



NEWS RELEASE

For Immediate Release

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Audit raises concerns with parts of Province's summary financial statements

VICTORIA – The audit of the Province of B.C.'s summary financial statements for the 2022/23 fiscal year finds three significant errors that have not been corrected.

The audit of the summary financial statements is the largest financial audit in B.C. and takes over 70 staff and contractors over 60,000 hours to complete, along with the work of private sector auditing firms. The summary financial statements themselves cover the more than \$80 billion spent by ministries, Crown corporations, schools, post-secondary institutions, agencies, and health organizations – more than 160 government entities.

“These three errors – or what we would call ‘qualifications’ – are concerning,” Auditor General Michael Pickup said. “If this qualified audit report was delivered in the private sector, it could result in a significant loss of reputation, credit rating, and share prices.”

When uncorrected, as is the case here in B.C., these qualifications could also mislead users of the financial statements because they don't meet generally accepted accounting principles.

The three qualifications detailed in the independent auditor's report show:

1. **Deferral of revenues:** How government accounts for funds received from other governments, and for externally restricted funds received from non-government sources, is a departure from Canadian public sector accounting standards. Because of this, liabilities are overstated by \$6.97 billion and revenue and accumulated surplus are understated by \$6.97 billion. This departure has existed since the inception of the standard in 2012.
2. **Incomplete contractual obligations disclosure:** Contractual obligations of government to make certain future expenditures are not completely disclosed, departing from Canadian public sector accounting standards. The effect of this departure is an understatement of disclosed contractual obligations by \$4.9 billion.
3. **B.C. First Nations gaming revenue sharing agreement accounting treatment:** This is reflected in an understatement of both revenues and expenses in the current year by over \$113 million.

“Having a qualified opinion warns MLAs and other users of the financial statements that financial reporting may not be fully reliable,” said Pickup. “Legislators need to consider the impact of the three qualifications we found, otherwise they may not get what they need from the summary financial statements.”

The [Auditor General Act](#) requires the office to report whether government's financial statements are fairly stated in accordance with Generally Accepted Accounting Principles.

Canadian Public Sector Accounting Standards are the generally accepted accounting principles for governments in Canada.

The auditor general's office is mandated to follow Canadian Auditing Standards to provide users of government's financial statements with independent assurance that those statements are fairly stated, or to alert users to material misstatements so they can make informed interpretations of the information provided by government.



Three additional reports for the Legislative Assembly, related to this independent audit, will be delivered by the auditor general's office in the coming months. The first report, to be delivered in late-2023, will be a users' guide to the audit of summary financial statements audit: it will explain how the office audits the statements and the significance of the independent auditor's report and the qualifications.

In early 2024, the second report will look at the legislative framework for provincial finances, describe some of the challenges with balanced budgets, and look at the implementation of new accounting standards.

Finally, the third report will look at fraud risk, its impact on our audit process, and how it's managed by the public sector.

Related links

- Public Accounts, 2022/23 fiscal year: <http://gov.bc.ca/PublicAccounts>
- Consolidated Summary Financial Statements, 2022/23 fiscal year: <https://www2.gov.bc.ca/assets/gov/british-columbians-our-governments/government-finances/public-accounts/2022-23/pa-2022-23-summary-financial-statements.pdf>

Photo files

High-resolution images of Auditor General Michael Pickup are available: <https://www.oag.bc.ca/media>

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