

*Select Standing Committee on  
Public Accounts*

*Summary of Activities  
2014-15*



MAY 2015





April 29, 2015

To the Honourable  
Legislative Assembly of the  
Province of British Columbia

Honourable Members:

I have the honour to present herewith the Report of the Select Standing Committee on Public Accounts that contains the summary of its activities during the Second and Third Sessions of the 40th Parliament.

Respectfully submitted on behalf of the Committee,

Bruce Ralston, MLA  
Chair



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## Composition of the Committee

### Members

Bruce Ralston, MLA	Chair	Surrey–Whalley
Sam Sullivan, MLA	Deputy Chair	Vancouver–False Creek
Kathy Corrigan, MLA		Burnaby–Deer Lake
Marc Dalton, MLA ( <i>to February 19, 2015</i> )		Maple Ridge–Mission
David Eby, MLA		Vancouver–Point Grey
Simon Gibson, MLA		Abbotsford–Mission
George Heyman, MLA		Vancouver–Fairview
Marvin Hunt, MLA ( <i>from February 19, 2015</i> )		Surrey–Panaroma
Vicki Huntington, MLA		Delta South
Greg Kylo, MLA		Shuswap
Hon. Norm Letnick, MLA ( <i>to April 30, 2014</i> )		Kelowna–Lake Country
Mike Morris, MLA		Prince George–Mackenzie
Lana Popham, MLA ( <i>from October 9, 2014</i> )		Saanich South
Linda Reimer, MLA		Port Moody–Coquitlam
Selina Robinson, MLA		Coquitlam–Maillardville
Shane Simpson, MLA ( <i>to October 9, 2014</i> )		Vancouver–Hastings
Ralph Sultan, MLA ( <i>from January 30, 2015</i> )		West Vancouver–Capilano
Laurie Throness, MLA		Chilliwack–Hope
John Yap, MLA ( <i>from April 30, 2014 to January 30, 2015</i> )		Richmond–Steveston

### Committee Staff

Kate Ryan-Lloyd, Deputy Clerk and Clerk of Committees

Ron Wall, Manager, Committee Research Services

Aaron Ellingsen, Committee Researcher

## Terms of Reference

On February 25, 2014, and October 9, 2014, the Legislative Assembly agreed that:

1. All reports of the Auditor General of British Columbia transmitted to the Speaker of the Legislative Assembly be deemed referred to the Select Standing Committee on Public Accounts, with the exception of the report referred to in section 22 of the *Auditor General Act [SBC 2003, c.2]*, which is referred to the Select Standing Committee on Finance and Government Services; and
2. That the Select Standing Committee on Public Accounts be the committee referred to in sections 6, 7, 10, 13 and 14 of the *Auditor General Act [SBC 2003, c.2]*.

In addition to the powers previously conferred upon the Select Standing Committee on Public Accounts, the Committee be empowered:

- a) to appoint of their number, one or more subcommittees and to refer to such subcommittees any of the matters referred to the Committee;
- b) to sit during a period in which the House is adjourned, during the recess after prorogation until the next following Session and during any sitting of the House;
- c) to adjourn from place to place as may be convenient; and
- d) to retain personnel as required to assist the Committee,

and shall report to the House as soon as possible, or following any adjournment, or at the next following Session, as the case may be; to deposit the original of its reports with the Clerk of the Legislative Assembly during a period of adjournment and upon resumption of the sittings of the House, the Chair shall present all reports to the Legislative Assembly.

## The Work of the Committee

During the Second and Third Sessions of the 40<sup>th</sup> Parliament, the Select Standing Committee on Public Accounts (PAC) held ten meetings (March 12, 2014, April 9, 2014, June 24, 2014, June 25, 2014, September 30, 2014, October 1, 2014, October 27, 2014, December 8, 2014, February 4, 2015, and February 5, 2015). The work of PAC has increased in recent years. In 2012, PAC held three meetings (for a total time of approximately nine hours), which rose to eight meetings in 2013 (for a total time of approximately 26 hours), and a further eight meetings in 2014 (for a total time of approximately 30 hours). PAC continued its work in 2015 with two meetings on February 4, 2015, and February 5, 2015 (for a total time of approximately 10 hours).

At the March 12, 2014 and October 27, 2014 organizational meetings, Bruce Ralston was re-elected as Chair and Sam Sullivan as Deputy Chair for the Second and Third Sessions, respectively.

During the Second and Third Sessions, PAC reviewed 21 reports from the Office of the Auditor General (OAG) and approved the Auditor General's annual financial statement audit coverage plan. In addition, PAC carried out its statutory function related to the retention and disposal of government documents, reviewing and approving resolutions for records retention and disposal authorities. The Committee's recommendation related to the implementation of these resolutions was provided in its April 9, 2014 report titled *Document Retention and Disposal*, which was approved by the Legislative Assembly on April 10, 2014. On February 12, 2015, government introduced the *Government Information Act*, which would modernize public sector information management and replace PAC's role in records retention and disposal within an integrated government information program.

PAC held an informal discussion on the work of the Committee on November 19, 2014 with visiting representatives of the Supreme Audit Office of the State of Yucatan, Mexico. The Chair, the Member for Vancouver–Hastings, and the Member for Richmond–Steveston attended the annual conference of the Canadian Council of Public Accounts Committees/Canadian Council of Legislative Auditors in St. John's, NL from August 10-12, 2014.

On May 28, 2014, the Legislative Assembly unanimously adopted a recommendation from the Special Committee to Appoint an Auditor General to appoint Carol Bellringer as the province's fifth Auditor General, commencing on September 15, 2014. Ms. Bellringer previously served as Manitoba's Auditor General. She succeeded Russ Jones, the Deputy Auditor General, who served as Acting Auditor General from May 27, 2013 to September 14, 2014. The Special Committee's report acknowledged the appreciation of all Members of the Legislative Assembly for the professionalism and dedication of Mr. Jones during the leadership transition at the OAG.

Copies of OAG reports are available at: <http://www.bcauditor.com/>

Minutes, transcripts, and documents of PAC public meetings and PAC reports are available on the Legislative Assembly's website at: <http://www.leg.bc.ca/cmt/pac>



## Education Audits

### OAG Report, University Board Governance Examinations (February 2014)

#### Background

On April 9, 2014, the Public Accounts Committee (PAC) considered the audit report of the Office of the Auditor General (OAG) on university board governance. PAC heard presentations by the OAG and officials from the Ministry of Advanced Education and Capilano University.

#### Summary of OAG Report

OAG witnesses briefed PAC on the audit's key findings and recommendations:

- This was the third in a series of reviews of university boards, which are being undertaken to examine governance structures and processes which direct, control and hold university administrations to account. BC university governance has a bicameral structure, with a senate and a board of governors, including membership from the university administration, government appointments, and representatives from the university community.
- The audit report examined the board structure, governance practices, and performance expectations for Capilano University, Thompson Rivers University, and the University of Victoria.
- The report found that the three institutions had established a range of governance policies and practices, and recommended additional measures to strengthen university boards through staggered terms for board members, increased training, communications, performance monitoring, and reporting.

#### Summary of Government Response

Officials from the Ministry of Advanced Education and Capilano University provided the following response to the audit report recommendations:

- Government has enhanced university board performance by implementing recommendations in previous OAG reports on university board governance with respect to board competencies and composition, succession planning, and performance management.
- The three institutions are implementing all of the recommendations. Staggered terms for board members have been addressed, communications and collaboration are being increased, and performance monitoring and reporting are being strengthened.

