**

**To help ensure this accountability takes place, we assessed the mechanisms the Ministry of Health has in place to achieve effective governance and accountability for performance. Our report, *A Review of Governance and Accountability in the Regionalization of Health Services*, provides an assessment of progress at a point in time and**

clear guidance for the Ministry of Health as it develops the governance, accountability and performance structures of the Province's regionalized health care system.

## Improving the Financial Accountability of Government

In concentrating on the broader issues of accountability and governance, we have not lost sight of the need to promote better financial accountability, particularly in the way government reports on its finances. As we have done in previous years, we examined the government's primary financial accountability report, the Public Accounts, and commented on such critical issues as full accrual accounting and the reporting of the provincial debt.

### *The Province's Public Accounts*

The Public Accounts are the documents by which government accounts for its financial activities. Volume 1, the Annual Report, contains the Summary Financial Statements of the government, and as such provides information about the financial affairs and resources of the government as a whole. The Consolidated Revenue Fund (CRF) Financial Statements are contained in Volume 2. These statements account for the financial activities of central government—its ministries, special offices and other appropriations.

Much of our interest in the Public Accounts centres on improving the financial accountability of government to the Legislative Assembly.

We continue to press for improvements in this area. For example, legislators may not be aware that many of the significant financial activities of the Province are not covered in the CRF financial statements, but rather in the Summary Financial Statements. To simplify matters, we are encouraging government to refer only to its Summary Financial Statements when reporting externally. Further, we remain very concerned that organizations in the health and education sectors are not included in the Summary Financial Statements to show the full scope of activity for which government is responsible.

### *The Summary Financial Statements of Government*

The Summary Financial Statements disclose financial information not only about the operations of the central government, but also about other entities that are accountable to the legislature or a minister of the government and are owned or controlled by the government. We believe that if the Assembly and public are to have a good understanding of

government's financial performance overall, entities such as school districts, health care organizations, universities and colleges should be included in the financial statements. After years of consideration and discussion with our Office, we were pleased to see that the government had chosen to include health care and educational bodies in its 1995/96 Summary Financial Statements.

In 1996/97, however, the public health care and educational bodies were excluded from the Summary Financial Statements and the capitalization of roads, bridges and land held by the Consolidated Revenue Fund was postponed. As a consequence, the Auditor General qualified his report on the government's Summary Financial Statements, concluding that they were incomplete. Nevertheless, we are pleased to report that government is working closely with us to develop a strategy to resolve this issue.

### *Full Accrual Accounting*

Over the past several years, we have encouraged government to move to a full accrual basis of accounting: capitalizing the costs of physical assets and amortizing them over their useful lives (rather than charging all costs in the year of acquisition). Such a move would mean that program costs—both capital and operating—would be charged to government programs on an annual basis, thereby allowing legislators and the public to determine the full costs of a program in any given year. Last year the government set out a formal plan of action in support of this, but the move from an “expenditure” to an “expense” basis of accounting is slow. We continue to believe full accrual accounting is important and, in the interim, we urge a speedier transition to take place.

### *Reporting Provincial Debt*

In the interest of improved accountability, we have contended that if information about the Province's debt were better reported, the public would better understand provincial borrowing and how it affects them. Several of our recommendations for improving the reporting of debt information were accepted when the government introduced the Debt Management Plan in its 1995 budget.

In 1997, the plan was replaced with a Financial Management Plan. This new plan, we believe, does not provide legislators with a good basis for an effective measure of performance. Consequently, we will encourage government to provide the Assembly with goals and benchmarks that are measurable and relate to the financial condition of the Province.



**Strategic Direction 1:**

*To contribute to an effective accountability relationship between government and the Legislative Assembly*

**Objective 2:**

*To have the accepted accountability principles and framework implemented by the Legislative Assembly and by government*

## Progress Report on the Accountability Framework

As an Office, our motivation is to encourage an effective accountability relationship between government and the Legislative Assembly. A key to achieving this is, we believe, to enhance the nature and quality of the information that is provided to the Assembly. In working with the Deputy Ministers' Council, we were able to gain its commitment to implementing the accountability framework we developed jointly. The framework provides government organizations with guidance in reporting publicly on key aspects of their performance, focussing on their plans and actual results.

We collaborated, this past year, with the Deputy Ministers' Council in issuing a progress report on the *Accountability for Performance* initiative. The report, *Enhancing Accountability for Performance in the British Columbia Public Sector: A Progress Report to the Legislative Assembly*, sets out the Council's assessment of its progress in carrying out key aspects of its implementation plan. Progress in the public reporting of plans and results—an area in which we have a particular interest—was disappointing, however. Consequently, over the coming year, we will consider other avenues to achieve greater public reporting, such as legislation or more direct support from elected officials.

## Advising on Implementation of the Framework

Implementation of the accountability framework is the responsibility of government, but we also try, wherever possible, to encourage government and its organizations to adopt the framework. Our greatest success comes when we are able to offer advice or assistance on issues of improved accountability.

