

Select Standing Committee on Public Accounts

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# SUMMARY OF ACTIVITIES 2022-23

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May 2023



LEGISLATIVE ASSEMBLY  
of BRITISH COLUMBIA

First Report  
Fourth Session, 42nd Parliament



May 2, 2023

To the Honourable  
Legislative Assembly of the  
Province of British Columbia

Honourable Members:

I have the honour to present herewith the First Report of the Select Standing Committee on Public Accounts for the Fourth Session of the 42nd Parliament titled, *Summary of Activities 2022-23*. This report summarizes the work of the Committee from April 1, 2022 to March 31, 2023.

Respectfully submitted on behalf of the Committee,

Peter Milobar, MLA  
Chair

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# CONTENTS

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Composition of the Committee .....	4
Terms of Reference .....	6
The Work of the Committee .....	7
Financial Statement Audit Coverage Plan (February 2023) .....	9
Auditor General’s Report on the Financial Audit Work: Fiscal Year 2021/22 (November 2022) .....	12
Fraud Risk Management Survey Report – 2020/21 (November 2021) .....	16
Ensuring Long-distance Ground Transportation in Northern B.C. (November 2021) . . .	18
BC Housing’s COVID-19 Response: Property Purchases (March 2022) .....	21
Fraud Risk Management: Office of the Comptroller General (March 2022) .....	23
Receipt of Follow-up Information from the Office of the Auditor General .....	25
BC Housing’s COVID-19 Response: Additional Safe Spaces for Women and Children Leaving Violence (March 2022) .....	26
Managing Cybersecurity Risk in the Telework Environment (March 2022) .....	28
Fraud Risk Management: Site C Dam and Hydroelectric Energy Project (April 2022) . . .	30
Oversight of Major Mines: Policies and Procedures to Address Environmental Risks (June 2022) .....	32
B.C.’s COVID-19 Response: Community Economic Resilience Grants (June 2022) . . . .	34
Mental Health and Substance Use Services for Indigenous People in B.C. Correctional Centres (February 2023) .....	36
B.C.’s COVID-19 Response: Monitoring Vaccination Coverage (February 2023) .....	39
Committee Follow-Up .....	41

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# COMPOSITION OF THE COMMITTEE

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## Fourth Session, 42nd Parliament

Peter Milobar, MLA, Chair  
Kamloops-North Thompson

Jennifer Rice, MLA, Deputy Chair  
North Coast

Bruce Banman, MLA  
Abbotsford South

Garry Begg, MLA  
Surrey-Guildford

Spencer Chandra Herbert, MLA  
Vancouver-West End (From March 1, 2023)

Susie Chant, MLA  
North Vancouver-Seymour

Fin Donnelly, MLA  
Coquitlam-Burke Mountain (To March 1, 2023)

Ronna-Rae Leonard, MLA  
Courtenay-Comox

Doug Routley, MLA  
Nanaimo-North Cowichan

Jackie Tegart, MLA  
Fraser-Nicola

## Third Session, 42nd Parliament

Peter Milobar, MLA, Chair  
Kamloops-North Thompson

Jennifer Rice, MLA, Deputy Chair  
North Coast (From January 27, 2023)

Rick Glumac, MLA  
Deputy Chair, Port Moody-Coquitlam (To January 27, 2023)

Brittney Anderson, MLA  
Nelson-Creston (To January 27, 2023)

Bruce Banman, MLA  
Abbotsford South

Garry Begg, MLA  
Surrey-Guildford (From January 27, 2023)

Spencer Chandra Herbert, MLA  
Vancouver-West End (From January 27, 2023)

Susie Chant, MLA  
North Vancouver-Seymour (From January 27, 2023)

Dan Coulter, MLA  
Chilliwack (To January 27, 2023)

Kelly Greene, MLA  
Richmond-Steveston (From May 19, 2022 to January 27, 2023)

Ronna-Rae Leonard, MLA  
Courtenay-Comox (From January 27, 2023)

Norm Letnick, MLA  
Kelowna-Lake Country (To January 27, 2023)

Andrew Mercier, MLA  
Langley (To January 27, 2023)

Doug Routley, MLA  
Nanaimo-North Cowichan (From January 27, 2023)

Niki Sharma, MLA  
Vancouver-Hastings (To May 3, 2022)

## **Third Session, 42nd Parliament (continued)**

Mike Starchuk, MLA

Surrey-Cloverdale (To May 19, 2022)

Jackie Tegart, MLA

Fraser-Nicola (From January 27, 2023)

Adam Walker, MLA

Parksville-Qualicum (From May 3, 2022 to January 27, 2023)

## **Committee Staff**

Jennifer Arril, Clerk of Committees

Ron Wall, Manager, Committee Research Services

Katey Stickle, Committee Research Analyst

Lisa Hill, Committee Research Analyst

Jesse Gordon, Committee Researcher

Mary Heeg, Committee Researcher

Mary Newell, Administrative Coordinator

Emma Curtis, Committees Assistant

Jonathon Hamilton, Committee Research Assistant (Co-op)

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# TERMS OF REFERENCE

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On February 17, 2022, and February 13, 2023, the Legislative Assembly agreed that 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. For greater certainty, the following exceptions are provided:

- a. the report referred to in section 22 of the *Auditor General Act* (S.B.C. 2003, c. 2) shall be referred to the Select Standing Committee on Finance and Government Services; and
- b. reports of the Auditor General respecting the Legislative Assembly prepared under the provisions of the *Legislative Assembly Management Committee Act* (R.S.B.C. 1996, c. 258) shall be referred to the Legislative Assembly Management Committee.

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* (S.B.C. 2003, c. 2).

That, in addition to the powers previously conferred upon the Select Standing Committees of the House, the Select Standing Committee on Public Accounts be empowered to:

- a. appoint of its number one or more subcommittees and to refer to such subcommittees any of the matters referred to the Committee and to delegate to the subcommittees all or any of its powers except the power to report directly to the House;
- b. 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. adjourn from place to place as may be convenient; and

- d. retain personnel as required to assist the Committee.

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

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# THE WORK OF THE COMMITTEE

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The Select Standing Committee on Public Accounts (the Committee) is established by the Legislative Assembly and supports public sector oversight through its review and consideration of the Office of the Auditor General's (OAG) financial and performance audit reports. The Committee further promotes ongoing accountability and improvement of public sector administration by following up with audited organizations on progress made on implementing OAG report recommendations. The Committee is also required under the *Auditor General Act* to consider and approve the OAG's annual Financial Statement Audit Coverage Plan for the upcoming three fiscal years.

This report summarizes the Committee's activities from April 1, 2022 to March 31, 2023 during which the Committee met a total of 14 times and reviewed 11 OAG performance audit and information reports regarding government's administration of programs in a variety of areas including response to the COVID-19 pandemic, fraud risk management, cybersecurity, transportation, and the oversight of major mines. The Committee also reviewed the *Auditor General's Report on the Financial Audit Work: Fiscal Year 2021/22* as well as the OAG's *Financial Statement Audit Coverage Plan for financial statement fiscal years ending in 2024, 2025, and 2026*. OAG reports are available at: <http://www.bcauditor.com/>

At the first meeting of the Fourth Session of the 42nd Parliament, the Committee elected the Chair and Deputy Chair. Significant membership changes also occurred between the Third and Fourth Sessions of this Parliament, so an informal orientation session was held to provide Members with further information about the role and work of the Committee, the Office of the Auditor General, and the Office of the Comptroller General.

With respect to follow-up, Committee Members considered the Action Plan Progress Assessments received in 2021 and 2022 and sought additional written information and invited presentations from several audited government organizations regarding the implementation of OAG audit recommendations. Further information about changes to the follow-up process, as well as Committee decisions in this area can be found in the *Committee Follow-Up* section of this report.

The Committee also welcomed a visiting delegation from the National Assembly of the Parliament of the Co-operative Republic of Guyana including the Auditor General, Deputy Speaker, and Members and support staff from the National Assembly's Public Accounts Committee in October 2022. The delegation observed a Committee meeting and met with Committee Members to share information and best practices. The visit was facilitated by the Canadian Audit and Accountability Foundation.

Minutes and transcripts of Committee meetings, OAG reports and other meeting documents are available on the Committee's website at: <https://www.leg.bc.ca/cmt/pac>

## Meetings Schedule

The Committee met on the dates noted below to conduct the following business:

### Third Session, 42nd Parliament

April 4, 2022

- Review of the Office of the Auditor General Report:
  - *Fraud Risk Management Survey Report* (November 2021)

April 5, 2022

- Review of the Office of the Auditor General Report:
  - *Ensuring Long-distance Ground Transportation in Northern B.C.* (November 2021)

April 25, 2022

- Review of the Office of the Auditor General Report:
  - *BC Housing's COVID-19 Response: Property Purchases* (March 2022)

May 10, 2022

- Review of the Office of the Auditor General Report:
  - *Fraud Risk Management: Office of the Comptroller General* (March 2022)
- Review of Follow-up Information from Office of the Auditor General

May 12, 2022

- Review of the Office of the Auditor General Report:
  - *Review of BC Housing's COVID-19 Response: Additional Safe Spaces for Women and Children Leaving Violence* (March 2022)

May 16, 2022

- Review of the Office of the Auditor General Report:
  - *Managing Cybersecurity Risk in the Telework Environment*
- Review and adoption of the Committee's report titled, *Summary of Activities 2021/22*

May 30, 2022

- Review of the Office of the Auditor General Report:
  - *Fraud Risk Management: Site C Dam and Hydroelectricity Energy Project* (April 2022)

October 3, 2022

- Review of the Office of the Auditor General Report:
  - *Oversight of Major Mines: Policies and Procedures to Address Environmental Risks* (June 2022)

November 1, 2022

- Review of the Office of the Auditor General Report:
  - *B.C.'s COVID-19 Response: Community Economic Resilience Grants* (June 2022)

November 15, 2022

- Discussion of the 2021 and 2022 Action Plan Progress Assessments

February 3, 2023

- Election of Deputy Chair
- Follow-up on implementation of recommendations in the Office of the Auditor General Reports:
  - *An Independent Audit of Grizzly Bear Management* (2017)
  - *An Independent Audit of Commercial Vehicle Safety* (2018)
  - *Detection and Response to Cybersecurity Threats on B.C. Hydro's Industrial Control Systems* (2019)
- Consideration of correspondence from audited organizations on the implementation of recommendations from the Office of the Auditor General's reports
- Review of the Office of the Auditor General Report:
  - *Auditor General's Report on the Financial Audit Work: Fiscal Year 2021/22* (November 2022)
- Review of the Office of the Auditor General's *Financial Statement Audit Coverage Plan for financial statement fiscal years ending in 2024, 2025, and 2026* (February 2023)

## Fourth Session, 42nd Parliament

February 14, 2023

- Election of Chair and Deputy Chair

March 13, 2023

- Informal orientation session

March 27, 2023

- Review of the Office of the Auditor General Reports:
  - *Mental Health and Substance Use Services for Indigenous People in B.C. Correctional Centres* (February 2023)
  - *B.C.'s COVID-19 Response: Monitoring Vaccination Coverage* (February 2023)

April 19, 2023

- Review and adoption of the Committee's report titled, *Summary of Activities 2022-23*



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# FINANCIAL STATEMENT AUDIT COVERAGE PLAN (FEBRUARY 2023)

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Pursuant to the *Auditor General Act*, the Auditor General must report annually to the Legislative Assembly on the financial statements of the government reporting entity which includes ministries, Crown corporations, universities, colleges, school districts, health authorities and similar entities that are controlled by or accountable to the provincial government. The Act requires the Auditor General to submit a plan to a parliamentary committee of the Legislative Assembly for approval each year that sets out the appointment of auditors for the government reporting entity for the next three fiscal years. The Legislative Assembly has designated the Select Standing Committee on Public Accounts as the Committee to receive and approve the plan. The Committee considered the Office of the Auditor General's (OAG) proposed *Financial Statement Audit Coverage Plan for financial statement fiscal years ending in 2024, 2025, and 2026* at its February 3, 2023 meeting.