## Committee Inquiry

Committee Members asked questions related to the following key points:

- Members sought information on how accountability frameworks and performance metrics are reviewed by university boards. OAG witnesses noted that reviews of accountability frameworks had sometimes been prepared for board consideration during the summer, when board members were not available, resulting in situations where boards were unable to review frameworks prior to the deadline for submission to the Ministry of Advanced Education. Ministry officials explained that clarifications had been made to ensure that these frameworks would be approved by boards prior to submission to the ministry.
- Members questioned the status of work to implement the recommendation to improve board members' understanding of performance expectations. Ministry officials stated that consultations with universities had led to a change in practice whereby government letters of expectation incorporated additional measures on performance management.
- Members requested an update on the timeliness of actions to appoint university board members. Government officials reported that human resource planning had been enhanced to improve timeliness in staffing.
- Members inquired about oversight of the executive class at universities and whether there were indicators on management's share of administration costs at advanced education institutions. Ministry officials indicated that this could be a policy matter for their Minister.
- Members asked about the impact of government funding decisions on university administration and performance and the educational needs of students. Ministry officials advised that a modified block funding approach was used to determine funding, based on a range of factors such as enrollment levels and program measures. The modified block funding approach provided flexibility and autonomy for institutions to make academic program decisions, while allowing for the targeting of certain programs, such as health, health-related programs, and physician training.

# Environment and Natural Resources Audits

## OAG Report, Catastrophic Earthquake Preparedness (March 2014)

### Background

On June 25, 2014, the Public Accounts Committee (PAC) considered the audit report of the Office of the Auditor General (OAG) on earthquake preparedness. PAC heard presentations by the OAG and officials from Emergency Management BC in the Ministry of Justice.

### Summary of OAG Report

OAG witnesses briefed PAC on the audit's key findings and recommendations:

- There is a 12 percent probability of a catastrophic earthquake affecting BC in the next 50 years, which requires strong leadership by the public sector. While readiness has increased since the OAG's initial audit of this issue in 1997, preparedness is not yet a sufficiently high priority, and significant work is needed to address gaps.
- The audit report recommended that government develop a long-term strategic plan with expectations for Emergency Management BC on earthquake preparedness goals, priorities, plans, reporting, and review processes. The organization should conduct ongoing exercises with stakeholders to ensure that it is ready with an effective, comprehensive response, and report regularly to British Columbians on the state of earthquake preparedness.

### Summary of Government Response

Emergency Management BC officials provided the following response to the audit report recommendations:

- Government has recognized that catastrophic earthquake preparedness is a priority with shared responsibility with other levels of government, provincial partners, and the public. Immediate actions are being taken to address key issues identified by the audit report. A long-term plan for catastrophic earthquake preparedness is being developed which will ultimately address all of the audit findings.
- The spring 2014 update to Emergency Management BC's overall strategic plan identified preparation for catastrophic seismic events as a priority. The organization's mission has been changed to reflect its leadership role for provincial level emergency management. It is strengthening regional emergency arrangements, exercises, tracking, and reporting.

## Committee Inquiry

Committee Members asked questions related to the following key points:

- Members expressed concern about the state of earthquake preparedness in BC, and questioned whether budget resources were sufficient to address gaps in readiness. Emergency Management BC officials explained that earthquake preparedness involves federal, provincial, and public stakeholders, and that budget resources are being allocated to optimize results.
- Members noted the audit report's finding that actions since a 1997 audit report have been insufficient. Officials acknowledged the need for continued work in building management and operational capacity in partnership with international, national, and local authorities. The strategic plan will provide a framework for moving forward with initiatives in planning, coordination, training, and public awareness.
- Members sought information on the timeline for completing a strategic plan, and whether best practices from other jurisdictions were being incorporated into the plan. Officials reported that the plan would be completed by the end of the year, and that it would reflect learning from international experiences.
- Members asked about existing communications and coordination facilities for emergency management. Officials indicated that a provincial emergency coordination centre has been established in Saanich, collaboration with federal and provincial partners is increasing, and that regional emergency response arrangements are being expanded across the province. An integrated partnership for the Vancouver area includes federal, provincial, and local authorities, including defence, police, social service, and logistical stakeholders.
- Members questioned the OAG audit team on expectations for government's implementation of the audit report recommendations. OAG witnesses advised that, while full implementation of audit recommendations within the next year was unlikely, government's strategic plan would set out a three-year plan for progress, which was moving in the right direction.

Members requested follow-up information on an after-action review of the 2012 Tsunami. This information was circulated to the Committee on November 14, 2014.

## Financial Audits

### OAG Report, Working Capital Management since 2010 (March 2014)

#### Background

On June 25, 2014, the Public Accounts Committee (PAC) considered the audit report of the Office of the Auditor General (OAG) on working capital management since 2010. PAC heard presentations by the OAG and officials from the Ministries of Finance, Education, and Advanced Education.

#### Summary of OAG Report

OAG witnesses briefed PAC on the audit's key findings and recommendations:

- Legislative and governance provisions for certain organizations require lump sum payments at the start of a fiscal year, rather than as needed for specific expenses. Such organizations do not always deposit excess cash in financial accounts, resulting in significant earnings losses across government. A 2010 OAG audit found that cash flow management in the college and school district sectors was not providing best value, and recommended changes to address this matter. The March 2014 audit report found that progress has been made through government's creation of a Central Deposit Program to allow organizations to invest excess cash. However, more work is required to manage cash flows to achieve best value for taxpayers.
- The March 2014 audit report recommended the provision of cash to organizations on an as-needed basis, and further changes to accountability and monitoring requirements.

#### Summary of Government Response

Government officials provided the following response to the audit report recommendations:

- In 2004, BC became the first jurisdiction to require the use of generally accepted accounting principles across the public sector. The 2013 launch of the Central Deposit Program has improved cash management for colleges and school districts, and the program is being expanded to cover all school districts, universities, colleges, and health care organizations. Excess cash is being deposited, and earned interest is estimated at over \$20 million for 2014/15.
- Government's 2014 budget highlighted issues in the audit report, and outlined a plan to address its recommendations. A longer-term review of the financial framework will be undertaken to determine the best course of action that is consistent with sound financial management objectives.

## Committee Inquiry

Committee Members asked questions related to the following key points:

- Members commended the OAG for its initiative in the area of cash flow management. Government's implementation of the report's recommendations had improved cash flow management and had provided significant revenues for taxpayers.
- Members sought clarification on the implications of requirements for school districts to place excess cash in government's Central Deposit Program, and whether this could lead to reduced interest earnings by these organizations. OAG witnesses and government officials advised that a more systematic approach to cash management was providing overall financial benefits for organizations. OAG witnesses explained that legal agreements and protocols for cash flow practices had been developed collaboratively, which respected governance and legislative requirements for working capital management.

Members requested follow-up information on legislative issues related to cash flow management involving school districts. This information was circulated to the Committee on September 5, 2014.

## OAG Report, Credit Union Supervision in British Columbia (March 2014)

### Background

- On September 30, 2014, the Public Accounts Committee (PAC) considered the audit report of the Office of the Auditor General (OAG) on credit union supervision. PAC heard presentations by the OAG and officials from the Ministry of Finance and the Financial Institutions Commission.

### Summary of OAG Report

OAG witnesses briefed PAC on the audit's key findings and recommendations:

- BC credit unions are a key part of the province's financial sector, with over \$50 billion in insured deposits. The Financial Institutions Commission's credit union monitoring program should continue to be strengthened to meet industry standards, and supported by regular reviews of legislation and changes to address evolving financial standards.
- The audit report recommended improvements to the credit union monitoring program and the deposit insurance fund in order to strengthen credit union stability and depositor confidence. Specific recommendations were made to modernize legislation, enhance staffing capacity at the Financial Institutions Commission, revise deposit insurance funding policies, and develop a plan in the event that funds need to be deployed from the deposit insurance fund.

## Summary of Government Response

Ministry of Finance and Financial Institutions Commission officials provided the following response to the audit report recommendations:

- Government is working with federal and provincial partners to maintain a strong financial sector. A review of financial legislation will bring provisions in line with emerging domestic and international standards.
- The Financial Institutions Commission is improving staffing capacity and supervisory practices, deposit insurance funding policies, and contingency plans for deposit insurance payouts. The Commission has made significant progress in implementing the audit report recommendations, and anticipates that most recommendations will be substantially addressed within the coming year.