This past year, for example, we accepted a request from the management of the Workers' Compensation Board to assess the accountability information it provides to its governing body and the public. This engagement also gave us an opportunity to test the concepts of the accountability framework in a practical setting. The result of our efforts was a success. Not only did the framework pass the test, but the

board has since developed a comprehensive plan to address our recommendations. One recommendation in particular—providing clearer strategic objectives in the annual report—has already been acted on.

**Strategic Direction 1:**

*To contribute to an effective accountability relationship between government and the Legislative Assembly*

**Objective 3:**

*To have legislation enacted requiring the Auditor General to report on accountability information included in the accountability principles and framework*

Many significant developments have taken place in public sector accountability over the past years, but these developments are not reflected in our current legislation. We have proposed a number of revisions to the Auditor General Act, which the government is reviewing. In the interim, we have been able to proceed with certain of the provisions contained in our draft legislation through a Memorandum of Understanding with the Minister of Finance and Corporate Relations. While this agreement gives us a greater ability to audit or oversee the audit of the financial statements of government and its related organizations, it does not have the weight of legislation. Hence, we will continue to push for a new Auditor General Act.

**Strategic Direction 1:**

*To contribute to an effective accountability relationship between government and the Legislative Assembly*

**Objective 4:**

*To have generally accepted, comprehensive accountability principles for governments across Canada*

## Public Sector Accountability Principles

Many jurisdictions, in Canada and elsewhere, are calling on governments to report publicly on their plans and actual results for the key aspects of their performance: operational, compliance and financial. This also has an impact on the legislative auditor, whose role is to assess whether the information that government provides is appropriate and reliable. In assessing financial information, legislative auditors are guided by generally accepted accounting principles, but no such guidelines exist for assessing information about other aspects of performance.

To address this issue, the Canadian Conference of Legislative Auditors, an association of federal and provincial auditors general, established a study group to begin work on developing public sector accountability principles that could be supported nationally. These principles may also provide a basis on which standards for performance reporting and auditing in the public sector could be developed. The study group, chaired by our Office, reached consensus on several fundamental accountability reporting concepts. Research is now underway by the CCAF-FCVI Inc. (formerly the Canadian Comprehensive Auditing Foundation), using the work of the study group.

## Public Sector Financial Reporting

The Public Sector Accounting and Auditing Board (PSAAB) was formed in 1981 by the Canadian Institute of Chartered Accountants to develop, recommend and gain acceptance of financial accounting, reporting and auditing standards for the public sector. The board's goals are to improve accountability in the public sector and encourage harmonization of financial reporting and the provision of better information for government decision-making.

The board continues to have a positive impact on government financial reporting in Canada and we actively support it in its work. Our Office takes part in the committee work of the board, and has assumed an "associates" role, commenting on statements of principles and proposed standards as they are being developed. We also work with the legislative audit community at the national level to bring about acceptance of PSAAB standards and a consistency in approach with respect to unresolved issues.

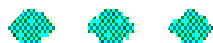
### Strategic Direction 1: Reports of the Office, 1997/98

*A Review of Governance and Accountability in the Regionalization of Health Services, March 1998*

*Report on the Public Accounts, February 1998, including:*

- "Improved Accountability Through Better Information;"
- "Provincial Debt: Comments on Its Reporting;" and
- "Financial Highlights."

*Enhancing Accountability for Performance in the British Columbia Public Sector: A Progress Report to the Legislative Assembly, Spring 1997, released in January 1998*



**Strategic Direction 2:**

*To assess whether the accountability information provided by government to the Legislative Assembly and the public is fair and reliable*

**Objective 1:**

*To continue to attest to the fairness and reliability of government's accountability information*

## Attesting to the Financial Statements of Government

Most of the information that government provides and to which we can attest on a regular basis consists of financial information (such as financial statements and debt statistics). As a result, the bulk of the attestation work we do relates to the financial statements of government.

As in previous years, the Auditor General provided audit opinions on the Summary Financial Statements of the Province—the most complete information government provides about its operating results and financial position—and on the Consolidated Revenue Fund Financial Statements, special-purpose fund statements covering central government only. His opinions as to the fairness and reliability of these statements are included in the government's 1996/97 Public Accounts.

## Attesting to the Financial Statements of Government Organizations

The Auditor General is the appointed auditor of several Crown corporations and other government organizations. The financial statements of the remaining government organizations are audited by private sector auditors (Exhibit 7).