## Summary of Proposed Plan

The audit of the government reporting entity is accomplished through the combined work of the OAG and private sector auditing firms; the OAG audits government ministries while private sector auditing firms audit most of the other entities and trust funds. The OAG is responsible for determining its level of involvement in the audit of each entity; this is outlined in its *Financial Statement Audit Coverage Plan*. In determining this level of involvement, the OAG aims to ensure the Office maintains an appropriate understanding of the business processes of government while also balancing the benefits of auditor rotation.

OAG staff outlined that there are three levels of involvement in the financial statement audits of government entities: direct, oversight, or limited. To determine this level of involvement, OAG staff explained that the Office considers risk factors including complexity, level of public interest, financial size, and the likelihood of issues that would materially affect the summary financial statements. In addition, the OAG considers the coverage within different sectors, such as health or education, to ensure it maintains an understanding of the issues within these areas. At the direct level of involvement, the audit is conducted directly by the OAG or by a private sector audit firm under contract. In either case, the OAG is responsible for the audit and signs the independent auditor's report. As outlined in the plan, the OAG intends to directly audit nine entities in 2023-24, and 10 entities in both 2024-25 and 2025-26. The next level is oversight, in which the audit is conducted by a private sector firm and the OAG performs oversight procedures, including reviewing the private sector auditor's work and attending audit and finance committee meetings. The OAG plans to oversee the audits for 29 entities, representing approximately 51 percent of government entity expenses in 2023-24; 26 entities in 2024-25; and 24 entities in 2025-26. At the limited level, the audit is conducted by a private sector firm, but the OAG can direct or review the audit work as required or work with the auditor if there is a specific issue that needs to be addressed. The OAG plans to have a limited level of involvement in the audit of 101 entities in 2023-24, 103 entities in 2024-25, and 105 entities in 2025-26.

The plan also includes some changes from last year's approved plan as well as some additional requests for the Committee's approval. With respect to changes in audit

coverage for post-secondary institutions, OAG staff noted that last year the OAG proposed staying on as direct auditor for the University of British Columbia for an additional year beyond the usual five-year rotation; however, based on an updated risk assessment, this is no longer warranted. Instead, the OAG plans to shift from oversight to direct involvement for Simon Fraser University beginning in 2025. Regarding school districts, the OAG plans to shift to ongoing oversight of both School District 36 (Surrey) and School District 39 (Vancouver), rather than the previous plan for two-year oversight rotations, given the significant volume of expenditures in these districts. Another change is that the OAG will no longer directly audit the British Columbia Enterprise Corporation, as it has been dissolved, and based on a risk assessment, the OAG also determined that a direct level of involvement is not required for the BC Oil and Gas Commission and the Royal BC Museum beyond 2024. Pursuant to the *Auditor General Act*, the OAG cannot be the appointed auditor of a government organization or trust fund for more than five consecutive years unless the Committee approves an exemption. As the OAG has been the direct auditor for the BC Oil and Gas Commission and the Royal BC Museum for more than five years and plans to continue in that capacity until 2024, the Committee's approval is required. Approval was sought for this as well as to continue as appointed auditor for more than five consecutive years for a third entity, BC Transportation Financing Authority, and two subsidiaries, the British Columbia Liquor Distribution Branch and the Transportation Investment Corporation. OAG staff outlined the reasoning behind these requests, including: that the entities hold a significant portion of the province's capital assets, carry out significant projects, and are related to several high-profile matters such as potential pipeline projects. In addition, the plan includes a request for the Auditor General to continue as the appointed auditor for the Provincial Employees Community Services Fund, which is outside of the government reporting entity.

## Committee Inquiry

### BC Housing

Referencing the forensic audit of BC Housing that was underway as well as the level of public attention focused on the organization, Committee Members asked whether the OAG considered plans to directly audit BC Housing, rather than performing oversight procedures as outlined in the plan. OAG staff noted that given the recent changes to the board of BC Housing, it is appropriate to wait and reassess the risk at a later date to decide if a direct audit is warranted. They added that at the oversight level, the OAG is aware of the findings of the private sector firm and can directly audit a particular transaction if there is a concern. Members followed up to ask if the report on the forensic audit being undertaken by the Comptroller General might be brought before the Committee. OAG staff noted that the Committee's terms of reference would determine which reports are brought forward, but their office would expect to have access to the work that is being done in order to assess risk and determine their level of involvement in auditing BC Housing.

### Suggestions for Audit Coverage

Members expressed their appreciation for the plan and the OAG's responsiveness to suggestions for audits. OAG staff commented that as issues unfold in an organization there are many options available to the office. These options include assessing risk to determine if a performance audit should be conducted, making key inquiries to determine if further information is needed, moving an entity from a limited level of involvement to the oversight level, and considering the best timing for a direct audit based on existing private sector firm contracts.

## COMMITTEE DECISIONS

The Committee adopted the following motions in support of the recommendations in the Auditor General's proposed *Financial Statement Audit Coverage Plan*:

1. That the Select Standing Committee on Public Accounts, pursuant to sections 10 and 14 of the *Auditor General Act*, endorse the three recommendations listed on page 18 of the *Financial Statement Audit Coverage Plan for financial statement fiscal years ending in 2024, 2025, and 2026*, as presented on February 3, 2023.
2. That should amendments to the *Financial Statement Audit Coverage Plan for financial statement fiscal years ending in 2024, 2025, and 2026* be required, the Office of the Auditor General will return to the Select Standing Committee on Public Accounts with any such amendments.

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# AUDITOR GENERAL'S REPORT ON THE FINANCIAL AUDIT WORK: FISCAL YEAR 2021/22 (NOVEMBER 2022)

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The Committee considered the November 2022 *Auditor General's Report on the Financial Audit Work: Fiscal Year 2021/22* at its February 3, 2023 meeting. The report outlines the results of the Office of the Auditor General's (OAG) financial audit of the provincial summary financial statements for the 2021/22 fiscal year.

## Summary of OAG Report

The Deputy Auditor General began the presentation by noting that the *Auditor General Act* requires the Auditor General to report to the Legislative Assembly on whether the provincial summary financial statements are presented fairly and in accordance with generally accepted accounting principles (GAAP). In Canada, the public sector accounting standards are set by the Public Sector Accounting Board and are considered GAAP for senior governments.

The OAG issued a qualified opinion on the 2021/22 summary financial statements, with three material misstatements. Except for these, the statements present fairly, in all material respects, the financial position of the government and its operations as of March 31, 2022. The Deputy Auditor General spoke to the significance of these misstatements, stating that this means the financial statements, without correction, are misleading. OAG staff noted that the first misstatement is a longstanding issue arising from the way the BC government accounts for certain funding contributions. As indicated in the OAG report, GAAP requires governments to record these contributions as revenue as soon as the province has used the

funds for the purpose for which they were provided; however, the BC government has been recording only a portion of the contributions received each year as revenue. The remaining amount has been recorded as a liability – deferred revenue. In the OAG's opinion, the province's liabilities are overstated by \$6.48 billion due to these incorrectly deferred revenues. The second misstatement relates to incomplete disclosure of contractual obligations. OAG staff explained that they identified over \$3.4 billion in contractual obligations that were not disclosed in the financial statements, in part because the province only includes agreements with obligations over \$50 million in its disclosures. The third misstatement relates to accounting for the BC First Nations Gaming Revenue Sharing and Financial Agreement. OAG staff explained that the financial statements did not include the revenues earned by the British Columbia Lottery Corporation (BCLC) from gaming and transferred to the BC First Nations Gaming Revenue Sharing Limited Partnership under this agreement.

OAG staff also discussed key audit matters and other financial matters of interest that are included in the report. They explained that key audit matters, which are areas of significance and are challenging to audit, include the estimate of personal income tax revenues, valuation of plan assets and pension benefits, and estimating the cost to remediate contaminated sites. Other financial matters of interest include increasing costs of weather-related disasters, estimated at over \$5 billion in 2021, as well as updates on three COVID-19 benefit programs.

## Summary of Government Response

To begin their presentation, the Comptroller General noted that over the last ten years, the OAG has made 19 qualifications on its audits of the provincial summary financial statements and that 16 of them have been resolved without any adjustment or impact to these financial statements. Office of the Comptroller General (OCG) staff explained that the summary financial statements were prepared consistent with past years, following the same basis of accounting prescribed in the *Budget Transparency and Accountability Act* and the Treasury Board regulation regarding restricted contributions.

OCG staff noted that the qualification related to the deferral of revenue has been an issue since 2012. They explained that the OAG and government have a difference of interpretation on this issue: the OAG notes that contributions restricted for capital assets should be recognized as revenue when the asset is built or bought, whereas government records a portion of the contributions over the useful life of the related asset. OCG staff referenced a public sector accounting standard that allows for both treatments. They stated that recognizing revenue in advance would make the accumulated surplus much higher, misrepresenting the economic resources available for government to use. Further, they noted that other provinces, including Alberta, Ontario, and Quebec, also defer restricted contributions; however, they do not receive an audit qualification.

Regarding the BC First Nations Gaming Revenue Sharing and Financial Agreement, OCG staff explained that an amendment to the *Gaming Control Act* conveys the right to seven percent of BCLC's net income to First Nations. They stated that this approach of conveying a right to revenue through legislation is distinct from providing a discretionary grant. As such, the OCG disagrees with the qualification regarding recognizing this First Nations revenue as provincial revenue and then a subsequent grant to First Nations. OCG staff also stated that a foundational concept in the accounting standards is that revenue does not include amounts collected on behalf of others. They also referenced guidance on government

transfers that prohibit the recognition of grant expenses for money collected on behalf of another organization as well as standards on dedicated revenues that prohibit government from recognizing revenue that has been mandated in legislation to be passed directly to another party.

With respect to the qualification regarding disclosure of contractual obligations, OCG staff noted that the future amounts of First Nations gaming revenue do not meet the definition of contractual obligations as set out in the standards, because there is no liability against provincial funds to make these payments in the future to First Nations. They stated that First Nations have been conveyed the right to this revenue, and government cannot interfere with that payment.

## Summary of Further Discussion

In response to the OCG's presentation, the Deputy Auditor General expressed concern that the presentation framed the qualifications as recommendations from the Auditor General which is a mischaracterization. She clarified that the Auditor General has a mandated responsibility to conduct an independent audit of the summary financial statements against GAAP and has reported material misstatements, as well as the effect of those misstatements, in the OAG's report.