## Committee Inquiry

Committee Members asked questions related to the following key points:

- Members acknowledged the importance of a strong credit union industry to British Columbians, and the remarkable record of credit unions in deposit security. Members asked about the federal regulator's tight regulation of financial institutions. Financial Institutions Commission officials reported that they use the same supervisory framework as the federal Office of the Superintendent of Financial Institutions, which has had a positive impact across the country.
- Members queried the extensive use of consultants by the Commission, and the potential for conflicts of interest, given work by the same consultants for financial institutions. Commission officials advised that external staffing was required to provide expert advice and analysis, and contracts were carefully structured to ensure disclosure and avoid potential or perceived conflicts.
- Members asked about staffing and salary levels at the Commission. Commission officials indicated that they had a 33% vacancy rate. They agreed with the audit recommendation on the need to build internal capacity, and were making progress in entry-level and mid-management staffing, where salary levels were reasonably competitive, but faced challenges in recruiting senior managers due to compensation restraints across government. Officials indicated that a managing director's salary at the Commission was \$75,000 to \$90,000, compared with \$130,000 to \$150,000 at the federal Office of the Superintendent of Financial Institutions, and the equivalent of \$100,000 to \$130,000 in other provinces.
- Members sought information on the Commission's work to strengthen contingency plans for deposit insurance. Commission officials stated that they were working closely with other regulators across Canada to maintain confidence in deposits, and to ensure that potential default situations are contained.

## OAG Report, Observations on Financial Reporting: 2012/13 Summary Financial Statements (November 2013)

On June 24, 2014, the Public Accounts Committee (PAC) considered the report of the Office of the Auditor General (OAG) on financial reporting on the province's 2012/13 financial statements. PAC heard presentations by the OAG and the Comptroller General.

### Summary of OAG Report

OAG witnesses briefed PAC on the report's key findings and recommendations:

- The annual audit of the Summary Financial Statements – as published in government's annual Public Accounts – is prepared pursuant to section 11 of the *Auditor General Act*. The audit is the largest in the province, covering the Legislative Assembly, the Offices of eight Statutory Officers, and all government organizations.
- Government's financial statements must meet the provisions of the *Budget Transparency and Accountability Act*. The Act requires the use of generally accepted accounting standards, although section 23.2 allows Treasury Board to “make regulations to adopt all or part of an alternate standard or guideline.”
- As was the case with audits undertaken in previous years, OAG witnesses expressed concern about regulations under section 23.2 relating to BC Hydro rate-setting and revenue deferral. In the OAG's view, this is an inappropriate use of regulation to modify independent accounting standards, which does not comply with Public Sector Accounting Board provisions.
- The audit team issued three qualifications to the financial statements. First, the Transportation Investment Corporation should not be classified as a business enterprise and should be fully consolidated in provincial financial accounts. The second and third qualifications relate to the deferral of revenue from either government transfers or restricted revenues such as private donations to a university that are earmarked for construction or purchase of assets. This reflects a difference of opinion between government and the OAG on how to apply accounting standards.
- The audit report recommended recording government transfers and recording restricted revenues as required by accounting standards. The OAG had recommended that government record deep-well credits as a liability, but after further review and discussion with accounting peers, the OAG has accepted government's position and withdrawn this recommendation. With respect to a recommendation that government provide detailed disclosure of the long-term disability plan in the notes to the summary statements as required by accounting standards, the OAG anticipated these changes being made and finalized in the current-year financial statements changes to government transfers. The recording of revenues would then conform to accounting standards.

## Summary of Government Response

The Comptroller General provided the following response to the report:

- Government is committed to maintaining a leadership role in public sector reporting, and to working collaboratively with the OAG to address evolving accounting issues.
- On the Transportation Investment Corporation qualification, government believes its approach to reporting is appropriate given that the Corporation maintains operations outside the government reporting entity, supports its operations from toll revenue, and does not receive subsidies or support from the tax revenues of the province.
- With respect to the OAG reservation on deferral of transfer revenues, this is a longstanding BC practice which is used by other jurisdictions, including Alberta and Ontario. The international accounting community has not resolved this matter, and it would not be prudent to alter reporting until a resolution has been reached on how to deal with differing views on accounting approaches.

## Committee Inquiry

Committee Members asked questions related to the following key points:

- Members sought explanations for the differences of professional opinion between the OAG and the Comptroller General on accounting issues. OAG witnesses and the Comptroller General shared a commitment to continuing a dialogue on these matters. They noted that in recent years a number of accounting issues had been addressed through consensus, and work by accounting standards groups could provide a basis for resolving outstanding issues.
- Members asked whether the province was vulnerable to international credit reassessment in the event of changes to international accounting standards. The Comptroller General explained that rating agencies use a broad range of economic and accounting measures in assessing credit ratings, were aware of accounting issues, and were comfortable with the overall financial position of the provincial public sector.
- Members used the opportunity of the review of public finances to seek information on a range of other financial issues, including deferral accounts, natural gas credits, public service disability plan information, growth in contingencies and contractual obligations, and public and PAC access to management letters.

Members requested follow-up information on outstanding management letter issues, government transfers, and financial reporting. This information was circulated, respectively, to the Committee on January 21, 2014, February 27, 2014, and March 30, 2014.

## OAG Report, The 2014 Summary Financial Statements and the Auditor General's Findings (October 2014)

### Background

Building on its June 24, 2014 review of government's 2012/13 Financial Accounts, on December 8, 2014, the Public Accounts Committee (PAC) considered the audit report of the Office of the Auditor General (OAG) on the 2013/14 financial statements. PAC heard presentations by the OAG and officials from the Office of the Comptroller General.

### Summary of OAG Report

OAG witnesses briefed PAC on the audit's key findings and recommendations:

- The audit of government's 2013/14 financial accounts uncovered no new issues. The audit repeated earlier years' recommendations to comply with the OAG's perspective for accounting standards on the deferral of government transfers revenue, the deferral of restricted revenues, and the full consolidation of the Transportation Investment Corporation within government's financial accounts.

### Summary of Government Response

Officials from the Office of the Comptroller General provided the following response to the audit report recommendations for government's 2013/14 financial accounts:

- Government continues to differ with the OAG on accounting standards for restricted revenues and the deferral of government transfers revenues, reflecting varying interpretations of accounting guidance. BC's approach is shared by governments in some other jurisdictions, and supported by a number of other auditors general. Government is working with the OAG to address these issues.

### Committee Inquiry

Committee Members asked questions related to the following key points:

- Members sought information on the status of discussions on public sector accounting standards in the areas of disagreement between the OAG and government. OAG witnesses and the Comptroller General reported on national and international developments by accounting standards groups. While a resolution of accounting standards issues has not been reached, discussions are continuing on clearer guidance for auditors general and governments. Given the current lack of clarity, there were differences of view on accounting standards among auditors general and comptrollers general.

Members requested follow-up information on Tourism Vancouver payments, asset sales, and equity investments. This information was circulated to the Committee on April 30, 2015.

## Governance and Accountability Audits

### OAG Report, Receiving Value for Money from Procured Professional and Advisory Services (May 2014)

#### Background

On December 8, 2014, the Public Accounts Committee (PAC) considered the audit report of the Office of the Auditor General (OAG) on value for money from procured professional and advisory services. PAC heard presentations by the OAG and officials from the Office of the Comptroller General and the Ministries of Advanced Education, Transportation and Infrastructure, Forests, Lands and Natural Resource Operations, and Technology, Innovation and Citizens' Services.

#### Summary of OAG Report

OAG witnesses briefed PAC on the audit's key findings and recommendations:

- Government purchases over \$6 billion worth of goods and services annually, including over \$560 million for professional and advisory services such as strategic advice, engineering, and information technology work. These contracts are critical to helping government achieve its program objectives.
- The audit found that procurement and advisory services were mostly competitive, fair, and cost effective, but ministries could do more to ensure that they receive value for money. The audit report recommended enhancements to require that procurement is examined on a case-by-case basis, that vendor performance is evaluated consistently, and that procurement outcomes are assessed on how contracts achieve their intended purpose.