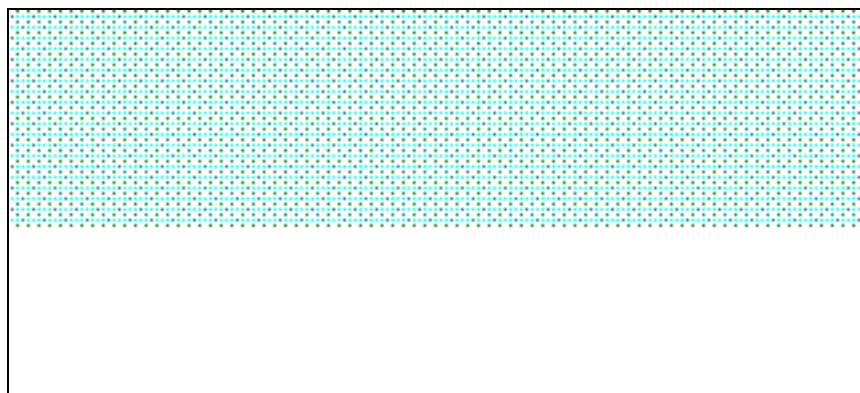
In 1997/98, the Auditor General conducted approximately 25% of the audits that are carried out in the provincial public sector; only two audits (1%) were done on an agency basis, where the Auditor General is the appointed auditor and uses private sector firms to do the work. The remaining audits were conducted by private sector auditors, but we selectively reviewed their working papers to meet our professional obligations in providing an opinion on the Summary Financial Statements of the Province.

Regardless of which entities he is responsible for auditing, the Auditor General must be in a position to provide audit services that span the spectrum of legislators' interests and responsibilities. A Memorandum of Understanding with the

## Exhibit 7

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### Division of Audit Responsibilities in 1997/98 (Number of Financial Statement Audit Opinions)



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**Minister of Finance and Corporate Relations recognizes the Auditor General's overall responsibility for audits conducted by private sector firms of organizations that are within the government's financial reporting entity. It also provides a mechanism for periodically changing those audits that the Auditor General carries out directly.**

Over the first two years of the agreement, the Auditor General accepted three audits from the private sector and, in turn, released five audits to them. In 1997/98, we also acquired the following audits not contemplated by the original implementation plan:

- Victoria Line Ltd. (being wound up);
- seven Community Health Services Societies;
- 552513 British Columbia Ltd. (the company holding shares of Skeena Cellulose Inc.);
- Fisheries Renewal BC;
- Technical University of British Columbia; and
- Tourism B.C.

In 1998/99, the third year of the memorandum, we plan to release to the private sector the audits of the Legal Services Society, six of the seven Community Health Services Societies, Simon Fraser University, the University of Northern British Columbia and the University of Victoria.

**Strategic Direction 2:**

*To assess whether the accountability information provided by government to the Legislative Assembly and the public is fair and reliable*

**Objective 2:**

*As government provides more complete accountability information, as set out in the accountability principles and framework, to attest to the fairness and reliability of that information*

## Attesting to the Government's Debt Statistics Report

The government first issued a Debt Management Plan in 1995, and asked the Auditor General to provide the Legislative Assembly with an opinion on the accuracy and completeness of the report card government would provide each year. For the last three years, we have provided an auditor's report on the accuracy of the information included in three statements published by government in its Debt Statistics Report. These three statements are titled *Summary of Provincial Net Debt*, *Key Indicators of Provincial Debt*, and *Summary of Key Benchmarks*. We also make specific suggestions each year in our Report on the Public Accounts as to how the government can enhance the public's understanding of its plan to manage its debt.

In 1997, the Debt Management Plan was replaced with a Financial Management Plan. As requested by the Minister of Finance and Corporate Relations, we will provide an audit opinion on the benchmarks and other information contained in the new plan.

## Attesting to Other Management Assertions

Apart from financial information, government generally does not provide comprehensive information about its performance that we can audit using an attestation approach. To assess its operational and compliance and ethical performance, we carry out direct audits—that is, gathering management information about government's performance directly, and including our assessment of it in our audit reports.

This year, however, we were able to use the attestation approach to determine what action had been taken on the recommendations we made in eight earlier direct audit reports. We asked management to provide us with written reports describing the action taken in response to our recommendations, and we concluded from this review

that the information provided was presented fairly, in all significant respects. Such follow-up is an important aspect of the accountability process, as it holds those who conduct public business accountable for the prudent and effective management of the resources entrusted to them.

**Strategic Direction 2:**

*To assess whether the accountability information provided by government to the Legislative Assembly and the public is fair and reliable*

**Objective 3:**

*Ultimately, to attest to the fairness and reliability of the full range of accountability information that government provides under the accountability principles and framework*

This is a long-term objective for the Office. It will take time before government publishes comprehensive information, such as that recommended in the accountability framework. Once this occurs, we will report on our success in attesting to the fairness and reliability of the accountability information that government provides.

**Strategic Direction 2:**

*To assess whether the accountability information provided by government to the Legislative Assembly and the public is fair and reliable*

**Objective 4:**

*To have auditing standards that are generally accepted across Canada for auditing government representations on the full range of accountability information*

We believe it would be useful to have consistent standards across Canada for auditing the information that governments will provide on their operational, compliance and ethical performance. To that end, we have been leading a group from the legislative auditing community on the issue of public sector accountability. Jurisdictions that now are auditing performance information have shared their approaches, such as staging the level of audit assurance over time, and have raised some of the technical issues involved. This is useful information, giving us an opportunity to learn from others as we develop our own approach for the British Columbia public sector.