Regarding the conceptual framework for financial reporting in the public sector that was referenced in the OCG's presentation, OAG staff stated that the framework released in December doesn't become effective until fiscal year 2027. They further noted that the framework doesn't change the definition of a liability, so they don't see it resulting in a change to the accounting of government transfers.

With respect to the BC First Nations Gaming Revenue Sharing and Financial Agreement, OAG staff stated that this a flow-through transfer from one party (BCLC) to another party (the BC First Nations Gaming Revenue Sharing Limited Partnership). They noted that while many of the references to flow-through in GAAP are clear, the term itself has not been

adequately defined. The Deputy Auditor General noted that the OAG identified that this transaction should be recorded as revenue because BCLC earns the revenue, and then seven percent of the net income is transferred to the First Nations under the agreement.

## Committee Inquiry

### BC First Nations Gaming Revenue Sharing and Financial Agreement

Committee Members inquired about the process for calculating the percentage of funds paid to the British Columbia First Nations Gaming Revenue Sharing Limited Partnership. OCG staff noted that the seven percent is based on the annual net income of the BCLC. OAG staff clarified that the amount is being calculated in accordance with the terms of the agreement and the legislation and the OAG qualification was regarding the lack of transparency about the way it was being reported in the financial statements.

### Qualification on Deferred Revenues – accounting standards

In response to a question about the application of accounting standards and the qualification on deferred revenues, the Comptroller General explained that both the *Budget Transparency and Accountability Act* and the *Auditor General Act* reference public sector accounting standards, but the OCG and OAG have a different interpretation of these standards. The Deputy Auditor General added that the OAG audits against those standards, while the OCG prepares the financial statements in accordance with those standards as modified by a regulation under the *Budget Transparency and Accountability Act*. She explained that the regulation was put in place 11 years ago, which has been the duration of the qualification on deferred revenues. In response to a follow up question about this regulation, OAG staff stated that it is contrary to GAAP and is not part of the public sector accounting standards. The Deputy Auditor General added that the *Auditor General Act* directs the Auditor General to perform the audit of the summary financial statements in accordance with generally accepted accounting principles,

not in accordance with the regulation. In response, the Comptroller General stated that the OAG follows Canadian audit standards that identify the existence of a regulatory framework that entities are required to follow, and that the regulatory framework is the basis on which audits should be conducted.

### Qualification on Deferred Revenues - implications

Members asked about the implications of the OAG qualification on deferred revenues for the public. OAG staff explained that GAAP are developed to be able to provide consistency and transparency of reporting. They added that when the OAG makes a qualification, this flags for the public that there is something in the financial statements that is not presented correctly, and then the OAG explains this difference. Members followed up to clarify that the qualifications do not indicate fraud. The Deputy Auditor General confirmed that the qualifications do not relate to fraud, but rather the fair presentation of the financial statements according to GAAP.

Committee Members asked if it would create problems in terms of long-term comparability of the financial statements if government was to shift its treatment and record contributions as revenue as soon as they have used the funds. OAG staff explained that when an auditor provides a qualification, the impact of the qualification is also disclosed. They added that for this qualification, the actual in-year error is about \$497 million but it accumulates until a correction is made. If the correction is made, government would be able to make some adjustments in relation to what the auditor has said the impacts of the financial statements were in the previous year. They added that from an auditor's perspective, carrying a large amount that needs to be adjusted creates risk that it could be used advantageously in a year where that is needed. The Comptroller General stated that if the province were to recognize the revenue up front and then amortize the underlying assets over a long period of time, that would skew the recognition and position of accumulated surplus in the province.

## Qualification on Deferred Revenues - practices in other jurisdictions

Committee Members asked about practices in other jurisdictions with respect to deferred revenues. The Comptroller General stated that the Public Sector Accounting Board has confirmed BC's treatment for restricted contributions and that other jurisdictions do not receive a qualified audit opinion regarding their use of the same treatment. OAG staff stated that while every jurisdiction is required to follow GAAP, they each have their own unique accounting policies and practices so how they account for transactions may be different. They added that the OAG has looked at other jurisdictions and noted differences across provinces which would result in different audit opinions or different financial statement audit reports.

## Disclosure of Contractual Obligations

In response to a question about the qualification regarding incomplete disclosure of contractual obligations, OAG staff explained that under Canadian public sector accounting standards, contractual obligations that commit the government to make certain expenditures for a considerable period into the future must be disclosed in the financial statements. The disclosure is designed to provide an idea of the nature and extent to which government's resources are already committed. They added that in undertaking the audit, the OAG identified \$7.5 billion that needed to be disclosed; government recorded \$4 billion, leaving approximately \$3.5 billion that was not recorded. OAG staff clarified that this does not have an impact on the bottom line in any given year, but it does provide better disclosure and more transparency.

## Tax Estimates

Members inquired about the estimation of personal income tax revenues. The Comptroller General stated that there has not been a change to this system but over the pandemic period, the results of the econometric modelling that drives income tax estimation have been widely variable. He added

that the data provided from Canada Revenue Agency is derived from their expectations about what is happening in the market and that the behaviour of the public during the pandemic period did not result in the same kind of economics that would have normally been expected. Members followed up about any changes to how provincial tax revenues are estimated. The Comptroller General stated that there have been no changes in the approach or the calculation of provincial tax streams, but there has been a change in volume. He provided the example of property transfer taxes, where the comparison of estimate to actual is based on the assumptions in the budget process to determine how many properties will be sold. He stated that there is no impact from modeling or calculation approaches on any of those amounts.

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# FRAUD RISK MANAGEMENT SURVEY REPORT – 2020/21 (NOVEMBER 2021)

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The Committee reviewed the Office of the Auditor General (OAG) information report titled, *Fraud Risk Management Survey Report – 2020/21*, at its April 4, 2022 meeting. The report details the results of a questionnaire distributed by the OAG to public service organizations, covering key elements of modern fraud risk management, along with OAG observations of the survey results. The survey is the most extensive fraud management survey ever conducted in BC's public sector.

## Summary of OAG Report

To learn more about fraud risk management in the public sector, the OAG sent an online fraud risk management questionnaire to 140 public sector organizations. The survey covered key elements of fraud risk management including governance, assessment, prevention, monitoring, investigation, and reporting. In reviewing the results, the OAG observed that BC's public sector organizations understand the need for fraud risk management, but can strengthen their assessment and management practices, and benefit from the implementation of additional measures.

OAG staff highlighted some positive findings, including that 91 percent of the 135 respondents indicated that they have internal controls to prevent fraud and 65 percent have a fraud monitoring function. Staff additionally noted findings of concern such as that respondents lacked effective policies, formal assessments, and procedures for addressing fraud; 52 percent of respondents do not have policies to support fraud risk management; 55 percent do not conduct fraud risk management assessments; and 57 percent do not have policies and procedures for when potential fraud occurs.

OAG staff emphasized that each organization that took part in the survey is unique in its operations, finances, and nature. These factors impact both the type and severity of fraud, along with the requirements and design of effective fraud management. The intention of this survey was to gain self-reported information and indicators about the public sector's fraud risk management environment, which aids in the OAG's financial audit work. The report additionally serves to enable cross-organizational learnings, along with promoting reflection and improvement of existing management practices.

## Summary of Government Response

The Comptroller General highlighted fraud risk management as an important priority for the government. He noted that fraud risk management has traditionally been part of the overall internal control framework of an organization; however, fraud has become more pervasive and complex, which necessitates separate focus on fraud identification, prevention, management, and preparation. The Comptroller General further noted that the BC public sector has been able to leverage the experience of the current Auditor General with respect to fraud management programs, positioning BC to be a leader in this area.

## Committee Inquiry

### Improvement Initiatives

Committee Members inquired about the Auditor General's knowledge regarding any improvements being made by organizations after participating in the survey. The Auditor General shared that the degree of progress toward improving



fraud risk management has varied by organization. He further noted that any improvements are voluntary, and organizations are not required to inform or update the OAG as this was not an audit.

### **Internal and External Fraud Risk**

Committee Members asked about the process of evaluating internal and external fraud risks for organizations and determining the appropriateness of fraud risk controls. The Auditor General shared that part of the purpose of a fraud risk assessment is to identify fraud risks and determine what controls would be most effective. He added that all organizations are susceptible to fraud and that it is important to consider the likelihood of fraud and the potential for loss as it relates to each individual organization.

### **Survey Response Rate**

Committee Members asked the OAG if there was any follow-up with organizations that did not respond to the survey or any concerns regarding the responses from organizations that did participate. Regarding the response rate, OAG staff suggested that technical issues could be responsible for the few non-responses and shared that one of the organizations that did not respond to the survey explained that this was due to workload circumstances. The Auditor General shared that without having conducted a full audit, they could not determine any areas of concern, but the information provided in the survey will aid future financial audits.

### **General Standards**

Committee Members sought information about proactive approaches to fraud risk management, including setting standards and benchmarks across the public sector. The Comptroller General shared that the OAG will produce a report on the topic in early May 2022 titled *Fraud Risk Management: Office of the Comptroller General*. The Comptroller General further noted that government has been following a fraud management strategy since 2017, including awareness and training, along with providing tools

and resources to address fraud. The Comptroller General reiterated that each organization is unique with respect to fraud risks, which limits the application of universal standards in their effectiveness and an organization's ability to adhere to them. He continued that given the evolving nature and sophistication of fraud, it is important to increase awareness and encourage entities to take responsibility to focus on fraud as part of their ongoing internal control work.

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# ENSURING LONG-DISTANCE GROUND TRANSPORTATION IN NORTHERN B.C. (NOVEMBER 2021)

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The Committee reviewed the Office of the Auditor General's (OAG) November 2022 audit report titled *Ensuring Long-distance Ground Transportation in Northern B.C.* at its April 5, 2022 meeting. The audit set out to determine if the Ministry of Transportation and Infrastructure ensured delivery of an interim long distance bus service in northern BC and had a plan to develop a long-distance transportation solution for northern communities.

## Summary of OAG Report

OAG staff explained that Greyhound Canada, a private transportation service operator, was the primary source of long-distance transportation for northern BC communities until its suspension of service in 2018. With no other operators filling the service gap, the Ministry of Transportation and Infrastructure directed BC Transit to provide long-distance transportation services in the interim while the Ministry committed to finding a long-term solution to transportation for northern communities.

Regarding the establishment of the interim service, the OAG examined whether the Ministry set clear expectations for BC Transit, ensured service to communities where Greyhound discontinued routes, coordinated with other northern service providers, considered affordability in setting fares, and monitored the service according to the reporting requirements of its contribution agreements with BC Transit. The OAG's report concluded that the Ministry directed BC Transit on what to include in the interim service and ensured BC Transit collaborated with Northern Health transportation

providers to find efficiencies. Further, the Ministry set fares at approximately 50 percent less than Greyhound fares. The audit also found that the service covered only half the communities originally serviced by Greyhound along with a reduced schedule. Staff noted that this reduction reflected the Ministry's decision to not provide service beyond the provincial border, where an alternate service was available, or where stops were considered unsafe. The audit also found that the Ministry could improve its monitoring as it was not regularly receiving monthly ridership information from BC Transit, which is a specific monitoring and reporting requirement under the interim service agreement.