#### Summary of Government Response

Government officials provided the following response to the audit report recommendations:

- Government procurement policies and procedures are designed to maximize value for money for taxpayers and government. Initiatives are under way to strengthen these policies and procedures.
- Ministries have completed some measures to implement the audit report recommendations, and are in the process of developing and implementing others to enhance procurement processes. Government intends to engage with the procurement community to examine opportunities to develop and implement a fair and transparent process for considering past performance, which would build on government's existing vendor reference check policy. The anticipated completion date for this work is March 2015.

## Committee Inquiry

Committee Members asked questions related to the following key points:

- Members sought information about procurement trends in the area of direct-award contracts. OAG witnesses advised that while procurement contracts were generally fair and competitive, action was required to ensure a more competitive process in all cases. Government officials noted that direct-award contracts tended to be for very low dollar values, which skewed the results showing this as a significant procurement practice. In response to Members' questions about cost-effectiveness versus competition in low-dollar contracts, the Comptroller General advised that best value for government is the focus, and that additional criteria may be required in specific cases, such as culturally appropriate services for aboriginal procurement contracts.
- Members inquired about procurement training and continuous process improvements. Government officials stated that government had established the office of the Chief Procurement Officer ten years ago, and was changing procurement tools and vendor performance reference checks to strengthen monitoring and reporting.
- Members requested information on compliance rates for procurement requirements as well as transparency and accountability to demonstrate value for money. Government officials indicated that performance benchmarks and documentation levels were being tested, and that high standards were being met.
- Members asked about government's due diligence in assuring that outside procurement was in taxpayers' interests in all cases. Government officials advised that specific procurement guidelines were required for all contracts. Government was working to implement the recommendations to strengthen policies and procedures.

## OAG Report, Distinguishing between Government Program and Partisan Political Advertising: An Update to our 1996 Report (November 2014)

### Background

On February 5, 2014, the Public Accounts Committee (PAC) considered the audit report of the Office of the Auditor General (OAG) on distinguishing between government program and partisan political advertising. PAC heard presentations by the OAG and officials from the Government Communications and Public Engagement office.

### Summary of OAG Report

OAG witnesses briefed PAC on the audit's key findings and recommendations:

- The BC Government Communications and Public Engagement office provides external communications that cost \$24 million in 2013/14, and \$36 million in 2012/13. The audit report found that government had not established guidelines and principles to distinguish between providing information on government programs and partisan political advertising for public service employees, which was similar to the findings of a 1996 OAG audit.
- The audit report noted that the federal government, several provinces, and other countries have communications policies, and recommended that government establish a clear policy to explicitly prohibit partisan advertising, with guidelines and criteria on information which should or should not be included in government communications.

### Summary of Government Response

Government Communications and Public Engagement officials provided the following response to the audit report recommendations:

- Government has appropriate processes in place to ensure that public communications are non-partisan. Three tools inform, guide, and mandate the work undertaken by the Government Communications and Public Engagement office with respect to what should and should not be included in government advertising: government's core policy (chapter 22); public service standards of conduct; and the office's advertising criteria.
- These tools provide clear guidance to ensure that communications activities focus on issues and matters pertaining to government priorities, policies, programs, and services. Moreover, public servants must take an oath and abide by standards of conduct which preclude partisan activity and the use of government resources for political purposes.

## Committee Inquiry

Committee Members asked questions related to the following key points:

- Some Members noted that other jurisdictions had established guidelines to require non-partisan government communications, and asked OAG witnesses why they had not recommended an independent review of government advertising policies. OAG witnesses indicated that the audit report was an update of a 1996 report, and encouraged government to deal with an ongoing risk.
- Some Members observed that the overall level of advertising oversight in BC was rigorous. Government officials reiterated their position that a strong core policy had been established for government communications, which was reinforced by the oath of employment and standards of conduct for public servants, and served to preclude partisan advertising.
- Members sought information on advertising staffing. Government Communications and Public Engagement officials explained that communications staffing levels had decreased significantly, from 322 in 2001/02 to about 201, and that a spending freeze was in place to limit government advertising.
- Members requested information about complaints about partisanship in advertising. Government officials advised that one complaint had been received since May 2011 related to advertising for government's BC jobs plan. That complaint was about the factual information about British Columbians having the lowest personal income tax rate in Canada, which had been addressed by government.
- Members asked about advertising expenditures before and after the May 2013 general election. Government officials reported that the 2012/13 advertising budget was \$16.3 million, and the 2013/14 budget was \$8.538 million. Approved internal reallocations and draws on contingencies were \$21.036 million for 2012/13, and \$3.689 million for 2013/14.

## Health Audits

### OAG Report, Striving for Quality, Timely and Safe Patient Care: An Audit of Air Ambulance Services in B.C. (March 2013)

#### Background

On March 12, 2014, the Public Accounts Committee (PAC) considered the audit report of the Office of the Auditor General (OAG) on the BC Air Ambulance Service. PAC heard presentations by the OAG and officials from BC Emergency Health Services and the BC Ambulance Service.

#### Summary of OAG Report

OAG witnesses briefed PAC on the audit's key findings and recommendations:

- The BC Ambulance Service delivers emergency air ambulance services across the province's vast distances, and responds to 6,700 air ambulance calls annually. The audit found that processes were in place to support quality, timeliness, and safety, but performance monitoring and tracking were inadequate.
- The audit report recommended a strengthening performance management, enhancements to the review of staff and aircraft to promote optimal air ambulance support across the province, and regular identification and reviews of dispatch decisions to support patient needs. These recommendations would help move the BC Ambulance Service move from an efforts-driven focus to a focus that looks at actively managing performance based on patient outcomes.

#### Summary of Government Response

Government officials provided the following response to the audit report recommendations:

- Legislative changes adopted in 2013 have integrated the BC Ambulance Service in the Provincial Health Services Authority, which has strengthened the delivery of emergency health care across the province. Collaboration has been increased with health authorities and other partners, and work is under way to streamline processes, and enhance patient care outcomes.
- A strategic plan, service standards, mission profiles, an air carrier safety audit, and a quality committee have been established. Officials are making progress on improving performance management frameworks, decision-making tools, clinical indicators, and competency assessments.

## Committee Inquiry

Committee Members asked questions related to the following key points:

- Members sought the views of the OAG audit team on the overall status of work by the BC Ambulance Service to implement the recommendations. OAG witnesses stated that a lot of good work had been done, and the OAG would be taking a look at whether or not more follow-up was required. Government officials cited significantly reduced response times and increases in operational efficiency as evidence of the emergence of a culture of continuous improvement within the air ambulance organization.
- Members raised questions about the effectiveness of efforts to improve data collection and performance monitoring. The OAG audit team reiterated concerns about insufficient data collection. Government officials indicated that data collection work was under way, including measures to ensure the protection of patients' personal information when data is made public.
- Members inquired whether there were metrics to compare air ambulance service in BC with service in other jurisdictions, including costs per patient and value for money. OAG witnesses and government officials advised that some work has been done in these areas, but there were challenges in data collection, given differences between BC's approach and that of other provinces.
- Members sought clarification on the status of recommendations to improve training, identify and review dispatch decisions, and examine the distribution of staff and aircraft across the province. Government officials acknowledged past gaps in these areas, and advised that a full quality and safety program had been developed over the past three years, a public complaints office had been established, training efforts had been enhanced, and relationships with clinicians, health authorities, and other health agencies had been improved. Additional efforts are planned to ensure the full implementation of audit recommendations.

Members requested follow-up information on survival rates and patient outcomes. Information relating to this request was circulated to the Committee on May 1, 2014, and July 14, 2014.