## Strategic Direction 2: Reports of the Office, 1997/98

The Auditor General attested to the fairness and reliability of:

- the Summary Financial Statements of the Province;
- the Consolidated Revenue Fund Financial Statements; and
- the Debt Statistics Report.

The Auditor General also audited the financial statements of 63 other organizations with assets and expenses of \$78.4 billion and \$37.9 billion, respectively. These include organizations as diverse as British Columbia's universities, the Workers' Compensation Board, Forest Renewal BC, pension plans and investment funds.

The Auditor General reported on this and listed all the organizations he audited in his *Report on the 1996/97 Public Accounts*, released in February 1998.

The Auditor General also attested to the fairness and reliability of management assertions in:

- *Follow-up of Performance Audits Issued November 1993 to December 1995, July 1997*



## Strategic Direction 3:

*To assess directly, and provide advice on, government performance as required by the Legislative Assembly and the public*

### Objective 1:

*To continue to assess and report directly on those aspects of government's performance where the accountability information provided by government to the Legislative Assembly is incomplete*

**In providing our assessments, we want to ensure that the Legislative Assembly and the public receive a broad representation of government's performance overall. Therefore, we are careful in selecting our audits to ensure that we can give coverage in three key areas: government's operational performance, its financial performance, and its compliance and ethical performance.**

**In 1997/98 we assessed and reported on the following:**

#### ***Government's Operational Performance:***

- **Earthquake Preparedness, Ministry of Attorney General**
- **BC Transit: Its Success as a Market-focused Organization**
- **BC Transit: Managing Operator Productivity**
- **Executive Severance Practices, Government Ministries and Crown Corporations**



- Management of Travel, Ministry of Finance and Corporate Relations

*Government's Financial Performance*, focussing on its financial controls:

- New Corporate Accounting System: Update
- Government Financial and Other Information Systems, and the Year 2000 Deadline
- Corporate Human Resource Information and Payroll System
- Forest Credit Management Review

*Government's Compliance and Ethical Performance:*

- Loss Reporting in Government
- Waste Management Permit Fees
- Motor Dealer Act
- Privacy – Collection of Personal Information by the Ministry of Health
- Ethics Codes in the Public Sector

We also carry out other projects that are of immediate public interest and relevance. This past year, we submitted our report, *Members' Office Mail: Liberal Caucus January 1997 Province-wide Mailing*, to the Speaker of the Legislative Assembly in his capacity as Chair of the Legislative Assembly Management Committee. It was prepared in response to a request from the Leader of the Official Opposition and because of the high public interest that was shown in the matter.

In selecting our audits, we balance a number of other considerations as well, among them:

- the organization structure in place for delivering programs and services—whether the organization is a ministry, Crown corporation or publicly funded agency, for example;
- the type of program delivered—social programs, transportation, the environment and natural resources, for instance;
- the way programs are delivered—whether they are delivered by all government organizations, delivered by only a few, or delivered by a third party; and
- the degree of relevance and significance involved—this could include issues of high public interest and priority, or could include programs or organizations that receive substantial public funding.

Over the last five years, we have examined government's performance in eight functional areas: financial regulation and management; economic development; ethics/public interest issues; environment/natural resources; transportation; protection of people and property; social programs; and general government/Legislative Assembly. Because of our resource constraints, our effort was concentrated on areas where government gives high priority or considerable public funds, such as social programs. As a result, we have not been able to give the same attention to other functional areas of government. We have, as well, reluctantly adopted a longer cyclical coverage of government than we think is desirable.

### Strategic Direction 3:

*To assess directly, and provide advice on, government performance as required by the Legislative Assembly and the public*

### Objective 2:

*As more complete accountability information is reported to the Legislative Assembly, to reorient the focus of direct reporting audits to improving government performance by providing advice in problem areas*

We expect considerable time will pass before governments, generally, are providing the kind of comprehensive information needed to judge their performance fairly. In the interim, we are taking more direct steps to help government managers improve their performance by responding, when appropriate, to their requests for assistance in problem areas.

Clearly, our past achievements have earned us the trust and confidence of those who rely on us and benefit from our work. As a result, we are being asked to carry out independent assessments of issues facing public sector organizations. Our first such request came in 1996/97 when the Legal Services Society and the Ministry of Attorney General asked us to review 13 specific issues relating to the society's mandate, the accountability relationship between the ministry and the society, and the finances and general control processes in the society. The Legal Services Society accepted our recommendations and, for the 1998/99 fiscal year, has developed a business plan which includes corporate goals and key results.

Our report, *Legal Services Society Management Review*, issued in December 1996, is summarized in our Report on the 1996/97 Public Accounts. We have since conducted six management reviews for other government organizations.