Regarding plans to develop a sustainable long-distance transportation solution for northern communities, the audit found that the Ministry started planning in 2019 with a focus on the north, including limited community engagement due to the COVID-19 pandemic. In 2020, the Ministry shifted the scope of this work from intercity transportation in the north to the entire province; however, it was unclear to the OAG how this planning would specifically lead to sustainable transportation solutions in northern communities.

The OAG report includes three recommendations: ensure the Ministry receives and reviews ridership monitoring reports as set out in previous agreements; ensure that the plan for provincewide ground transportation includes sustainable options for northern BC; and ensure broad engagement with northern communities as part of planning sustainable ground transportation solutions.

## Summary of Government Response

The Ministry of Transportation and Infrastructure accepted all three recommendations outlined in the OAG's report. Regarding monitoring reports, Ministry officials highlighted the monthly meetings that now take place with BC Transit for the sharing of ridership and operational information. Ministry officials also referenced the announcement of 18 service providers being given community shuttle grants, from which the Ministry will receive ridership information. With respect to plans for provincewide service, Ministry officials referenced work including the completion of a provincial survey on intercity transportation and a rural, remote, and Indigenous transportation assessment. They noted that work in this area is ongoing, with a goal to create a framework to determine the government's role in intercity bus service by November 2024. Moving to the engagement recommendation, staff shared they have also been engaging with the Bulkley-Nechako regional transit committee and participating in the Northern Development Initiative Trust's (NDIT) regional advisory committee meetings. NDIT conducted broad engagement last fall with additional engagement planned for the spring on intercity bus service. Ministry staff will be monitoring and analyzing this information in order to develop options.

## Committee Inquiry

### Audit Process

Committee Members sought clarity as to how the OAG determines the outcome of their audits, along with the use of evidence and role of subjective analysis. The Auditor General shared that during the initial planning, the OAG determines the original intent of the government's policy or initiative which then forms the audit objective. Audit criteria are then determined in collaboration with the auditee that are in relation to the audit objective. These criteria help to limit subjectivity. Regarding evidence, OAG staff noted that they collected documentation from the Ministry in addition

to conducting external research, in this case looking at a Passenger Transportation Safety Board report and consulting regional districts.

### Safety

In response to questions about the safety of the new service, Ministry officials shared that safety is difficult to measure, with most information being anecdotal. They noted that the service itself does improve safety as it provides an alternative to hitchhiking or other less safe modes of transportation. Ministry officials added that routes are connected to facilities where passengers can wait indoors and have access to restrooms. Further, they noted that the previous service had stops in the middle of the night and this service schedules routes during the day to improve safety.

### Action Plan

Committee Members inquired about how the audit criteria would factor into the implementation of the Ministry's action plan. The OAG shared that due to the recency of the audit, little discussion between the Ministry and the OAG on the action plan has been conducted thus far. OAG staff shared that in initial reviews of the action plan, it was still unclear whether the plan would present sustainable transportation solutions for northern communities. Ministry officials referenced the target date of November 2024 to develop a framework to determine the government's role in intercity bus service and noted that the audit criteria listed on page 25 of the report will be included in that plan.

### Financial Sustainability and Operations

Committee Members noted the importance of the interim transportation service and inquired about sustainability and the plan for future services. Ministry officials shared that the abrupt ending of the Greyhound service and the COVID-19 pandemic have impacted the ability to determine long term ridership expectations, noting that engagement through the NDIT is now being conducted to determine ridership. Committee Members also asked about the possibility of

offering freight services as a means of subsidizing the service. Ministry officials shared this is something that would be considered as they work with private sector service providers to offset any contributions by government and supplement revenues. Members further inquired about the role of the Ministry in operating the service as NDIT has the contract to manage it. The Ministry clarified that NDIT is an independent organization that receives funding from the Ministry. The Ministry has an agreement with NDIT to administer a funding program for northern transportation services that includes requirements for regular reports and meetings.

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# BC HOUSING'S COVID-19 RESPONSE: PROPERTY PURCHASES (MARCH 2022)

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The Committee considered the Office of the Auditor General's March 2022 audit report titled: *BC Housing's COVID-19 Response: Property Purchases*, at its April 25, 2022 meeting. This audit was conducted to determine if BC Housing's purchases of nine properties in Vancouver and Victoria during the COVID-19 pandemic were carried out in accordance with relevant government approvals and BC Housing policies and procedures.

## Summary of OAG Report

In 2020 and 2021, BC Housing purchased nine properties in Vancouver and Victoria, using capital funding from government rather than BC Housing's annual capital budget, to house former residents of city parks and other people experiencing homelessness, and to protect them from the spread of COVID-19. In relation to these purchases, the audit examined BC Housing's compliance with approval processes of government, the Provincial Rental Housing Corporation, and BC Housing's board of commissioners and executive committee. The audit concluded that all nine properties met the relevant approvals and policy requirements, and as such, no recommendations were made. Compliance with approval processes were found to be satisfied at all three levels, receiving approval from Treasury Board, BC Housing's board of commissioners, and the BC Housing executive committee before purchase. The audit also examined whether BC Housing complied with the requirements set out in its *Real Property Acquisition and Disposition Policy* which states that a market value appraisal must be obtained whenever it intends to acquire a property. The properties, which totaled \$221 million, were found to be acquired at market value, and all purchase negotiations followed the same standards and

procedures. The OAG found that all necessary due diligence reviews were conducted appropriately, and by independent third-party contractors; however, some due diligence items were considered less applicable and were deferred with the approval of the executive committee.

## Summary of Government Response

Officials from the Attorney General and Ministry Responsible for Housing noted that the nine properties were purchased very quickly, and that BC Housing met all relevant approvals and policy requirements. They expanded on the approval process, noting that BC Housing received approval from Treasury Board to use capital funding from the housing priority initiatives special account in addition to receiving purchase approval from the board of commissioners for purchases exceeding \$35 million.

Ministry officials also explained that the purchasing of hotels as a means of affordable and supportive housing was a short-term solution given the circumstances of the COVID-19 pandemic. They further noted that given the age of the buildings purchased, the properties will need to be redeveloped in the medium- and long-term. In addition, they shared that BC Housing plans to use a variety of methods to keep the public informed about these purchases.

## Committee Inquiry

### Future Use

Committee Members inquired about the long-term plan for the use of the recently acquired properties along with potential timelines for their redevelopment. BC Housing officials shared that many properties were assessed for

their long-term redevelopment potential, and several have footprints for buildings larger than hotels. They added that for one of the purchased properties, the adjacent property is intended to be purchased, allowing for a phased redevelopment of the properties, minimizing the displacement of individuals during development. They stated that any timelines for redevelopment are dependent on the individual property but estimated at least eight to 10 years of current operations.

### **Appraisal Process**

Members asked about the appraisal process for prospective properties. BC Housing officials shared that hotel rooms and properties are in high demand, and this is taken into consideration in terms of appraisal. Typically, appraisals consider comparable properties, with adjustments for location, age, and quality all contributing to the final appraised value. They noted that appraisals are based on the highest and best use value, ranging from redevelopment to minor renovations depending on the property and building.

### **Due Diligence**

Committee Members noted that there were several instances in which due diligence assessments relating to hazardous materials were deferred and asked why this wasn't the case for a particular property. BC Housing officials shared that the property in question was an industrial building that was converted into a temporary shelter at the time, requiring a hazardous materials assessment to ensure the safety of its use.

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# FRAUD RISK MANAGEMENT: OFFICE OF THE COMPTROLLER GENERAL (MARCH 2022)

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The Committee reviewed the Office of the Auditor General (OAG) audit report titled, *Fraud Risk Management: Office of the Comptroller General*, at its May 10, 2022 meeting. The audit set out to determine whether the Office of the Comptroller General (OCG) has established an effective framework to manage fraud risk in the BC public service.

## Summary of OAG Report

The Office of the Comptroller General is responsible for the financial management and control systems for government under the *Financial Administration Act*. In 2017, the OCG significantly changed the way it responds to reports of fraud, with a focus on fraud prevention and detection. The audit examined the OCG's responsibilities for fraud risk management including governance, risk assessment, prevention and detection, investigation and communication, reporting, and evaluation.

The audit found that the OCG has established an effective framework to manage fraud risk in the BC public service. This includes development of policies on employee and ministry responsibilities, staff training, fraud prevention and detection activities, and regularly reporting on losses due to fraud. The audit found that the OCG had not completed a government-wide fraud risk assessment; however, this was scheduled to be completed by March 31, 2022, which was after the audit period. The OAG also found a gap in the framework with respect to monitoring and reporting on the effectiveness of the fraud risk assessment process and how the identified risks impact the overall framework. In addition, while the audit found that ministries and central agencies understand their responsibilities for fraud risk management, OAG staff noted

that some documents need to be updated to reflect current practice.

The OAG's report makes the following recommendations: that the OCG work with other central agencies to ensure that protocols and other shared tools continue to be relevant and reflect current practices; that the OCG complete the implementation of its government-wide fraud risk assessment process, use the results to improve its fraud risk management program, and design and communicate a plan for updating fraud risk assessments in the future; and that the OCG enhance its processes to monitor the overall effectiveness of government's fraud risk management framework, including monitoring and reporting on the results of its government-wide fraud risk assessment.

## Summary of Government Response

The OCG accepted all recommendations and has integrated the recommendations into its new fraud risk management systems. OCG staff shared that fraud risk management has been a key strategic objective for the office, with a focus on using modern approaches and technology. They highlighted that the OCG's renewed approach is proactive and has two key objectives: assessment of transactions and promoting awareness and prevention. To that end, the OCG has trained over 22,000 public sector employees in basic fraud awareness and incident response. OCG staff noted the importance of ensuring the approach is comprehensive as well as relevant to the BC public sector as government has different fraud risks than other organizations, including challenges related to complex administrative as well as decentralized functions of government. Further, OCG staff spoke to the need for

collaboration and coordination with other central agencies in government including the BC Public Service Agency and cybersecurity units, to ensure a consistent and full-spectrum approach to fraud risk and incidents of fraud. They noted that fraud risk cannot be eliminated, but systems and strategies can be put in place to identify and respond to fraud when it occurs.

## **Committee Inquiry**

### **Proactive Fraud Risk Management**

Committee Members inquired about the OCG's new proactive approach to fraud risk management. The Comptroller General shared that the previous reactive approach placed an overemphasis on the traditional investigation process, whereas the proactive approach uses a compliance program to monitor government transactions and identify any indications that are predictive of problems ranging from error to fraud. Alerts are then issued to ministries so corrections or cancellations can be made. The Comptroller General also spoke about the use of iterative testing to proactively address compliance issues rather than conducting lengthy fraud investigations after the fact.

### **Standardized Financial Controls**

Members asked if there is a standard set of financial controls in place to mitigate or prevent fraud within government ministries. The Comptroller General shared that every ministry has an internal control framework to ensure they are free from error, misuse, abuse, or fraud. He shared that the OCG also provides a toolkit to ministries to support effective fraud risk management.

### **Government Fraud Risk Assessment**

Committee Members inquired about the timeline for completion of the government-wide fraud risk assessment. The Comptroller General shared that those assessments were completed in October of 2021, after a delay due to pandemic-related priority shifts. He noted that engagement and discussion with organizations with respect to the control

environment and compliance testing of transactions is ongoing.