## OAG Report, Oversight of Physician Services (February 2014)

### Background

On September 30, 2014, the Public Accounts Committee (PAC) considered the audit report of the Office of the Auditor General (OAG) on the oversight of physician services. PAC heard presentations by the OAG and officials from the Ministry of Health.

### Summary of OAG Report

OAG witnesses briefed PAC on the audit's key findings and recommendations:

- BC taxpayers paid over \$3.6 billion in 2011/12 to the province's 10,000+ physicians, approximately nine percent of the provincial budget. British Columbians enjoy high standards of health care, but government performance measurements are not sufficient to evaluate service standards and value for money.
- The audit report recommended improvements to performance measurement for physicians as well as clarification of roles, responsibilities and accountabilities, physician compensation models, assessments of work environment barriers to physician engagement, and the legislative and regulatory framework governing physician services.

### Summary of Government Response

Ministry of Health officials provided the following response to the audit report recommendations:

- Government's planning guide, *Setting Priorities for the B.C. Health System*, outlines an agenda for change in the health system, to make health care more focused and strategic, and more constructive and collaborative with health system partners.
- Linked streams of activity were underway to improve the performance management and accountability framework built on public reporting and grounded in a clear understanding of roles, responsibilities, and accountabilities of various stakeholders. Physician compensation models were being rebuilt to align with patient and population needs; good work was underway, but there were significant challenges given the need for negotiation. Fees were being evaluated to confirm policy rationales, and provide cost containment, including innovative approaches for primary care and specialist services. Physician engagement was being enhanced through improved relationships, guidelines and protocols, and shifts in culture in health administration facilities. In addition, government was reviewing the findings of an advisory group and developing options for legislative and regulation changes to address barriers and gaps, and ensure that physician spending provides maximum value to taxpayers.

## Committee Inquiry

Committee Members asked questions related to the following key points:

- Members inquired about government's overall strategy for changing health care culture and service delivery to meet patient and population needs. Government officials referred to the Setting Priorities planning agenda for targeting key patient populations and improving health care for these people through changes to develop a more robust approach to the health human resources strategy. This is a long-term process requiring sustained effort over the next decade.
- Members questioned the effectiveness of government's engagement of physicians on health care change. Government officials noted that this is a priority for physicians as well, and that progress is being made on a more systemic approach to health service involving physicians, health authorities, and other health organizations.
- Members sought information on wait time measurement for specialist services. Government officials outlined the complexities with measuring and monitoring wait time data, noting differences between wait period from referral to specialist consultation, or from specialist consultation to surgical booking.
- Members asked about how to ensure accountability for health care payments to physicians. Government officials reported that discussions would be held with physician groups to develop performance metrics for different physician groups. In addition, more nuanced approaches to fee increases were being promoted to address differences in specialist costs and patient benefits.
- Members noted the budget advantages of using interprofessional teams to encourage people to undertake preventative means to reduce their risk of lifestyle diseases. OAG witnesses advised that the use of such teams is challenging in a fee-for-service structure. Government officials added that a range of payment models, using fee-for-service and contractual arrangements depending on the needs of specific cases, could provide flexibility in encouraging interdisciplinary teams.
- Members inquired about the status of negotiations on alternate payments and specialist practice categories. Government officials stated that alternate payment amounts had been resolved, while an agreement had not been reached on the recognition of specialties and subspecialties.

Members requested follow-up information on growth in specialists, life expectancy in British Columbia, interprovincial expenditure per capita on physicians, and federal transfer payments/BC age demographic. This information was circulated to the Committee on March 4, 2015.

## Information Technology Audits

### OAG Report, Information Technology Compendium (January 2014)

#### Background

On June 25, 2014, and October 1, 2014, the Public Accounts Committee (PAC) considered the report of the Office of the Auditor General (OAG) on government's information technology controls. PAC heard presentations by the OAG and officials from the Ministry of Technology, Innovation and Citizens' Services and the Office of the Comptroller General.

#### Summary of OAG Report

OAG witnesses briefed PAC on the audit's key findings and recommendations:

- Government is offering a greater number of services via the Internet through a complex and expensive set of information technology systems. Information technology controls are a key component in protecting the integrity of confidential information, transactions, and program delivery. Given the importance of this sector, the OAG has established an ongoing review of government information technology projects, using special audits and annual management letters to all government organizations to identify issues, address risks, ensure value for money, and maintain the security of information.
- This audit report found areas for improvement in website security, procurement arrangements, and performance management. Recommendations were made to incorporate compliance reviews of policies and standards, ensure the accuracy and completeness of inventory lists, facilitate regular security testing, and strengthen investigations of security concerns and follow-up procedures.

#### Summary of Government Response

Government officials provided the following response to the report findings:

- Government is committed to ensuring the provision of effective and secure services over the Internet. Procurement practices are being improved through joint partnerships with the private sector, capital funding projects are receiving greater scrutiny to ensure value for money, and security policies are based on evolving international standards and practices.
- Work on the implementation of the recommendations is at an advanced stage, with completion planned by the end of 2015/16.

## Committee Inquiry

Committee Members asked questions related to the following key points:

- Members sought assurances about the protection of confidential information within government information technology systems. Ministry of Technology, Innovation and Citizens' Services testimony reiterated that government considers the protection of personal information critical, and is working to safeguard information through effective project design, strong information-sharing agreements, and ongoing vulnerability testing.
- Members noted the audit report's findings about system vulnerabilities, and asked if the public could be confident that their information is safe when they use government websites or when government employees use them. Ministry of Technology, Innovation and Citizens' Services testimony indicated that government is continuing work to maintain high levels of security, and that when vulnerabilities are detected, investigation and follow-up are carried out using government expertise and, as needed, private sector support.
- Members requested assurances about the security of information shared across ministry platforms and networks. Ministry officials noted that initiatives were under way to improve data and network security through continual scanning of web applications and other methods to preserve information security.
- Members asked about government expenditures on information technology infrastructure. Government officials explained that government had a continuing renewal cycle to maintain systems at an advanced stage of service, reliability, and security. Officials advised that computer hardware systems typically need to be replaced every four to five years, and that computer software needed to be updated on a semi-annual or annual basis and completely replaced every five to 30 years.
- Members inquired about how government's chief information officer ensured the development of security standards across government. OAG witnesses reiterated the audit report's finding that in a number of cases, standards were not in place until late 2012, and that significant vulnerabilities continued to exist which required further action by government, as outlined in the audit report. Ministry of Technology, Innovation and Citizens' Services testimony reported that work with ministries on the development of security standards had commenced prior to the audit report.

## Justice and Public Safety Audits

### OAG Report, An Audit of Special Indemnities (December 2013)

#### Background

On June 24, 2014, the Public Accounts Committee (PAC) considered the audit report of the Office of the Auditor General (OAG) on special indemnities. PAC heard presentations by the OAG and officials from the Ministry of Justice, the BC Public Service Agency, and the Ministry of Finance.

#### Summary of OAG Report

OAG witnesses briefed PAC on the audit's key findings and recommendations:

- Government employees may in the course of their work become involved in legal proceedings requiring legal advice. Special indemnities can cover an individual's legal representation costs in such situations. From 1996 to 2011, over 100 individuals were granted such coverage, with a total cost of \$11 million, of which \$6.4 million was provided for the defence of two former government political staffers, Mr. Basi and Mr. Virk. OAG witnesses expressed concern that government did not provide full access to information on special indemnities because of solicitor-client privilege, which limited the OAG's ability to review these payments fully.
- The audit concluded that, based on the available information, all special indemnities were legally approved, but evaluation and reporting were inadequate. Recommendations were made to establish a detailed policy on special indemnities, strengthen eligibility assessments, and provide a waiver of solicitor-client privilege to release information for audit purposes.