### Strategic Direction 3: Reports of the Office, 1997/98

#### Direct audit reports

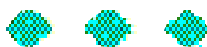
*Loss Reporting in Government*, March 1998  
*Waste Management Permit Fees*, March 1998  
*Motor Dealer Act*, March 1998  
*New Corporate Accounting System: Update*, February 1998  
*Government Financial and Other Information Systems, and the Year 2000 Deadline*, February 1998  
*Corporate Human Resource Information and Payroll System*, February 1998  
*Forest Credit Management Review*, February 1998  
*Earthquake Preparedness Summary, Ministry of the Attorney General*, November 1997  
*Earthquake Preparedness, Ministry of the Attorney General*, November 1997  
*BC Transit: Its Success as a Market-focused Organization*, June 1997  
*BC Transit: Managing Operator Productivity*, June 1997  
*Privacy—Collection of Personal Information by the Ministry of Health*, June 1997  
*Ethics Codes in the Public Sector*, June 1997  
*Status of Public Accounts Committee Recommendations Relating to Prior Years' Compliance Audits*, June 1997  
*Executive Severance Practices: Government Ministries and Crown Corporations*, April 1997  
*Management of Travel, Ministry of Finance and Corporate Relations*, April 1997

#### Special reports

*Members' Office Mail: Liberal Caucus January 1997 Province-wide Mailing*, July 1997

#### Management advisory reports

*Forest Worker Employment and Training Program, Central Interior Logging Association Contract*, Report to the Management Committee of Forest Renewal BC, March 1998  
*Workforce Activity Area*, Forest Renewal BC, September 1997  
*Comparison of Accreditation Standards to Accountability Framework*, Report to the Minister for Children and Families, February 1998  
*Workers' Compensation Board of BC—Accountability Reporting Review*, January 1998  
*Contingent Costs*, Report for the British Columbia Transportation Financing Authority, December 1997  
*Capital Versus Expense Issue*, Report for the British Columbia Transportation Financing Authority, November 1997  
*Amortization Policies*, Report for the British Columbia Transportation Financing Authority, November 1997



#### Strategic Direction 4:

*To ensure the Office of the Auditor General is an effective, well-performing organization*

#### Objective 1:

*To provide quality assessments and advice, efficiently produced, that lead to improved government accountability and performance*

**This objective focusses on how well we have done our job in terms of the acceptance of our work, its timeliness, efficiency, responsiveness and quality. The way we manage our information, including the investments we make in information systems and technology, is a key factor in our ability to provide quality assessments and advice. We elaborate on these issues below.**

### Acceptance of Our Work

**An important indicator of the acceptance of our work is the value that legislators and government managers place on our services. One way we determine this is to assess whether the recommendations we provide are acted on within a reasonable period. As we found in our review this past year, many of our recommendations have been acted on, but progress has also been slow in certain areas. (More specific information is available in our follow-up reports.)**

**A second but more costly way to determine the degree to which our work is accepted is to survey those who rely on our work. This past year, we arranged for an independent consultant to meet with MLAs and senior government officials. Overall, the Office received high marks: those interviewed are supportive of our work and generally feel that our role is appropriate.**

#### Assessing the Impact of Our Work: Follow-up Reports of the Office

- *Report on the 1996/97 Public Accounts: Update Responses to Last Year's Internal Control and Other Reviews, February 1998*
- *Status of Public Accounts Committee's Recommendations Relating to Prior Years' Compliance Audits, June 1997*
- *Follow-up of Performance Audits Issued November 1993 to December 1995, July 1997*

## Timeliness of Our Work

The Public Accounts of the Province is one of the most important financial accountability documents prepared by government. We provide the public and Legislative Assembly with assurance that the information contained in the Public Accounts is fair and reliable. To ensure the Assembly receives this information on a timely basis, we aim to issue our Report on the Public Accounts within one month of the government's release of the Public Accounts.

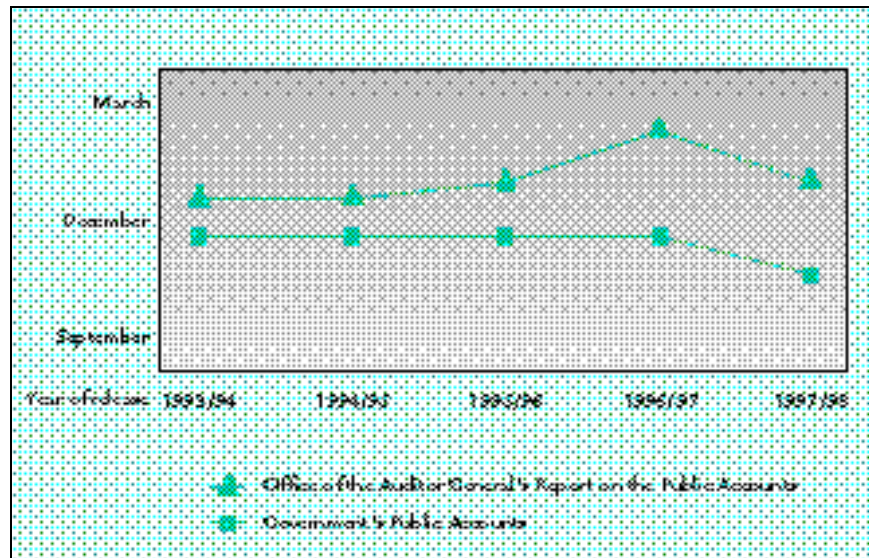
Until recently, we have successfully met this objective (Exhibit 8). However, because of our heavy involvement in other work these past two years, we were not able to release our Report on the Public Accounts as intended.