### **Procurement Process Fraud**

In response to questions about oversight of procurement processes, the Comptroller General shared that procurement is an area at high risk for fraud due to the volume of contracts and amounts involved. Further, the typical kinds of fraud schemes, like self-dealing or kickbacks, are notoriously difficult to identify through a transactional analysis. He advised that to mitigate these risks, there are standards of conduct and extensive training in place for those involved with procurement. In addition, the OCG looks for trends and patterns when reviewing procurement transactions, but there are limitations as ministries manage procurement information differently. As a result, the office heavily relies on internal and external audits of procurements. The Committee further inquired about red flags in the procurement process. The Comptroller General shared that direct awards are a typical red flag, as they are uncommon in government. Another indicator the OCG looks at is the timing or breaking of contracts to fit within fiscal years and payments larger than the approved purchase order.



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# RECEIPT OF FOLLOW-UP INFORMATION FROM THE OFFICE OF THE AUDITOR GENERAL

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As noted in the Committee's previous annual report, the Committee considered the OAG's proposed *Financial Statement Audit Coverage Plan for fiscal years ending in 2023, 2024 and 2025* at its March 29, 2022 meeting. During the Committee inquiry, Members requested additional information regarding financial audits of Crown corporations and other entities to identify if there are any organizations that have not been subject to either a direct or oversight level of audit coverage in recent years. OAG staff provided this additional information to the Committee, which was acknowledged at the May 10, 2022 meeting and posted on the Committee's website as a meeting document for that date.

Committee Members also requested additional information regarding future performance audits on the Site C project during the March 29, 2022 meeting. OAG staff provided this additional information to the Committee Members on April 14, 2022.

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# BC HOUSING'S COVID-19 RESPONSE: ADDITIONAL SAFE SPACES FOR WOMEN AND CHILDREN LEAVING VIOLENCE (MARCH 2022)

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The Committee reviewed the Office of the Auditor General's (OAG) March 2022 audit report titled *BC Housing's COVID-19 Response: Additional Safe Spaces for Women and Children Leaving Violence* at its May 12, 2022 meeting. The audit set out to determine if BC Housing effectively managed the provision of additional safe spaces for women and children leaving violent or unstable situations during the COVID-19 pandemic.

## Summary of OAG Report

With the COVID-19 pandemic limiting the capacity of transitional housing spaces, BC Housing provided additional safe accommodation spaces through hotels and motels for women and children leaving violence. The OAG evaluated whether BC Housing met service needs and reviewed the processes it had in place with respect to monitoring and reporting on these spaces. The audit found that BC Housing effectively provided additional spaces and had adequate processes in place with some exceptions. While BC Housing met many of the operational needs of housing providers, the OAG found it did not assess the overall staffing needs of providers and did not have a process in place to ensure hotel and motel operators fulfilled lease agreements. Further, while BC Housing collected data from transition housing providers about the women staying in additional spaces, including ethno-cultural background, it did not collect data on physical ability, sexual orientation, mental wellness, gender identity

and religious beliefs and therefore could not monitor whether the safe spaces were provided irrespective of those factors. In addition, the OAG found that while BC Housing collected data on instances where women were turned away due to insufficient space, the data did not account for women who were turned away and then found alternative transition housing. To address these identified gaps, the OAG's report made four recommendations: confirm the staffing needs of all transition housing providers when offering resources to operate additional spaces; implement a process to support hotel and motel compliance with lease agreements to help ensure rooms are held for BC Housing's exclusive use; work with transitional housing providers to implement a process to monitor whether additional spaces are accessible to all women as specified in the service agreement; and work with transition housing providers to respond to the limitations of the data on women turned away due to insufficient space.

## Summary of Government Response

BC Housing accepted all four recommendations put forward in the OAG's report, and noted that implementation was already underway. Officials from the Ministry of the Attorney General shared that BC Housing has received \$3.2 million for staff recruitment and retention to help support clients in a more inclusive way. Further, BC Housing officials shared that communication has been sent out to housing providers to clarify that support is available from BC Housing to

address staffing challenges. With respect to hotel and motel compliance, BC Housing advised that they have reached out to operators to reiterate the importance of the availability of the rooms under the existing leasing agreement. BC Housing officials noted that consultations have been held with service providers which shed light on some challenges and concerns regarding data collection especially as it relates to personal information. They also shared that additional accessibility data is now being collected.

## Committee Inquiry

### Data Collection

Committee Members inquired about the collection of data on women being turned away from multiple programs at different locations, and the potential impact that has on ascertaining demand. Officials from BC Housing shared that in areas that have a high density of housing sites such as in the Lower Mainland, the same woman could be turned away from multiple sites more easily than in other regions of the province. Committee Members also asked about statistics regarding the number of people who are turned away due to lack of space. BC Housing officials explained there is not a specific statistic due to the variety of reasons women are turned away which may include insufficient space or because their needs do not match the mandate of the program. For example, individuals are often turned away because they are seeking immediate shelter or treatment programs which are not provided by transitional housing programs.

### Leasing Agreements

Committee Members sought further information on the leasing agreements BC Housing has with hotels and motels. Officials from BC Housing shared that the agreements depend on the community; in areas with high demand, some hotel rooms are paid for every night regardless of occupancy, and in smaller communities, rooms are booked as needed. They added that additional rooms are secured in cases where demand requires it.

## Accessibility

Committee Members asked about the physical accessibility of these spaces, noting that individuals with disabilities are often at additional risk of violence. BC Housing officials shared that many programs and spaces were developed over 30 years ago and do not meet modern accessibility requirements. They added that it is a priority to look at ways to improve accessibility of older spaces and to build and design new spaces with accessibility in mind. While BC Housing has a standard that five percent of all new units be accessible, officials highlighted the need to make all spaces physically accessible.

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# MANAGING CYBERSECURITY RISK IN THE TELEWORK ENVIRONMENT (MARCH 2022)

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The Committee reviewed the Office of the Auditor General's (OAG) March 2022 audit report titled *Managing Cybersecurity Risk in the Telework Environment* at its May 16, 2022 meeting. The audit set out to determine if the Ministry of Citizens' Services and the Office of the Chief Information Officer (OCIO) had established processes and practices to effectively manage the cybersecurity risk to government data in the telework environment.

## Summary of OAG Report

OAG staff explained that the COVID-19 pandemic resulted in more public sector employees and contractors working and accessing government data remotely, increasing exposure and risk to sensitive data caused by human and network factors. The BC government's core policy and procedures manual delegates responsibility for the protection of government information to the Ministry of Citizens' Services, with the OCIO leading cybersecurity risk management. With respect to the OCIO's areas of responsibility in the telework environment, the audit focused on strategic activities such as policies and standards, data protection measures on telework devices, and telework-related cybersecurity training and guidance. The report concluded that the OCIO had established processes and practices to effectively manage cybersecurity risk of government data in the telework environment; however, the OAG identified a gap related to the use of personal devices for telework. OAG staff shared that while the OCIO prohibits the use of personal devices for teleworking, they found that the OCIO is currently unable to detect if these devices are being used or whether government data is being stored on them. The audit recommended that the OCIO implement detective controls to identify the use of personal

devices on government systems and identify a risk response to address the threat that personal devices pose.

## Summary of Government Response

The Ministry of Citizens' Services and OCIO officials accepted the report's findings and recommendation, noting that implementation has already begun and is expected to be completed prior to December 2022. Ministry officials shared that security controls are already in place to ensure that only the appropriate accounts have access to certain information, and additional controls will be implemented to determine if a government device or a personal device is connecting to government systems. They stated that government prioritizes and is committed to safeguarding the privacy and security of personal information and government data.

## Committee Inquiry

### Existing Safeguards

Committee Members inquired about existing safeguards around the replication and downloading of sensitive data. Ministry officials shared that they use forensic software on both government devices and systems to detect when data is being accessed and replicated, but there is currently no realistic way to prevent screen capturing or photographing sensitive data using a separate device. They added that when instances of data replication or removal are discovered, a full investigation is launched.

### Personal Devices

Committee Members asked about safeguards against the use of personal devices. Ministry officials noted that since there is

no realistic way to prevent the use of personal devices, policy and education are relied upon to deter their use. Members also inquired about the degree to which personal devices are being used to access government systems. Ministry officials shared that they do not currently have exact numbers in this area but will have a better sense after the implementation of detection measures recommended in the audit report. They added that all telework employees are provided with a government laptop, on which most tasks can be completed.

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# FRAUD RISK MANAGEMENT: SITE C DAM AND HYDROELECTRIC ENERGY PROJECT (APRIL 2022)

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The Committee reviewed the Office of the Auditor General's (OAG) April 2022 audit report titled *Fraud Risk Management: Site C Dam and Hydroelectric Energy Project* at its May 30, 2022 meeting. The audit set out to determine if the British Columbia Hydro and Power Authority (BC Hydro) has a program to effectively manage fraud risk on the Site C dam and hydroelectric energy project.

## Summary of OAG Report

The OAG report states that the Site C dam is the most expensive infrastructure project in the province's history and fraud related to projects of this scale can be costly. The audit looked to determine if BC Hydro established a program to effectively manage fraud risk on the Site C project. To do this, the OAG examined several areas including governance, risk assessment, controls, reporting and investigation, and evaluation. The report concluded that while BC Hydro's internal frameworks feature elements of fraud risk management, it had not established a fraud risk management program for this project. The audit found gaps in fraud-related leadership, communication, and training with respect to fraud risk policy, along with a lack of procedures and fraud training for all staff. OAG staff also noted that BC Hydro had not performed fraud risk assessments on the project. During the time of the audit, BC Hydro approved a fraud risk policy for the project and conducted an initial assessment, demonstrating effective internal controls to prevent and detect a variety of fraud threats; however, because BC Hydro has not been conducting ongoing fraud risk and controls assessments, there is an elevated risk that these controls

may not be adequately mitigating unidentified fraud threats. The report also found that while employees have many ways to report fraud, including anonymously, BC Hydro lacked a fraud investigation procedure to promote coordination and clarification in this area.

The report made five recommendations including implementing the new fraud risk policy and procedures approved during the audit period, providing fraud risk management training to all staff, conducting regular fraud risk assessments for the Site C project, implementing fraud investigation procedures, and performing ongoing fraud risk management program evaluations.

## Summary of Government Response

BC Hydro accepted all recommendations put forward in the report and shared that implementation is underway and expected to be completed by March 2023. Officials from BC Hydro highlighted the organization's code of conduct, annual training requirements, and ethics programs which provide all staff with an understanding of fraud along with mechanisms for reporting. They also described the internal control framework at BC Hydro, noting the existing processes, policies, and procedures to prevent and detect potential fraud, all of which the Site C dam project follows. Due to the size of the project, officials from BC Hydro explained that additional controls, such as a risk register and analytics to review for unusual payments, were implemented. The OAG's report found these controls satisfactory.

BC Hydro officials also detailed enhancements that were completed during the audit, including completion of a formal Site C fraud risk assessment which captured over 40 different scenarios of contract or employee fraud, with no potential control gaps identified. BC Hydro has also implemented the fraud risk policy that was developed during the audit to formalize existing control processes and enhance fraud risk dialogue across the organization.