#### Summary of Government Response

Government officials provided the following response to the audit's findings and recommendations:

- Government requested a review of special indemnity principles and best practices, which was submitted in 2011, and implemented through a 2012 indemnity regulation. The audit report confirms the approach taken in the 2012 regulation, and makes additional recommendations for process improvement.
- Two of the audit report's recommendations have been given appropriate effect; three are awaiting implementation; work regarding three others is under way; and the remaining two recommendations, including the recommended waiver of solicitor-client privilege for audit purposes, are under consideration.

## Committee Inquiry

Committee Members asked questions related to the following key points:

- Members inquired about government's actions to ensure an effective and transparent special indemnity program. Government officials cited the 2012 implementation of a 2011 independent review of the program and work under way to address recommendations in the audit report.
- Members requested clarification on the audit finding of no evidence of political involvement in the provision of a special indemnity to Mr. Basi and Mr. Virk. OAG witnesses reported that senior officials had been questioned and available documents reviewed, and nothing came to the OAG's attention that caused auditors to understand that there was any interference; rather, the available evidence indicated there was an intention to clearly keep the matter administrative and within the executive branch of government.
- Some Members noted that notwithstanding the audit report conclusion, media reports had raised questions about political interference in the granting of the special indemnity. OAG witnesses affirmed that extensive interviews and the review of approximately 10,000 documents had not provided any such evidence. However, some Members were concerned that Ministers had not been questioned, and that further examination of Ministers and senior officials was required.
- Some Members raised concerns about government's provision of the special indemnity as a means of facilitating a court settlement. Government officials stated that the special indemnity and court proceedings were separate processes.
- Members asked if the recommended waiver of solicitor-client privilege could result in Charter challenges. Government officials acknowledged this concern, and suggested that there could be ways to waive solicitor-client privilege in order to satisfy the OAG interest in audit information, without disclosing other information such as defences an employee intends to pursue or has explored in relation to a legal proceeding.

Members requested follow-up information on other indemnity cases resulting in convictions, the number of indemnities, and copies of indemnity agreements; this information was circulated to the Committee on July 18, 2014. Members also requested follow-up information on the costs of concluding special indemnities; this information was circulated to the Committee on September 24, 2014.

At the September 30, 2014 PAC meeting, the following motion was moved requesting that two senior officials be requested to appear before PAC to answer additional questions about special indemnities:

“That Mr. David Loukidelis and Mr. Graham Whitmarsh be requested to appear before the committee with respect to additional questions relating to the committee's continued consideration of the Auditor General's report titled *An Audit of Special Indemnities*.”

The motion was defeated by a vote of 7-5, with opposition and independent Members supporting the motion, and government Members voting against.

## Social Services Audits

### OAG Report, Disability Assistance: An Audit of Program Access, Integrity and Results (May 2014)

#### Background

On October 1, 2014, the Public Accounts Committee (PAC) considered the audit report of the Office of the Auditor General (OAG) on disability programs. PAC heard presentations by the OAG and officials from the Ministry of Social Development and Social Innovation.

#### Summary of OAG Report

OAG witnesses briefed PAC on the audit's key findings and recommendations:

- Government's disability assistance programs serve over 95,000 people annually through the provision of financial assistance, health and living support, and employment assistance, with annual expenditures in excess of \$1 billion. The audit report found that these services contribute to improved outcomes for disability clients. However, application processes should be streamlined and easier to understand, benefits should be adjusted to reflect changes in eligibility, and more information should be collected to ensure that the program is improving the lives of clients.
- The audit report recommended changes to telephone and online service delivery, staff training, and the clarity of application materials to accommodate people with barriers and disabilities. Increased performance reporting was recommended on program integrity and the meeting of clients' needs, with clearer objectives, targets/benchmarks, and service standards.

#### Summary of Government Response

Officials from the Ministry of Social Development and Social Innovation provided the following response to the audit's findings and recommendations:

- Government accepts and is moving forward to address the recommendations. Clients are being surveyed on their preferences for service delivery. Online and telephone service tools are being improved. Feedback is being obtained from the OAG and through a disability white paper consultation process on ways to enhance and streamline application materials.
- Government is strengthening training for front line staff, and is working with trusted third parties and Service BC to identify and address program accessibility issues. Government is also exploring ways to enhance and streamline application processes to ensure that the program serves only clients eligible for supports. Government will consider ways to enhance performance reporting and will develop an effective evaluation framework.

## Committee Inquiry

Committee Members asked questions related to the following key points:

- Members queried the reasons for a dramatic increase in participation in disability assistance programs by British Columbians in recent decades. Government officials explained that this expansion reflected a 1993 policy change broadening the definition of disability, an aging population which was subject to a greater incidence of disabilities, and migration from other provinces. BC has the largest increase in severe disabilities of all the provinces, and an annual 4 percent growth rate in disability cases is projected to continue, which is roughly four times the population growth rate.
- Members inquired about efforts to shift people off disability programs and back to health and participation in the labour force. Government officials advised that this was a priority, and programs were designed to facilitate increases in part-time and full-time employment participation.
- Members asked about support for people who have episodic disabilities and may lose eligibility for assistance in the event of periodic employment. Ministry officials advised that the ministry has created innovative policies, such as annualized earnings exemptions, that allow clients to retain earned income and still have financial support should they periodically not be able to work.
- Members shared the audit report's concern about the need for accessible applications materials and processes. Government officials recognized the scope for improvement in this area, and reported on telephone service and online system changes as well as changes to application reviews to enhance the application process.
- Members inquired about the application process and mechanisms for people denied assistance to have their application reconsidered. Ministry officials stated that 72 percent of applications are approved and that 66 per cent of applications that have been through the reconsideration process are approved, so that that approximately 80 percent of overall applications were approved. The ministry had also established a Reconsiderations Branch and an Appeal Tribunal to strengthen the application review process.
- Members requested information on changes to disability assistance payments in recent years. Ministry of Social Development and Social Innovation officials reported that there are over 70 in-kind and cash supplements available to disability clients. A 2012 increase in the earnings exemption to \$800 per month had raised the labour participation rate from 14 percent to 16.5 percent.

Members requested follow-up information on office sites, telephone accessibility, and disability assistance caseloads. This information was circulated to the Committee on December 1, 2014.

## Follow-up Reports

Follow-up Report: Updates on the Implementation of Recommendations from Recent Reports (October 2012)

Follow-up Report: Updates on the Implementation of Recommendations from Recent Reports (April 2013)

Follow-up Report: Updates on the Implementation of Recommendations from Recent Reports (October 2013)

Follow-up Report: Updates on the Implementation of Recommendations from Recent Reports (June 2014)

Public Sector Board use of Information in British Columbia 2012: Progress Update Since 2009 (April 2013)

On February 4, 2015, the Public Accounts Committee (PAC) considered five follow-up reports of the Office of the Auditor General (OAG) containing the self-assessed progress of government organizations in implementing responses to recommendations from recent OAG reports. PAC heard presentations by the OAG as well as officials from the Office of the Comptroller General, and the Ministries of Environment, Finance, Health, and Education.

### Summary of OAG Reports

OAG witnesses briefed PAC on the highlights of the follow-up reports:

- The October 2012 report contains 16 self-assessment updates on 86 audit report recommendations, with 31 percent addressed, 63 percent partially implemented, and 6 percent where no substantial action had been taken. The April 2013 report presents 17 self-assessments on 92 recommendations – 48 percent have been fully or substantially implemented, 51 percent were partially implemented, and 1 percent had received no substantial action. The October 2013 report on seven self-assessments on 32 recommendations found 47 percent fully or substantially implemented and 53 percent partially implemented.
- The OAG report on follow-up on public sector board use of information since 2012 found that gaps have narrowed and board use of information has improved since 2009, and that work to ensure continuous monitoring and improvement of governance practices should continue.

- Since 2008, 114 self-assessments on 633 recommendations have been undertaken, with 83 percent fully or substantially implemented, 15 percent partially implemented, and 1 percent with no substantial action taken.