## Efficiency of Our Work

We strive to continuously improve the efficiency of our work. Although we plan and budget for our audit work, it is not always possible at the planning stage to identify fully the scope of the audit or the complexity of the program area. Our findings can also have a significant impact on the time taken to complete an audit, particularly if discussions with government managers become protracted.

### Exhibit 8

#### Release of the Office's Report on the Public Accounts



We try hard to balance efficiency and quality in the conduct of our audits, but ultimately they must be complete and reliable. And they must withstand close scrutiny and examination by government and the Legislative Assembly.

## Responsiveness

Much of our effort to bring about improved accountability and performance across government depends on the cooperation and mutual respect of legislators and senior government officials. A key determinant of our success is the degree to which we are perceived to be honest and forthright in our dealings, and willing to consider and respond to comments, suggestions or queries. The results of our external assessment indicate that we have done well in this area, approaching our work in a fair and constructive way.

Where necessary, we also carry out special projects that are of high public interest and immediate relevance. For example, the findings of one such project, requested by the Leader of the Official Opposition, are contained in our report, *Members' Office Mail: Liberal Caucus January 1997 Province-wide Mailing*. It was submitted to the Speaker of the Legislative Assembly in his capacity as Chair of the Legislative Assembly Management Committee.

## The Quality of Our Work

We conduct our audits according to the professional standards set by the Canadian Institute of Chartered Accountants. Periodically, we are subject to an external review to assess the quality of our work. The last such review was conducted in 1996 by the Institute of Chartered Accountants of British Columbia.

Internally, our audit work is reviewed and challenged by senior staff before it is further challenged by those government officials having responsibility for the program area we audited. The critical and constructive comments we receive help us produce reports that are fair and reliable. The audit processes we follow are also designed to ensure adherence to professional standards.

## Providing Access to the Information We Need

We distinguish between the collection and creation of information useful to the audit process and the technological enhancements that facilitate our use of that information. The former can improve effectiveness and quality in decision-making; the latter relates almost exclusively to improving efficiencies.

***Our Information Management:*** Auditing is a knowledge-based activity, generating reports and opinions that are informed from a wide variety of sources. To help in selecting the right information from the growing tide of paper publications and electronic sources, we are assisted by a research specialist. This assistance has proved invaluable as we focus increased attention on the quality and relevance of the information we use.

***Our Information Systems and Technology:*** We undertook several initiatives to improve the quality and accessibility of our operational and administrative information. A significant development for the Office has been our project costing system. Rather than wait for the completion of the government-wide project costing system, a module of its CAS/Walker system, we initiated our own major systems development. This should bring improved accuracy, reliability and timeliness to the administrative information we collect and will significantly enhance our reporting capability.

In addition to this work, we are also developing an internal Intranet service, and improving our external Internet homepage. The computers and software products we use have been upgraded where necessary, and we have taken steps to enhance the security and integrity of our electronic data and information.

**Strategic Direction 4:**

*To ensure the Office of the Auditor General is an effective, well-performing organization*

**(New) Objective 2:**

*To ensure staff are qualified, current in their training and motivated to succeed*

## Training and Professional Development

We believe that qualified and knowledgeable staff are critical to our ability to deliver quality assessments efficiently. With the rapidly changing environment in which we work, there is a continual need to keep staff abreast of auditing and accounting developments.

This past year, various staff members attended 41 external courses and conferences and 10 internal training programs. Included in these training programs was a two-day review of the CICA handbook (technical upgrading for accountants), a survey methodology workshop, a qualitative data analysis program, and auditing standards and audit methodology workshops. On average, each staff member received 17.55 hours of formal training or development.

