



NEWS RELEASE

For Immediate Release

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Audit opinion outlines concerns in Province's summary financial statements

VICTORIA – The auditor general's audit of B.C.'s 2021/22 summary financial statements resulted in a qualified opinion, indicating that parts of government's financial statements are not accurate.

A qualified audit opinion is unusual and should not be taken lightly. When auditors issue a qualified opinion, they are usually warning the users of those statements about information they should not rely on. Qualifications like the ones in this report represent errors or omissions the auditor considers so significant that, if uncorrected, might mislead a financial statement user.

Auditor General Michael Pickup is government's independent auditor, and his office is mandated to report whether government's financial statements are fairly stated in accordance with Generally Accepted Accounting Principles (GAAP).

Canadian Public Sector Accounting Standards (PSAS) are the generally accepted accounting principles for senior 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.

The auditor general identified three departures from generally accepted accounting principles in government's summary financial statements, for the fiscal year ending March 31, 2022, that were significant enough for him to qualify his opinion.

First, B.C.'s treatment of payments from other governments and non-government sources continues to differ from PSAS. Government chooses to record them as deferred revenue (or liabilities) instead of revenue, as required by the standards.

If the financial statements had followed this standard, the surplus would have been \$6.48 billion higher, while liabilities would have been lower by the same amount.

The second qualification identifies incomplete disclosures of agreements that commit the Province to future expenditures. PSAS require financial statements to include the nature and extent of government's future spending commitments.

Government has chosen not to disclose many commitments less than \$50 million, which omits information about significant future obligations. They also don't disclose some larger future obligations, such as to the BC First Nations Gaming Revenue Sharing Limited Partnership.

The incomplete disclosures result in an understatement of contractual obligations, amounting to \$708 million in 2023 and \$315 million in 2024.

The third qualification alerts users to errors in the accounting and disclosure in relation to the BC First Nations Gaming Revenue Sharing Agreement. The agreement directs government to pay 7% of the net



income of BC Lottery corporation (BCLC) to the BC First Nations Gaming Revenue Sharing Limited Partnership every year. This arrangement should be accounted for on a gross basis, meaning that the net income from BCLC that is recorded on government's statement should include all gaming revenues and the transfer of 7% of this net income should be recorded as an expense in government's statements. Neither the income nor the expense have been reflected in the statements.

"In my opinion, the government's method of accounting lacks transparency. It does not accurately reflect how they've structured the agreement and the underlying transaction," said Pickup. "A note in the statements calls the arrangement a 'flow-through' but that is not an accurate description of the transaction."

The result is a \$91-million understatement of revenues and expenses on the government's current statement of operations. The payments under this agreement are to be made each year for 23 years beginning in 2022. The auditor general reported that there is also a lack of disclosure on the government of British Columbia's estimated \$2 billion in contractual obligations to BC First Nations Gaming Revenue Sharing Limited Partnership.

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