### Summary of Government Presentations

The Comptroller General provided the following response to the OAG report on progress since 2009 on public sector board use of information:

- Government is encouraged by board members' high response rate to the OAG survey of board use of information, and by the improvement in results for board use of information since 2009. The Comptroller General advised that government will continue to assist Crown agency boards to fulfill their responsibilities regarding the receipt and use of information they need. Government is improving support to all boards with respect to board member orientation, annual evaluations, the use of taxpayer accountability principles for decision-making, and strategic planning and reporting guidance.

### Committee Inquiry

Committee Members asked questions related to the following key points:

- Members sought clarification on the status of follow-up work by government organizations on audit recommendations in the areas of P3 project measurement, fraud risk management, environmental assessment program compliance, Maximus project information, enterprise risk management, Agricultural Land Commission program compliance and enforcement, community corrections program changes, sustainable forestry management practices, and rate-regulated accounting.
- Members sought detailed information on a number of questions in the follow-up reports. The reports provided a summary of information demonstrating a high level of implementation of audit recommendations, and progress on outstanding issues, without detailed information on many issues. The Chair undertook to review with the Deputy Chair whether additional information should be sought on these questions.

The OAG made a background presentation on the follow-up process for audit report recommendations. The existing process was established by PAC in 2000, and uses self-assessments by government organizations, which are summarized and reported by the OAG in semi-annual compendium reports. The OAG explained that there is no further OAG auditing of the self-assessment information on progress in implementing audit recommendations. Accordingly, the OAG is unable to provide PAC or the public with independent assurance about the self-assessment information. OAG witnesses indicated that some other Canadian jurisdictions undertook a verification of government actions. The OAG proposed that the BC follow-up process be enhanced by additional reporting and scrutiny, including: more detailed information from government organizations on progress in implementing audit recommendations; increased OAG reviews of government progress reports; and OAG risk assessments to determine whether further OAG audit

work was required. This enhanced follow-up process would also provide PAC with strengthened information and reporting on audit recommendation follow-up.

A further background briefing on the follow-up process, including comparisons in approaches across Canada, was provided by Geoff Dubrow, an official from CCAF-FCVI Inc., a Canadian research and educational foundation which supports performance audit and government oversight. Members affirmed the importance of a robust follow-up process, and the Chair and Deputy Chair undertook to discuss how the Committee might move forward in this area.

## Summary Reports

### Summary Report: Results of Completed Projects (December 2011)

### Summary Report: Results of Completed Projects and Other Matters (December 2012)

### Summary Report: Winter 2014 (February 2014)

On February 4, 2015, and February 5, 2015, the Public Accounts Committee (PAC) considered three summary reports of the Office of the Auditor General (OAG) on the results of completed projects. PAC heard presentations by the OAG as well as officials from the Office of the Comptroller General, the Ministry of Health and Health Shared Services BC, and the Ministry of Education.

#### Summary of OAG Reports

OAG witnesses briefed PAC on the highlights of the summary reports:

- The December 2011 report reported on six projects – an organizational costing of fee-based goods and services, the family maintenance enforcement program, the management of student loans, the post-secondary accountability framework, accountability for special education services, and wireless networking security.
- The December 2012 report reviewed five projects – the OAG investigations unit, the Office of the Police Complaint Commissioner, implementation of the BC reporting principles, BC Transit's ridership growth, and School District 40's (New Westminster) Business Company.
- The February 2014 report summarized two projects – Health Shared Services BC, and government's kindergarten-grade 12 (K-12) funding allocation model.

#### Summary of Government Presentations

Government officials provided the following response to the winter 2014 summary report:

- Health Shared Services BC delivers province-wide shared services to provide better service and value for taxpayers. OAG audit work recommended enhanced public disclosure of potential procurement savings as well as work to address program limitations. Efforts are under way to clarify calculations and reporting on health service savings, and an electronic procurement system is being implemented across all Health Authorities to address program limitations identified by the OAG.

- In response to OAG audit work on the K-12 funding allocation program, the Ministry of Education is implementing a redesigned web presence to provide more comprehensive program information, anticipated to be in operation by March 31, 2015, and has developed summary information about independent school enrolment and funding, expected to be available online in February 2015.

### Committee Inquiry

Committee Members asked questions related to the following key points:

- Members affirmed that a shared health services program reduced overall costs for British Columbians, and sought clarification on procurement program procedures, bundling of contracts, and total program expenditures. Health Shared Services BC officials explained that procurement arrangements were coordinated with Health Authorities in order to address specific requirements and minimize overall costs through consolidated management. Annual contracts total about \$1.9 billion, with about 60,000 items purchased through 1,200 individual contracts a year.
- Members asked about public reporting on school operating grants, and program funding for private schools. Ministry of Education officials reported that while information was publicly available, work was being done to consolidate information spread over numerous websites in order to facilitate public accessibility. Government policy changes had increased private school funding to reflect the growing private school student population, and to bring private school funding levels for special education and distributed learning more in line with public school funding levels.
- Members sought detailed information beyond that available in the OAG summary reports on fee-based goods and services reporting, post-secondary education accountability, special education services, wireless networking security, and reporting on transit and expenditure performance, and the Chair undertook to review with the Deputy Chair whether additional information was required in these areas.

# Annual Financial Statement Audit Coverage Plan

## Financial Statement Audit Coverage Plan for Fiscal Years 2015/2016 through 2017/2018 (September 2014)

### Background

Section 10(6) of the *Auditor General Act* requires that the Auditor General submit to a committee of the Legislative Assembly each year a plan for the appointment of auditors for government organizations and trust funds for the following three fiscal years.

On October 1, 2014, the Public Accounts Committee (PAC) considered the Financial Statement Audit Coverage Plan for Fiscal Years 2015/16 through 2017/18 for the Office of the Auditor General (OAG).

### Summary of Proposed Plan

OAG witnesses provided PAC with an overview of the proposed plan:

- Three levels of audit involvement were proposed for the entities that form the government reporting entity and prepare annual Summary Financial Statements. The first level was limited with no field work (the OAG directs and reviews other auditor files as required – 104 organizations). The second level was oversight (the OAG reviews other auditors' plans and conducts oversight procedures – 26 organizations). The third level was direct involvement (the OAG conducts audits with its own staff or contracted staff from private firms – 19 organizations).

OAG witnesses then asked PAC to approve:

1. The proposed plan for the fiscal years 2015/16 through 2017/18.
2. The Auditor General continuing as the direct auditor of ten government entities where the engagement term exceeds five consecutive fiscal years.
3. The Auditor General being appointed as the direct auditor for two entities outside the government reporting entity: WorkSafeBC; and the Provincial Employees Community Services Fund.

## Committee Inquiry

Committee Members asked questions related to the following key points:

- Members inquired about the OAG's audit cycle for the review of government organizations. OAG witnesses indicated that the office spreads out auditing work to manage costs and use resources efficiently.
- Members sought clarification about the rotation for school boards audits, and the evaluation of recent school board audits. OAG witnesses reported that the audit cycle is designed to cover all school districts over time, and that recent audits had gone well.
- Members asked if a direct audit was an indication of financial difficulties at an organization. OAG witnesses explained that direct audits were selected by sector to provide better knowledge of organizations across the public sector.

## Committee Decision

The Public Accounts Committee endorsed the three recommendations listed on page 3 of the Financial Statement Audit Coverage Plan for Fiscal Years 2015/2016 through 2017/2018, as required by sections 10 and 14 of the *Auditor General Act*.