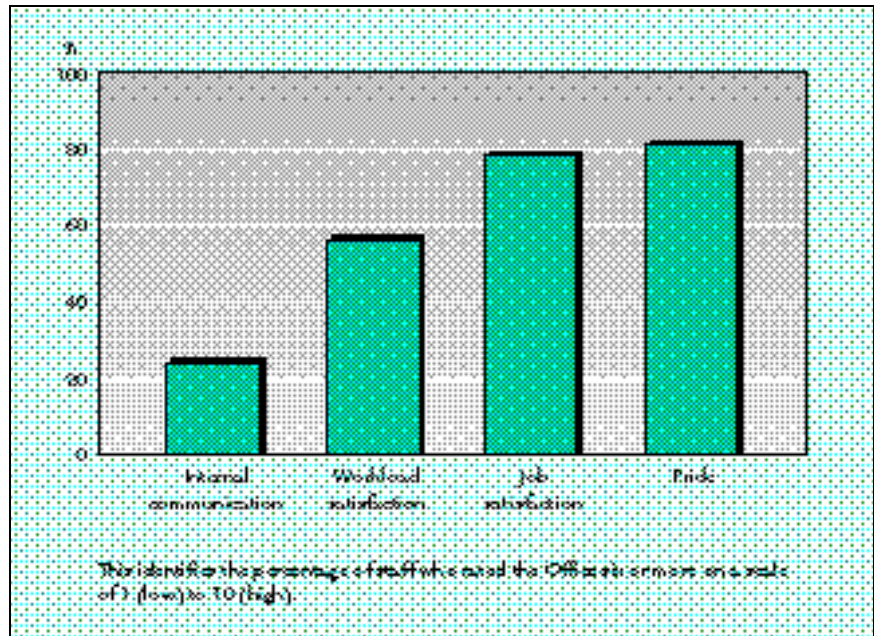
## Staff Satisfaction

Last fall, as part of our formal review of the Office's Corporate Plan, we carried out an internal assessment of employee attitudes and beliefs about their working environment. Eighty-seven percent of staff participated in this assessment, through focus groups, one-on-one interviews and surveys. Exhibit 9 illustrates the percentage of staff who, on a scale of 1 (low) to 10 (high), rated the Office six or higher.

The results identified a very high job satisfaction rate among staff, as well as a high degree of pride in the work. Less positively, the assessment also confirmed the need to improve communication throughout the Office. Several initiatives have since been implemented to address this, including quarterly all-staff meetings and, following the release of each of our audit reports, a "meet the author" session. The Office has also instituted more liberal access to office planning materials and has made visible efforts to encourage a culture that more openly shares information.

### Exhibit 9

#### Results of the 1997 Internal Assessment





## Communicating Management Direction

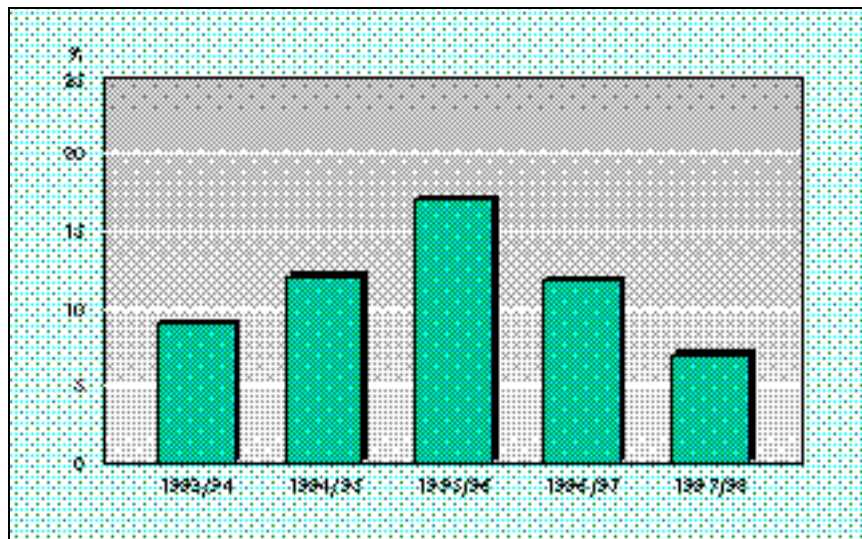
As a result of the internal assessment, we know we need to do more in communicating to staff about the future direction of the Office. Since the assessment was completed, we have involved virtually all staff in a day-long planning session and in focus group discussions, the result of which was a report to the executive of the Office. The results achieved thus far, in involving staff and exchanging ideas, have been very satisfying and we intend to continue with these discussions.

## Staff Retention and Turnover

Staff turnover this past year reached the lowest level in the past five years, at 7.1% (Exhibit 10). Of the 15 staff who ended their employment term during the 1997/98 year, eight were auxiliary employees whose work terms were completed.

### Exhibit 10

Staff Turnover, 1993/94 to 1997/98



**Strategic Direction 4:**

*To ensure the Office of the Auditor General is an effective, well-performing organization*

**Objective 3:**

*To conduct our work in a manner that meets public and professional standards of conduct*

The public has a right to expect high standards of professionalism from our staff. Professionalism includes such considerations as ethics, confidentiality, independence, objectivity and competence. These standards apply to all staff of the Office, and we take several actions to ensure compliance. In late 1997, the government issued a revised Standards of Conduct policy, expanding and clarifying the responsibilities of public servants so that public expectations of ethical standards are met. We accepted these standards for our Office. As part of our Employee Orientation Program, we ensure that new staff fully understand this policy and its link to the Oath of Employment. We strengthen this understanding each year by requiring staff to sign a Declaration of Professionalism and Confidentiality, thereby reaffirming their commitment to the high standards of professionalism expected of them. Finally, the Office has appointed an internal Ethics Advisor so that staff can seek clarification of the policy or other ethical issues.