## **Committee Inquiry**

The Committee inquired whether the board of directors was fully aware on an ongoing basis of the rise in cost of the overall project from \$8 to \$16 billion, given that procurement over \$50 million requires review and approval by the board of directors (as explained by BC Hydro during the presentation). The Chief Financial Officer for BC Hydro explained that the board is responsible for reviewing and approving the total project budget, which he confirmed is \$16 billion, and any contracts under that budget.

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# OVERSIGHT OF MAJOR MINES: POLICIES AND PROCEDURES TO ADDRESS ENVIRONMENTAL RISKS (JUNE 2022)

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The Committee reviewed the Office of the Auditor General's (OAG) June 2022 audit report titled *Oversight of Major Mines: Policies and Procedures to Address Environmental Risks* at its October 3, 2022 meeting. The audit examined whether the changes made by the Ministry of Energy, Mines, and Low Carbon Innovation in response to the OAG's 2016 audit of the Ministry's compliance and enforcement activities adequately addressed the key environmental risks identified at that time and whether the Ministry had developed an appropriate risk management framework for abandoned mines.

## Summary of OAG Report

The OAG noted that mining provides economic benefits to BC but requires careful management to limit environmental and public safety risks. In 2016, an OAG audit concluded that the Ministry's compliance and enforcement activities were inadequate to protect the province from significant environmental risks associated with major mines. The 2022 audit examined the Ministry's key policies and procedures to address the environmental risks of major mines identified in the 2016 audit, as well as the Ministry's oversight of abandoned mines. The report found that the Ministry adequately responded to the 2016 audit, with minor exceptions, and created a sufficient risk mitigation framework for abandoned mines, with one exception.

In response to the 2016 audit, the Ministry improved its compliance and enforcement policies and procedures, including by requiring enforceable language in permits, developing response procedures for serious incidents,

establishing an internal audit unit, and creating a reclamation security policy. The OAG identified minor gaps in these policies including a lack of consistency in monitoring reporting requirements and an absence of written procedures for geotechnical inspections. Regarding the adequacy of the Ministry's risk mitigation framework for abandoned mines, the Ministry created the Abandoned Mines Branch and developed a risk-based approach to public safety hazards; however, the OAG found that the Ministry had not developed a risk-based approach to environmental risks.

The OAG made five recommendations: ensure all environmental disciplines have a consistent process for compliance monitoring; formalize geotechnical inspection procedures; continue to reduce and report on the difference between reclamation liabilities and securities; continue to update historical permits with enforceable language; and continue to address the highest-risk abandoned mines, including by developing a risk-based approach to environmental concerns.

## Summary of Government Response

The Ministry of Energy, Mines, and Low Carbon Innovation accepted all five recommendations. Ministry officials shared that three of the recommendations were to continue work already underway and the other two had recently been addressed. The Ministry advised that it has implemented a policy to ensure consistent monitoring procedures across environmental disciplines and a manual to support consistency in environmental inspections, with



specific sections for each discipline (including geotechnical inspections). In addition, the Ministry committed to continuing to reduce the difference between reclamation liabilities and securities and to report on this annually. Ministry officials noted that since 2016, the difference between liabilities and securities has decreased by more than \$500 million. With respect to historical permits, the Ministry has updated 28 so far and established internal processes and targets to continue this work. In response to the recommendation to continue work to address abandoned mines, Ministry officials stated that they are developing a risk-based approach to environmental liabilities and will report on this annually.

## Committee Inquiry

### Timeline

Committee Members asked about timelines to implement the recommendations and how technological development could impact future oversight of mines. Ministry staff stated that the two recommendations which required new work have both been implemented and tested and will be finalized this fall, while the other three recommendations were to continue ongoing work. They also highlighted how the Ministry has created a culture of continuous improvement and how the mining industry is incentivized to promote safety.

### Audit Process and Development of Recommendations

In response to questions regarding consultation with the mining industry and the incorporation of best practices in developing the audit recommendations, the OAG clarified that the audit's objective was to examine the Ministry's policies and procedures and that it would be up to the Ministry to consult with industry in the development of frameworks. The OAG added that recommendations are based on whether an organization meets the audit criteria, which do not necessarily relate to broader best practices.

## Professional Reliance

The Committee asked about the impact of recent changes to professional reliance rules in accordance with the *Professional Governance Act*. Ministry officials stated that these changes have formalized work they were already doing regarding their work with consultants.

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# B.C.'S COVID-19 RESPONSE: COMMUNITY ECONOMIC RESILIENCE GRANTS (JUNE 2022)

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On November 1, 2022, the Committee reviewed the Office of the Auditor General's (OAG) June 2022 audit report titled *B.C.'s COVID-19 Response: Community Economic Resilience Grants*. The objective of the audit was to determine whether the Ministry of Municipal Affairs administered the Community Economic Recovery Infrastructure Program – Community Economic Resilience grant stream according to government transfer payment policies and program guidelines.

## Summary of OAG Report

OAG staff explained that in September 2020 the BC government introduced the \$1.5 billion StrongerBC economic recovery strategy in response to the economic impacts of the COVID-19 pandemic. As part of this strategy, the \$30 million Community Economic Resilience grant stream provided emergency funding for 63 small-scale infrastructure projects across the province. Due to the emergency nature of the grant stream, OAG staff noted that the Ministry of Municipal Affairs administered the grants on an expedited basis which increased the risk of funds reaching projects that didn't meet program objectives.

In undertaking the audit, the OAG examined how the Ministry developed, implemented, and monitored the grant stream as well as the Ministry's evaluation of individual applications and monitoring of recipients. In terms of program design and development, the OAG found that the Ministry administered the grant stream according to most government transfer payment policies and grant program guidelines, including by seeking appropriate approval for the government transfer, and

established eligibility criteria and funding requirements for recipients. Regarding evaluation of proposals, the OAG found that the Ministry established and followed an evaluation process but didn't clearly document how reviewers should assess risk and score technical assessments, or how each part of the evaluation process would inform funding decisions. Further, the audit concluded that the Ministry relied heavily on applicants' own information about costs and risks, without verifying the accuracy of this information, when assessing applicants' capacity to complete the work on time and within budget. With respect to monitoring of applications, OAG staff stated that the Ministry established a strategy that covered all but one of the funding requirements and had received most of the required reports from applicants, though there were some gaps and delays in this area. The audit made one recommendation focused on applying lessons learned from the development and implementation of this grant stream to create guidance for future grant programs that respond to public health, economic or environmental emergencies.

## Summary of Government Response

The Deputy Minister of Municipal Affairs emphasized that the Ministry had to work at a much quicker than normal pace to develop this grant program in response to the pandemic and that designing a grant program is complicated even in the best of times. Ministry officials also spoke to the compressed timeline, highlighting that funding was provided to recipients within seven months of the conception of the program. Regarding evaluation and monitoring, they noted that due to the compressed nature of the program, the team

reviewed applications collectively, using the experience of past programs, and checked in regularly to establish and ensure consistency amongst reviews. However, the Ministry missed a key date in reporting requirements as projects were required to start by December 31, 2021, but the first required report was not until January 31, 2022. They noted that the Ministry agrees with the audit recommendation and will develop guidance for emergency grant programs including by outlining staff roles and responsibilities regarding assessment of applications, outlining the required written guidance for the evaluation process, and documenting a monitoring process which includes adequate reporting in a timely fashion. The target date for implementing the recommendation is June 1, 2023.

## Committee Inquiry

### Economic Impact of the Grant Stream

Committee Members asked whether a target was set regarding the economic impact of the grant program and how this was measured. Ministry officials noted that each project had to identify outcomes in their application with respect to the impact, employment, and construction costs within their community, but that it is difficult to measure the economic impact due to the variety of projects being funded through the program. They further noted that the Ministry collected data on the number of jobs created as a result of projects funded via this grant program as well as any continuing jobs, and this data will be used to inform the economic impact of the program that will be included in a final report. In addition, the Deputy Minister noted that this was an economic resilience program, rather than an economic development program, so evaluation will be based on communities' ability to recover from the impact of the pandemic. Members followed up to ask whether the audit looked at the impact of projects that were funded via this grant. The Deputy Auditor General explained that the program was still running during the time of the audit and that the scope of the audit focused on the development and implementation of the program rather than the outcomes of the grant funding. In response to questions about plans to conduct an audit on

the effectiveness of the program, the Deputy Auditor General noted that this is not currently being considered and that the recipients of funding under this program are outside of the OAG's mandate.

### Continuing the Grant Stream

Noting the number of projects from small communities that received funding via this grant stream, the Committee asked about plans to continue this streamlined approach to grant processes moving forward. The Deputy Minister highlighted the need to invest in infrastructure in BC communities and outlined different funding programs to address this need but stated that there is no plan to make this particular grant stream permanent. They noted that the positive impact of this grant is an additional argument for the province in seeking funding through other avenues including lobbying the federal government.

### Supports for Small Communities

Members inquired about government supports for smaller municipalities and communities to write grant applications. Ministry officials explained that program officers work closely with smaller local governments and First Nations through face-to-face meetings, email, and telephone to provide advice and feedback on applications and to help navigate the process. They also noted that for programs with multiple intakes, program officers reach out directly to communities that weren't successful in the first round to provide advice on how to improve their applications moving forward.

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# MENTAL HEALTH AND SUBSTANCE USE SERVICES FOR INDIGENOUS PEOPLE IN B.C. CORRECTIONAL CENTRES (FEBRUARY 2023)

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The Committee reviewed the February 2023 OAG audit report titled, *Mental Health and Substance Use Services for Indigenous People in B.C. Correctional Centres* at its March 27, 2023 meeting. The audit evaluated the delivery of required health services by the Provincial Health Services Authority (PHSA) to Indigenous clients in correctional centres who are diagnosed with a mental health and/or substance use disorder.

## Summary of OAG Report

OAG staff noted that a number of factors ranging from colonialism and discrimination to socioeconomic inequities have led to Indigenous people being overrepresented in the justice system. Indigenous people make up six percent of the general population in BC but 35 percent of people in custody. The Auditor General noted that between 2019 and 2021, around 90 percent of Indigenous people in custody had a diagnosed mental health and/or substance use disorder. Since 2017, the PHSA has been responsible for providing health care for those in corrections. The audit findings are based on a sample of 92 files of Indigenous clients with mental health and/or substance use disorder who stayed in corrections for 30 days or more. The audit examined the full continuum of care for clients admitted into a correctional centre, from screening and care planning to the provision of services and discharge planning, to determine if Indigenous clients were receiving required health care services. Overall, the audit found that the PHSA's current health information system cannot produce reports on Indigenous clients' access

to services, resulting in an overall lack of monitoring and oversight of clients' access to services. OAG staff further noted inconsistencies in the delivery of required mental health and substance use services for Indigenous clients in correctional centres who are diagnosed with a mental health and/or substance use disorder.

The audit report recommended that the PHSA: develop reports documenting whether Indigenous clients receive screening, assessments, care and discharge planning, and services; use reports to ensure Indigenous clients receive these services; ensure staff document a rationale when they cannot meet operational requirements for client care; and improve oversight of client files.