## Appendix A – Documents Submitted

### March 12, 2014 Meeting

Office of the Auditor General (OAG) Report, Striving for Quality, Timely and Safe Patient Care: An Audit of Air Ambulance Services in B.C. (March 2013)

OAG Presentation to Select Standing Committee on Public Accounts re: Striving for Quality, Timely and Safe Patient Care: An Audit of Air Ambulance Services in B.C., March 12, 2014

BC Ambulance Service Presentation to Select Standing Committee on Public Accounts re: Striving for Quality, Timely and Safe Patient Care: An Audit of Air Ambulance Services in B.C., March 12, 2014

BC Ambulance Service, Follow-up information on survival rates and patient outcomes (distributed May 1, 2014 and July 14, 2014)

### April 9, 2014 Meeting

OAG Report, University Board Governance Examinations (February 2014)

OAG Presentation to Select Standing Committee on Public Accounts re: University Board Governance Examinations, April 9, 2014

Ministry of Advanced Education and Capilano University Presentation to Select Standing Committee on Public Accounts re: University Board Governance Examinations, April 9, 2014

### June 24, 2014 Meeting

OAG Report, An Audit of Special Indemnities (December 2013)

OAG Presentation to Select Standing Committee on Public Accounts Presentation to Select Standing Committee on Public Accounts re: An Audit of Special Indemnities, June 24, 2014

Ministry of Justice, BC Public Service Agency, and Ministry of Finance Presentation to Select Standing Committee on Public Accounts re: An Audit of Special Indemnities, June 24, 2014

Ministry of Justice, Follow-up information on indemnity cases resulting in convictions, the number of indemnities, and copies of indemnity agreements (distributed July 18, 2014)

OAG, Follow-up information on the costs of concluding special indemnities (distributed September 24, 2014)

OAG Report, Observations on Financial Reporting: 2012/13 Summary Financial Statements (November 2013)

OAG Presentation to Select Standing Committee on Public Accounts re: Observations on Financial Reporting: 2012/13 Summary Financial Statements, June 24, 2014

Office of the Comptroller General, Presentation re: Observations on Financial Reporting: 2012/13 Summary Financial Statements, June 24, 2014

### June 25, 2014 Meeting

OAG Report, Catastrophic Earthquake Preparedness (March 2014)

OAG Presentation to Select Standing Committee on Public Accounts re: Catastrophic Earthquake Preparedness, June 25, 2014

Ministry of Justice, Emergency Management BC Presentation to Select Standing Committee on Public Accounts re: Catastrophic Earthquake Preparedness, June 25, 2014

Emergency Management BC, Information on the 2012 Tsunami After-Action Review (distributed November 14, 2014)

OAG Report, Working Capital Management Since 2010 (March 2014)

OAG Presentation to Select Standing Committee on Public Accounts re: Working Capital Management Since 2010, June 25, 2014

Ministry of Finance, Ministry of Education, Ministry of Advanced Education Presentation to Select Standing Committee on Public Accounts re: Working Capital Management Since 2010, June 25, 2014

Office of the Comptroller General, Follow-up information on legislative issues related to cash flow management involving school districts (distributed September 5, 2014)

OAG Report, Information Technology Compendium (January 2014)

OAG Presentation to Select Standing Committee on Public Accounts re: Information Technology Compendium, June 25, 2014

Ministry of Technology, Innovation and Citizens' Services Presentation to Select Standing Committee on Public Accounts re: Information Technology Compendium, June 25, 2014

### September 30, 2014 Meeting

OAG Report, Credit Union Supervision in British Columbia (March 2014)

OAG Presentation to Select Standing Committee on Public Accounts re: Credit Union Supervision in British Columbia, September 30, 2014

Ministry of Finance and Financial Institutions Commission Presentation to Select Standing Committee on Public Accounts re: Credit Union Supervision in British Columbia, September 30, 2014

OAG Report, Oversight of Physician Services (February 2014)

OAG Presentation to Select Standing Committee on Public Accounts re: Oversight of Physician Services, September 30, 2014

Ministry of Health Presentation to Select Standing Committee on Public Accounts re: Oversight of Physician Services, September 30, 2014

Ministry of Health, Follow-up information on growth in specialists, life expectancy in British Columbia, interprovincial expenditure per capita on physicians, and federal transfer payments/BC age demographic (distributed March 4, 2015)

### October 1, 2014 Meeting

OAG Report, Financial Statement Audit Coverage Plan for Fiscal Years 2015/2016 through 2017/2018 (September 2014)

OAG Presentation to Select Standing Committee on Public Accounts re: Financial Statement Audit Coverage Plan for Fiscal Years 2015/2016 through 2017/2018, October 1, 2014

OAG Report, Disability Assistance: An Audit of Program Access, Integrity and Results (May 2014)

OAG Presentation to Select Standing Committee on Public Accounts re: Disability Assistance: An Audit of Program Access, Integrity and Results, October 1, 2014

Ministry of Social Development and Social Innovation Presentation to Select Standing Committee on Public Accounts re: Disability Assistance: An Audit of Program Access, Integrity and Results, October 1, 2014

Ministry of Social Development and Social Innovation, Follow-up information on office sites, telephone accessibility, and disability assistance caseloads (distributed on December 1, 2014)

OAG Report, Information Technology Compendium (January 2014)

OAG Presentation to Select Standing Committee on Public Accounts re: Information Technology Compendium, October 1, 2014

Ministry of Technology, Innovation and Citizens' Services Presentation to Select Standing Committee on Public Accounts re: Information Technology Compendium, October 1, 2014

### December 8, 2014 Meeting

OAG Report, The 2014 Summary Financial Statements and the Auditor General's Findings (October 2014)

OAG Presentation to Select Standing Committee on Public Accounts re: The 2014 Summary Financial Statements and the Auditor General's Findings, December 8, 2014

Office of the Comptroller General Presentation to Select Standing Committee on Public Accounts re: The 2014 Summary Financial Statements and the Auditor General's Findings, December 8, 2014

OAG Report, Receiving Value for Money from Procured Professional and Advisory Services (May 2014)

OAG Presentation to Select Standing Committee on Public Accounts re: Receiving Value for Money from Procured Professional and Advisory Services, December 8, 2014

Office of the Comptroller General Presentation to Select Standing Committee on Public Accounts re: Receiving Value for Money from Procured Professional and Advisory Services, December 8, 2014

Office of the Comptroller General, Follow-up information on funding for the Vancouver Convention Centre, asset sales, and reporting on Other Government Investments in the 2013/14 Public Accounts (distributed April 30, 2015)

### February 4, 2015 Meeting

OAG Report, Follow-up Report: Updates on the Implementation of Recommendations from Recent Reports (October 2012)

OAG Report, Follow-up Report: Updates on the Implementation of Recommendations from Recent Reports (April 2013)

OAG Report, Follow-up Report: Updates on the Implementation of Recommendations from Recent Reports (October 2013)

OAG Report, Follow-up Report: Updates on the Implementation of Recommendations from Recent Reports (June 2014)

OAG Report, Public Sector Board Use of Information in British Columbia 2012: Progress Update Since 2009 (April 2013)

OAG Presentation to Select Standing Committee on Public Accounts re: The Follow-Up Process: Adding Value, February 4, 2015

CCAF-FCVI Inc. Presentation to Select Standing Committee on Public Accounts re: Taking Corrective Action: Issuing Recommendations and Follow-Up, February 4, 2015

CCAF-FCVI Inc. Supplementary Information re: Obtaining Status Updates/Action Plans on the Implementation of Auditor General Recommendations and The State of Public Accounts Committees in 2013: A Survey of Canadian Public Accounts Committee Practices, February 4, 2015

Parliamentary Committees Office Backgrounder re: Follow-up Process for OAG Audit Reports, February 4, 2015

OAG Presentation to Select Standing Committee on Public Accounts re: Follow-Up Reports October 2012, April 2013, October 2013, June 2014 and Public Sector Board Use of Information in British Columbia 2012: Progress Update Since 2009, February 4, 2015

Ministry of Finance Presentation to Select Standing Committee on Public Accounts re: Public Sector Board Use of Information in British Columbia 2012: Progress Update Since 2009, February 4, 2015

### February 5, 2015 Meeting

OAG Report, Summary Report: Results of Completed Projects (December 2011)

OAG Report, Summary Report: Results of Completed Projects and Other Matters (December 2012)

OAG Report, Summary Report: Winter 2014 (February 2014)

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