**Strategic Direction 4:**

*To ensure the Office of the Auditor General is an effective, well-performing organization*

**Objective 4:**

*To manage our financial affairs responsibly, with integrity, and using sound financial controls*

Funding for the Office is provided each year by a “Vote” of the Legislative Assembly. Although the Auditor General is independent of government, the budget process we must follow is not. Our request for funding is first submitted to Treasury Board, which decides how much of our request the Minister of Finance and Corporate Relations will include in the annual Estimates and Budget presented to the Assembly. For several fiscal years, including 1997/98, the funding provided for the Office has not met the minimum amount we have requested of Treasury Board.

For the 1997/98 fiscal year, the Legislative Assembly passed Vote 2, providing the Office with \$6,875,000 for our operations. Later, in support of the government’s deficit

reduction program across the public sector, we voluntarily reduced this amount by \$34,000. With careful fiscal management, we were able to live within our expenditure limits. (The Office's audited financial statements are in Appendix A.)

All government organizations, except central government, pay audit fees to their private sector auditors. As part of our agreement with the Minister of Finance and Corporate Relations, we too are charging these organizations market rates for the audits we do of their financial statements. The fees we charge are used to cover the costs of incurring these audits. We have begun, as well, to bill for other audit-related services, such as management reviews or advice, that do not directly benefit the Legislative Assembly.

Throughout 1997/98, the Office averaged 88 staff, but this was supplemented with uncompensated overtime hours—to the equivalent of another seven employees. To recognize staff for their impressive effort, we instituted a limited flex-day policy, comparable to that offered across government.

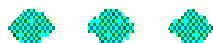
#### Strategic Direction 4:

*To ensure the Office of the Auditor General is an effective, well-performing organization*

#### Objective 5:

*To develop and maintain appropriate accountability reporting by the Office.*

Appropriate accountability reporting—whether it comes from government organizations or from independent offices such as ours—should explain what was achieved compared to what was planned. The accountability framework we developed with the Deputy Ministers' Council provides good guidance in this area. Rather than reporting on activities, as we have done in the past, we are shifting our annual report to an accountability document—linking what we have done over the year to the strategic directions and key objectives of our Corporate Plan. But we are not yet there. We need to proceed with our operating plan, setting out our performance targets for the year; we need to develop performance measures that are meaningful to the Assembly and the public; and we need to ensure that the data to support these measures are available and cost-effective to collect. As we refine our accountability reporting each year, the Assembly should expect to see steady improvements in the information it receives about our Office.



## appendix g

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### Glossary

#### Auditing

An examination of evidential matter to determine the reliability of a record or assertion or to evaluate compliance with rules or policies or with conditions of an agreement. In an audit engagement, a high, though not absolute, level of assurance is provided. A high level of assurance refers to the highest *reasonable* level of assurance that can be provided concerning a subject matter

#### Functions of Government

As defined by our Office, these include:

- social programs such as health, social services and education;
- protection of people and property;
- transportation;
- environment/natural resources;
- ethics/public interest issues;
- economic development;
- financial regulation and management; and
- general government/Legislative Assembly.

#### Government Reporting Entity

A term used to describe the full extent of those organizations whose financial performance should be included in the Summary Financial Statements of the Province. The Summary Financial Statements are the principal means of communicating financial information about the performance of government as a whole to a variety of users. Therefore, the government reporting entity encompasses those organizations which are accountable to the government and which the government owns or controls.

#### Performance

Defined according to three key elements:

- (1) Operational performance—Sometimes called organizational and program performance, this refers to government's responsibility for achieving what it intends to achieve, at a reasonable cost. The programs

and services it delivers should be relevant, effective, efficient and economical.

- (2) **Financial performance**—This refers to government’s responsibility for achieving its financial objectives and managing its affairs according to sound financial controls.
- (3) **Compliance and ethical performance**—This refers to government’s responsibility for ensuring compliance with legislation and related authorities governing its activities, and meeting the standards established for the proper conduct of public business.

## Public Accounts

The documents by which the government accounts for its financial activities. They contain the financial statements and other information that the government is required to include in the publication. The Public Accounts for the 1996/97 fiscal year were published in three volumes, November 30, 1997:

- **Volume 1, titled Annual Report, provides an overview of provincial financial reporting. It also includes the audited Summary Financial Statements of the Province, providing information on the financial affairs and resources for which the government is responsible;**
- **Volume 2, titled Financial Statements and Schedules of the Consolidated Revenue Fund, is intended to serve as the government’s accountability report to the legislature on revenues raised and expenditures made as authorized by the Supply Act and other statutory spending authorities; and**
- **Volume 3, titled Other Government Financial Statements and Information, contains the summary of audited financial statements of government organizations and enterprises, the latest audited financial statements of certain trust funds administered by the government, and the summary of financial statements of public bodies to which the Financial Information Act applies.**

## Report on the Public Accounts

A report containing comments and observations arising during the Auditor General’s audit of the financial statements of the Province for a fiscal year. It also relates to audits of the financial statements of various Crown corporations and other public bodies, in particular those for which the Auditor General is the appointed auditor.



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