



NEWS RELEASE

For Immediate Release

Mar. 18, 2014

Poor Cash Management Continues to Result in Trapped Cash

VICTORIA- The Office of the Auditor General of British Columbia has released *Working Capital Management Since 2010*. It is an update to our 2010 report on the same topic.

Effective cash flow management is essential to any business. The objective is to have adequate cash to meet day-to-day needs. Too little cash on hand and the bills cannot be paid. Too much just sitting idle and the excess money could be used more effectively.

In August 2010, the Office first looked at cash flow management in the college and school district sectors and found that government was not realizing best value, as some cash was being transferred to these organizations before it could be used.

In this update report, the Office found that government continues to give money to many organizations before they need the money or are allowed to use it. The money could be put to better use, achieve greater value for taxpayers, and reduce the amount that government needs to borrow and pay interest on. Even a 40% reduction in government's cash and investment balances could have saved government approximately \$16 million in interest expenses in 2013 and \$82 million over the last five years.

Stated Auditor General Russ Jones, "Currently, money is provided to organizations based on government rules rather than when organizations actually need the cash or are allowed to use it. Although the rules are an effective means to control expenditures, the unintended consequence is poor cash management."

Government organizations' annual expenses cannot exceed revenues. As a result, any excess revenue cannot be spent and essentially becomes trapped. However, it is possible to control expenditures and facilitate effective cash flow management. As long as overall, government's expenses don't exceed revenue, there could be greater flexibility in each organization.

"Achieving the right balance in a large complex operation such as government requires a coordinated approach to the forecasting, monitoring and management of cash flow across more than 150 government entities," said Jones. "The most cost-effective approach is if government did not provide cash before it was needed or could be used by government organizations."

The full report is available on the Office of the Auditor General's website (<http://www.bcauditor.com/pubs>). Auditor General Russ Jones will answer questions pertaining to the report via a news conference at 11:00 a.m. PST on Tuesday, March 18, 2014.

News Conference Date: Tuesday, March 18, 2014



OFFICE OF THE
Auditor General
of British Columbia

Time: 11 a.m. (Pacific time)

Dial-in Information:

From Vancouver: 604 681-0260

From elsewhere in Canada and the USA: 1 877 353-9184

Participant Pass Code: 44848#

During question and answer period, to ask a question: Press 01

During question and answer period, to exit the question queue: Press #

About the Office of the Auditor General of BC:

The Auditor General is a non-partisan, independent Officer of the Legislature who reports directly to the Legislative Assembly. The *Auditor General Act* empowers the Auditor General and his staff (known as the Office of the Auditor General or the OAG) to conduct audits, report findings and make recommendations.

For more information or to speak with the Auditor General, please contact:

Office of the Auditor General

250 419-6100

www.bcauditor.com