## Summary of Government Response

Officials from the PHSA accepted the audit report findings and advised that work is underway to implement the four recommendations by September 2023. The officials noted that a steering committee has been established as well as three working groups focused on clinical information systems, culturally sensitive care, and clinical workflow. Regarding information systems, they added that the current primary care assessment tool is a legacy system that was in place before the PHSA took over health services for corrections and they are in the process of moving to a new system of electronic records. The PHSA has also implemented a culturally safe Indigenous self-identification standard and is implementing improved documentation systems for client care needs. Officials from the PHSA further noted that additional ongoing

actions are needed to eradicate systemic racism and improve Indigenous cultural safety, and as such they are working with the Indigenous Health Team at the PHSA and are committed to building both Indigenous leadership and targeted recruitment of Indigenous staff in the delivery of services. This will be complemented by requiring cultural safety education for all staff and physicians.

## **Committee Inquiry**

### **Scope of the Audit**

Members noted that the audit was based on 92 files over a three-year period and asked whether such a small sample size would effectively measure the scope of the problem. OAG staff noted that they did not take a statistically representative sample; rather, they used a sample of clients who had stays of 30 days or longer to better capture clients who would be most likely to be offered services and discharge plans, thereby best highlighting existing system issues. They added that they will be following up on the status of the recommendations.

### **Data Regarding non-Indigenous Clients**

Members inquired into whether there was data comparing service delivery for Indigenous and non-Indigenous populations in custody. Officials from the PHSA noted that there are similar challenges in service delivery among non-Indigenous clients and noted that the steps taken to improve care for Indigenous clients will benefit all clients.

### **Diversity of Indigenous Clients**

Members requested clarification regarding the relationship between the PHSA and the First Nations Health Authority (FNHA) and asked how the PHSA plans to deliver culturally appropriate care for more than 200 distinct First Nations in the province. Officials from the PHSA outlined that the FNHA provides coverage on defined Indigenous peoples' land, but not all nations have opted into the FNHA for the delivery of health care services. They agreed that the number of diverse cultures and nations complicates the work and added that the

PHSA is in the process of developing and launching several new initiatives to improve the delivery of Indigenous health care.

### **Broader Mental Health and Addictions Issues**

The Committee inquired into how the model to improve mental health and addictions treatment for Indigenous clients can be applied to the rest of the corrections system. PHSA officials outlined that reviewing workflows, care models, and highlighting resources gaps will help to make a comprehensive plan to deliver care to all the populations within corrections health; however, they emphasized the importance of ensuring that Indigenous clients have access to culturally safe and appropriate care.

### **Service Delivery Metrics**

The Committee requested clarification regarding how the success of the new initiatives will be measured and what impact the new initiatives will have on individuals in the corrections system. Officials from the PHSA outlined that they will work in partnership with Indigenous peoples and Indigenous health staff in the PHSA to improve care for Indigenous clients. This work will be supported by community transition teams and Indigenous patient navigators to better support clients as they transition out of corrections. Officials added that they need to develop better reporting and specific client-reported outcome measures to ensure clients are receiving appropriate and timely care. Members also asked whether a client satisfaction survey is used by the PHSA. Officials from the PHSA noted that they have done a patient engagement survey across the ten correctional sites.

### **Progress Implementing Recommendations**

Members noted that the audit ended in December 2021 and inquired into the progress made since the PHSA received the recommendations. Officials from the PHSA outlined that their workplan is underway and they are on track to complete the recommendations by September 2023. The Committee also inquired as to whether the PHSA has the resources to

implement the OAG recommendations. Officials from the PHSA outlined that they have seen an increase in demand for services and noted this is an opportunity to review services and submit business plans to government outlining areas to improve.

### **Increased Demand**

Members inquired about the increase in client demand for services and what types of services have been requested. The PHSA officials advised that the toxic drug crisis has increased the number of individuals with addictions and substance use issues and that community transition teams have been put in place to help people during times of transition. This work is supported by a successful program of opioid agonist therapies. They also noted that there has been an increase in the complexity of client files in correctional facilities and a lack of available services in the community.

### **Staffing**

The Committee remarked on staffing difficulties in health care generally and inquired whether the community transition teams are fully staffed. Officials from the PHSA stated that the teams are fully staffed with the exception of two Indigenous patient navigator roles and they are working with an Indigenous-specific project manager to help create a proper onboarding and orientation for Indigenous patient navigator roles.

### **Employee Reaction**

Members inquired into whether staff have been resistant to the new initiatives including Indigenous cultural safety education. Officials from the PHSA advised that there has been great pickup by staff.

### **Discrepancy Between Audit and Accreditation**

Members noted that the PHSA was recently evaluated by Accreditation Canada and received an exemplary standing in their survey across corrections; they inquired as to why there was such a discrepancy between the audit findings and the accreditation. PHSA officials noted that the OAG report focused on standards in documentation whereas

Accreditation Canada was looking at delivery of corrections health services.

### **Cross-jurisdictional Comparison**

Committee Members inquired into how the delivery of services in correctional facilities by the PHSA compares to other jurisdictions. PHSA officials outlined that, as part of the accreditation survey, they are learning from other jurisdictions about best practices across the country.

### **Minimum Standards**

Members of the Committee asked why the minimum standards outlined in the audit were not being met. PHSA officials stated that corrections see a rapid turnover of clients, some for less than 30 days. They added that the COVID-19 pandemic impacted regular workflows during the audit period.

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# B.C.'S COVID-19 RESPONSE: MONITORING VACCINATION COVERAGE (FEBRUARY 2023)

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The Committee reviewed the February 2023 OAG audit report titled, *B.C.'s COVID-19 Response: Monitoring Vaccination Coverage*, at its March 27, 2023 meeting. The report evaluated whether the Ministry of Health had the information it needed to monitor the COVID-19 vaccination rates across the province, with a particular focus on data related to vulnerable populations and high-risk groups.

## Summary of OAG Report

OAG staff noted that between December 2020 and December 2022, BC administered nearly 14 million doses of COVID-19 vaccines, the largest vaccination campaign in BC history. The Ministry of Health was responsible for the distribution and monitoring of this campaign and prioritized the vaccination of vulnerable and high-risk groups like long-term care and assisted-living residents and staff as well as health care workers. Ensuring the Ministry had access to timely information on vaccination rates was a vital component for those making informed decisions on BC's pandemic response and recovery. The audit examined whether the Ministry had the information necessary to track the COVID-19 vaccination rates across the province, with a particular focus on data related to vulnerable populations and high-risk groups. The audit found that the Ministry had the information it needed to monitor COVID-19 vaccination rates, with some exceptions for the high-risk priority groups selected for the audit. OAG staff noted that monitoring processes for residents and staff of long-term-care and assisted-living facilities were cumbersome and introduced risk of inaccuracy. Information gaps were also identified that posed challenges to monitoring the vaccination rates of health care workers. For example, the Ministry's

initial estimate of health care worker vaccination rates was based on a limited group of health care workers with a high COVID-19 exposure risk, and the Ministry did not revise its estimates in a timely manner as more workers became eligible for vaccination.

The audit report recommended that the Ministry ensure it has access to: a current registry of residents and staff at public and private long-term-care and assisted-living facilities in BC, as well as a current registry of health care workers working for health authorities.

## Summary of Government Response

Ministry of Health officials accepted the audit report findings and advised that they are prioritizing the implementation of the recommendations early in the 2023-24 fiscal year. Ministry officials noted that they will work with the health authorities and long-term care and assisted living operators to create the policy, business processes, and legal authorities required to establish a registry of residents and staff at public and private long-term care facilities; timelines for implementation will be determined over the next six months. They also noted that work is underway to establish a registry of health authority health care workers, and they are working with health authorities to procure and implement a new provincial human resources system as part of BC's Health Human Resources Strategy. The procurement process will launch early in fiscal 2023-24.

## Committee Inquiry

### Health Care Worker Vaccinations

Members noted that data collection on health care workers was improved by the 2021 provincial health order requiring all health care workers to be vaccinated and asked how this data collection can continue without a provincial health order. Ministry officials outlined that the immunization registry can identify individuals as health care workers, and systems are being put in place to allow this to continue once the health order is rescinded. They added that there are policies in every health authority around immunizations for a variety of diseases and COVID-19 vaccines will become a part of these policies.

### Long-term Care Facility Data Collection

The Committee asked why the Ministry has had an issue collecting data related to public long-term care facilities. Ministry officials noted that there is no centralized system in place to log vaccinations for residents of long-term care, whether they are in a public or privately-owned facility. During the COVID-19 vaccination campaign, the health authorities collected this information on a facility-by-facility basis. They added that collecting data on worker immunization status was complicated by the number of different contracts throughout the facilities and that workers were frequently employed by multiple facilities at a time.

### Lessons Learned on Emergency Response

Members inquired into what lessons could be gleaned from the COVID-19 response and how they could be applied to other types of provincial emergencies. Ministry officials highlighted the importance of information technologies in the management and coordination of records; in particular they noted that ImmsBC, a provincial vaccination registration and booking system that has been in use since April 2021, significantly improved records management and aided the provincial COVID-19 vaccination campaign.

## Northern Response

Committee Members discussed the early delivery of COVID-19 vaccines to northern communities. Ministry officials noted that COVID-19 moved very quickly through northern communities, and to curb the spread, a whole-of-community vaccination program, rather than just targeting vulnerable populations, was required.

### Adverse Reactions

The Committee inquired into the tracking of adverse reactions to the COVID-19 vaccine. Ministry officials noted that the centralized immunization registry was vital for tracking adverse events following vaccination. They noted that tracking this information was useful for comparing the risks of adverse reactions against the risks posed by COVID-19. This information helped instill confidence in the vaccine program.



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# COMMITTEE FOLLOW-UP

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As noted in the Committee's previous annual report, in March 2022 the Auditor General outlined plans to implement a new model to follow up on the implementation of Office of the Auditor General (OAG) report recommendations. Previously, the Committee would receive annual "Action Plan Progress Assessments" (APPAs) from audited organizations that provided an update on the implementation of audit report recommendations. In the new process, the OAG will directly receive updates from the audited organizations on the progress of implementing audit report recommendations, and produce an annual report that summarizes this information and provides assurance. The OAG plans to table the first such report with the Legislative Assembly in the fall of 2023. This report will cover recommendations from audits published in 2019, 2020 and 2021. As such, the Committee is solely responsible for pursuing any further follow up on outstanding recommendations from reports published in 2018 or earlier.

The Committee met on November 15, 2022 to discuss the APPAs received in 2021 and 2022 relating to 36 audit reports and determine any areas for follow-up. Committee Members noted that some of the audits dated back to 2013, discussed the subject matter of the reports, the level of public interest, as well as the audited organizations' progress on implementing the recommendations. With a view to receiving an update on the status of recommendation implementation, Members decided to request follow-up presentations regarding three reports and additional written information regarding 12 reports. At its February 3 meeting, the Committee heard the three requested follow-up presentations (summarized below) and considered the additional written information. They reflected on the policy changes that have occurred since the initial audits and noted that many of the recommendations have been reported as implemented. As such, the Committee determined that no further follow-up

was needed with respect to these 15 reports. There are nine audit reports remaining that were published in 2018 or earlier that the Committee has yet to determine whether follow-up is required.

