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NEWS RELEASE

**For immediate release
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Auditor General acknowledges BC government's commitment to better accounting

VICTORIA — Today, in his report, *Adopting Best Practices in Government Financial Statements – 2001/2002*, BC auditor general Wayne Strelieff reports on the government's implementation of generally accepted accounting principles (GAAP), on its control over a major computerized operating system, and on the government's progress towards adopting best practices for financial reporting.

Since 1997, BC auditors general have concluded the financial results reported by government have been misstated significantly because the government did not provide in its financial statements a full and proper accounting of the financial results of schools, universities, colleges and health care organizations. In 2001/02, for example, the annual deficit was overstated by \$225 million. Strelieff points out that beginning with its 2004/05 budget the government promises to make the changes required to provide a full and proper accounting consistent with its legislated commitment to GAAP.

The government is now addressing one of the last most difficult issues – incorporating the full financial plans and results of our public education and health institutions within the government's annual budget and financial statements. Strelieff notes, "this is a significant step towards a transparent and accountable government. A full and proper accounting is essential for carrying out a rigorous and objective public scrutiny of the performance of government."

Strelieff emphasizes he carefully considered the government's views about excluding public universities from the financial statements of the government. He believes, through current legislation, the government has the authority to control the financial affairs and resources of the Province's public universities, and so their financial results should be fully and properly accounted for within the financial statements of government.

Strelieff expects that, in June 2005, when the government publishes its financial results for the year ending March 31st, 2005, he will be able to advise the people of BC and their elected representatives that the government is providing them with a complete and rigorous accounting in accordance with GAAP.

Strelieff notes the year that ended on March 31st, 2002 included complex transactions with significant impact on the government's financial results. In his report, he describes several of those transactions including the government's investment loss in Skeena Cellulose; its gains and losses due to the restructuring of its pension plans, programs and work force; its increased equalization revenue; as well as the federal government's miscalculation of mutual fund tax credits.

Also in his report, the Auditor General concludes that security needs to be strengthened over one of the government's largest computer operating systems operated by the Ministry of Management Services, noting that "the risk of inappropriate access to sensitive information requires constant vigilance."

Overall, the Auditor General is pleased with the direction of improvement in the government's financial accountability noting that "adopting best practices in financial accounting, reporting and systems management is an essential feature of a well-performing organization."

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2002/2003 Report #10: Adopting Best Practices: In Government Financial Statements 2001/2002

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