## **Summary of Government Presentation on *An Independent Audit of Grizzly Bear Management***

Officials from the Ministry of Water, Land and Resource Stewardship provided an update on the implementation of recommendations from the 2017 report, *An Independent Audit of Grizzly Bear Management* on February 3, 2023. At the time of the 2017 report, responsibility for grizzly bear management was shared between the Ministry of Forests, Land and Natural Resource Operations and the Ministry of Environment. The report made ten recommendations related to grizzly bear management, mitigating human caused grizzly bear mortality, and governance, including that government review its legislation and policies and clarify the responsibilities between the ministries. Officials from the Ministry of Water, Land and Resource Stewardship reiterated the government's commitment to the protection and conservation of grizzly bears in BC. They noted that several changes have occurred since the report was initially released, including the closing of the grizzly bear hunt. They also noted that several significant issues across the province, including the COVID-19 pandemic, record-breaking wildfires, and floods have contributed to significant delays to the province's implementation strategy for several of the recommendations outlined in the report. Further, they stated that collaboration and engagement with Indigenous communities to develop a Grizzly Bear Stewardship Framework and Commercial Bear Viewing Strategy required time, innovative approaches, and patience to ensure that the process was conducted

meaningfully. They added that there has been progress on several of the OAG recommendations and agreed that the recommendations and risks identified in the audit give the province specific insight into areas to continue making improvements to grizzly bear management.

## **Committee Inquiry**

### **Grizzly Bear Management Leadership**

Committee Members noted that there is confusion among the public regarding which ministry has authority over grizzly bear management and inquired about whether this will become clearer. Ministry officials stated that there are several ministries with responsibility for different aspects of grizzly bear populations; however, they noted that there is a webpage available to refer people to the branch of government best suited to respond to their inquiry. Regarding urgent need conflict resolution with a grizzly, the province has a 1-800 number to manage human-bear conflicts.

### **Commercial Grizzly Bear Viewing**

Members requested clarity regarding the timeframe for the Commercial Bear Viewing Strategy. Ministry officials noted that they have been working in collaboration with the grizzly bear viewing industry in the development of the strategy and anticipate that the strategy will be ready for public comment by summer 2023.

### **Population Monitoring**

The Committee also raised the issue of effective monitoring of grizzly populations and asked what further improvements will be made in this area. Ministry officials advised that a Grizzly Bear Stewardship Framework has been developed in partnership with the federal government and 85 Indigenous communities across the province, and once rolled out, this program will guide monitoring and management.

### **Changing Landscape**

In response to a comment about how much has changed regarding grizzly bear management since the release of the OAG report in 2017, Ministry officials agreed that the

situation is dynamic. They explained that the Grizzly Bear Management Strategy and the Grizzly Bear Stewardship Framework, which were developed in collaboration with the federal government and First Nations communities will also guide policy and practices related to monitoring, identifying, and conserving bear populations in different regions across the province.

### **Outstanding Recommendations**

Noting the number of outstanding recommendations from this report, Members questioned the capacity to implement these actions. Officials from the Ministry noted that shortly after the release of the report, the Ministry implemented the Together for Wildlife Strategy that provides an umbrella framework for grizzly bear stewardship and management of biodiversity. They added that this strategy has led to a budget lift of \$10 million, which has increased the Ministry's capacity.

### **Grizzly Bear Hunt**

Members questioned the impact of the grizzly bear hunt on populations. Ministry officials noted that the hunt only allowed for a cull of 300 grizzly bears, which had a negligible impact on the overall population. They added that because grizzly bears are a density-dependent species, if resources are scarce, they stop reproducing or fight for dominance, effectively keeping the populations static.

## Summary of Government Presentation on An Independent Audit on Commercial Vehicle Safety

Officials from the Ministry of Transportation and Infrastructure provided an update on the implementation of recommendations from the 2018 OAG report, *An Independent Audit of Commercial Vehicle Safety* on February 3, 2023. Accompanying the Ministry officials were officials from the Insurance Corporation of British Columbia (ICBC), and the Ministry of Public Safety and Solicitor General. The OAG audit report focused on reviewing commercial driver licensing, education and awareness, safety programs, and Commercial Vehicle Safety and Enforcement (CVSE) operations and structure. The report found that though steps had been taken by the government to improve commercial vehicle safety, more could be done to effectively manage and promote the safe operation of commercial vehicles. Officials from the Ministry of Transportation and Infrastructure noted that all of the report's nine recommendations were accepted and highlighted that to date seven recommendations have been implemented fully and the other two have been substantially implemented. They noted that recommendation four highlighted the need to review and modernize CVSE regulations and administrative policy. Since the report, a national safety code knowledge test has become mandatory for the application process for new BC carriers, and the test was moved to an online format. New regulations were also implemented to ensure compliance with provincial mechanical vehicle safety inspections. They also highlighted that substantial work has been done to develop and implement a data strategy as well as modernize legacy systems to improve data quality in response to recommendation eight.

## Committee Inquiry

### Staffing at CVSE

The Committee reflected on the staffing challenges in other areas of law enforcement and inquired as to whether CVSE is fully staffed and what needs to be done to maximize the effectiveness of the branch. Officials from the Ministry of Transportation and Infrastructure noted that following a recommendation from the OAG, they consolidated CVSE into a central provincial model, and a significant recruitment initiative has helped with staffing. They added that making positions within CVSE more attractive has been a priority.

### Targeted Reduction in Accidents

The Committee inquired as to what targets are guiding the work around commercial vehicle safety and how inspections are aiding these targets. Ministry of Transportation and Infrastructure officials noted that both education and enforcement have been key measures to reduce commercial vehicle crashes. However, they added that commercial vehicles tend to move through multiple jurisdictions every day, complicating program performance measurement. They noted that roadside inspections are the performance measure most focused on by the Ministry of Transportation and Infrastructure and they are in the process of developing a Roadside Intervention Effectiveness Model to measure the impact. On an annual basis, the Ministry aims for 25,000 targeted inspections; random inspections are in line with the national average. Trucking companies are also tracked for their on-road safety performance using a national safety code system. Companies are ranked using a point system, and if the company has too many points on its profile, it may be selected for further intervention to ensure compliance. They added that the goal of these measures is to reduce the number of commercial vehicle crashes, and they have recently seen a reduction in such crashes.

## Inspection Hours

In response to an inquiry into the operating hours of inspections, officials from the Ministry of Transportation and Infrastructure noted that most of the inspections are during the day and in major centres. They highlighted that this is to prevent commercial vehicle drivers from being stranded in an inopportune location should a vehicle need immediate repairs. However, they noted that inspections can happen 24 hours a day, and night time inspections are more frequently related to driving infractions. A new inspection station in Delta allows for covered, fully lit inspections to take place any time of day; additional sites are also under construction.

## Summary of Government Presentation on *Detection and Response to Cybersecurity Threats on BC Hydro's Industrial Control Systems*

Officials from BC Hydro provided an update on the implementation of recommendations from the 2019 OAG report, *Detection and Response to Cybersecurity Threats on B.C. Hydro's Industrial Control Systems* on February 3, 2023. In the report, the OAG noted that cyberattacks against energy infrastructure were common globally and a successful attack could cause significant disruptions for businesses and people in BC. Industrial control systems (ICS) are a collective term for different types of computerized control systems, including devices, systems, networks, and controls that operate and automate industrial processes. The OAG report noted that mandatory standards required by the Utilities Commission are in place for larger ICS, but smaller systems are not subject to the same standards, nor do they have the same mechanisms for the detection and response to cybersecurity incidents. At the time of the report, only a quarter of these smaller facilities were covered by the standards. BC Hydro officials noted that since the report's release, standards have evolved to address modern cybersecurity threats; and as such, nearly half of the ICS have been brought up to the required standards; the remaining stations will be covered by 2027.

Officials from BC Hydro advised that they have fully completed the OAG's first recommendation related to cybersecurity assessments, and have performed numerous threat assessments over the entire BC Hydro environment as part of an ongoing multi-year cybersecurity plan to enhance and improve cybersecurity; these efforts include a third-party review and Threat Risk Assessment of BC Hydro's cybersecurity controls for both business and ICS environments. Responding to the second recommendation, maintaining an inventory of hardware and software components, they advised that over half of their facilities now have a comprehensive and detailed asset inventory, all of which is digitally tracked using a new barcode system. They plan to complete the recommendation by 2027. Regarding the final recommendation, to implement detection

mechanisms and monitor in real time for anomalous activities, officials from BC Hydro explained that they are not intending to complete as recommended. They noted that where they have the technologies or the connectivity in place to implement such monitoring, they plan to do so, but many of these stations are not up to modern cybersecurity standards because they are 50 years old with outdated architectures that cannot be connected to a modern monitoring system and have no connection to the internet. As such, many of these sites are not at risk of modern cybersecurity threats such as ransomware; however, the sites are secure or “hardened” against physical access. As equipment is replaced or upgraded, monitoring capabilities will be introduced.

## Committee Inquiry

### Independent Power Projects

Committee Members inquired about the cybersecurity risks to contracted independent power projects (IPPs) in BC. BC Hydro officials noted that these IPPs provide about 25 percent of the power in BC, but these systems remain relatively isolated from the main grid. They stated that communication with neighbouring jurisdictions is encrypted over private networks and added that the data transmitted over these networks

are monitored with intrusion detection systems and are not susceptible to malware.

### Modernizing Infrastructure

Committee Members reflected on the number of substations throughout the province that are still analog, low-tech systems and inquired into the plan to upgrade these systems. BC Hydro officials outlined that there is some inherent risk in upgrading and connecting these systems but added that there are significant operational benefits from a time management and resources perspective. They added that BC Hydro has well-defined standards for implementing secure control networks and secure access into those environments.

### Privacy Risks

The Committee inquired into cybersecurity risks related to customer data. BC Hydro officials advised that threat risk assessments are ongoing, including third party assessments on the issue of customer personally identifiable information (PII). They noted that PII is housed in a repository that has additional access controls to ensure that it is being appropriately accessed, any connection is closely monitored, and the data is protected with high security standards.

## COMMITTEE DECISIONS

The Committee adopted the following motion on February 3, 2023:

3. That the Select Standing Committee on Public Accounts pursue no further follow-up on the following Office of the Auditor General reports:
  1. *An Independent Audit of Grizzly Bear Management (2017)*
  2. *An Independent Audit of Commercial Vehicle Safety (2018)*
  3. *Detection and Response to Cybersecurity Threats on B.C. Hydro’s Industrial Control Systems (2019)*
  4. *An Audit of Biodiversity in B.C.: Assessing the Effectiveness of Key Tools (2013)*
  5. *An Audit of Community Gaming Grants (2016)*
  6. *An Audit of the Panorama Public Health IT System (2015)*
  7. *Workstation Support Services Contract: An Audit of Due Diligence (2016)*
  8. *Follow-up on the Missing Women Commission of Inquiry (2016)*
  9. *An Audit of B.C. Housing’s Non-Profit Asset Transfer Program (2017)*
  10. *Master Supplier File Maintenance (2019)*

11. *Improving Budgeting and Expenditure Management in the Public Education System (2016)*
12. *Managing the Cumulative Effects of Natural Resource Development in B.C. (2015)*
13. *Managing Climate Change Risks: An Independent Audit (2018)*
14. *An Independent Audit of the Recruitment and Retention of Rural and Remote Nurses in Northern B.C. (2018)*
15. *Access to Adult Tertiary Mental Health and Substance Use Services (2016)*

