

Select Standing Committee on Public Accounts

SUMMARY OF ACTIVITIES 2017/18



LEGISLATIVE ASSEMBLY
of BRITISH COLUMBIA

MAY 2018
THIRD SESSION
OF THE 41ST PARLIAMENT



May 15, 2018

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 Third Session of the 41st Parliament titled, *Summary of Activities 2017/18*.

Respectfully submitted on behalf of the Committee,

A handwritten signature in black ink that reads "Shirley Bond". The signature is written in a cursive style with a large initial 'S'.

Shirley Bond, MLA
Chair

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Composition of the Committee

Members

Shirley Bond, MLA	Chair	Prince George-Valemount
Mitzi Dean, MLA	Deputy Chair	Esquimalt-Metchosin
Garry Begg, MLA		Surrey-Guildford
Rick Glumac, MLA		Port Moody-Coquitlam
Bowinn Ma, MLA		North Vancouver-Lonsdale
Adam Olsen, MLA		Saanich North and the Islands
Ralph Sultan, MLA		West Vancouver-Capilano
Jane Thornthwaite, MLA		North Vancouver-Seymour
John Yap, MLA		Richmond-Steveston

Committee Staff

Kate Ryan-Lloyd, Deputy Clerk and Clerk of Committees

Ron Wall, Manager, Committee Research Services

Alayna van Leeuwen, Lisa Hill and Karan Riarh, Committee Research Analysts

Terms of Reference

On October 23, 2017 and February 26, 2018, the Legislative Assembly agreed:

1. 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, with the exception of the report referred to in section 22 of the *Auditor General Act*, S.B.C. 2003, c. 2, which is referred to the Select Standing Committee on Finance and Government Services; and,
1. 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.

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

- a. to appoint of their number one or more subcommittees and to refer to such subcommittees any of the matters referred to the committee and to delegate to the subcommittee all or any of its powers except the power to report directly to the House;
- a. to sit during a period in which the House is adjourned, during the recess after prorogation until the next following Session and during any sitting of the House;
- a. to adjourn from place to place as may be convenient; and
- a. to retain personnel as required to assist the committee;

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

The Work of the Committee

During the second session of the 41st Parliament, the Select Standing Committee on Public Accounts (the Committee) met seven times and reviewed 13 reports from the Office of the Auditor General (OAG). This report summarizes the Committee's review of these reports. For a list of reports reviewed at each meeting, see Appendix 1.

Of the 13 audit and information reports reviewed by the Committee, 10 were released near the end of the 40th Parliament, which was dissolved on April 11, 2017, prior to the May 9, 2017 provincial general election. The previous Committee (Members listed in Appendix 2) was very active during the 40th Parliament; however, a number of reports for review remained outstanding as at dissolution of the 40th Parliament. Appendix 3 of this report summarizes the work of the previous Committee in the last two sessions of the 40th Parliament.

With its dedicated and focused effort, the Committee reviewed the outstanding reports dating from the previous Parliament, as well as all but one of the additional OAG reports issued before the Committee received its Terms of Reference.

At the first meeting on November 6, 2017, the Committee elected a Chair and Deputy Chair, and established an agenda and procedure subcommittee. On November 9, 2017, Committee Members held an informal orientation meeting to receive technical briefings from staff in the Office of the Auditor General and the Deputy Clerk and Clerk of Committees, Kate Ryan-Lloyd, on the role of the Auditor General, and the Committee's roles, responsibilities and practices. The Committee consists of a number of Members elected for the first time in the May 2017 provincial general election, as well as Members with many years of experience in the Legislative Assembly. Given the significance of the role of public accounts committees in parliamentary democracies, the orientation was intended to inform all Members of the unique role of the Select Standing Committee on Public Accounts in contributing to the Legislative Assembly's scrutiny of government. During the informal orientation meeting, Members reflected on the fact that despite previous experience in other capacities, whether as a Cabinet Minister or another of the roles a Member of the Legislative Assembly may have, taking on the role of a Committee Member is a learning process.

As required by the *Auditor General Act*, the Committee reviewed and approved the Auditor General's annual *Financial Statement Audit Coverage Plan* for 2018/19 – 2020/21.

On January 31, 2018, the Committee met informally with Dr. Tony Buti, Member of the Legislative Assembly for Western Australia, and Chair of their Public Accounts Committee. Committee Members appreciated hearing perspectives from another jurisdiction on committee effectiveness and government accountability, particularly since the Committee is interested in encouraging more sustained action on implementing OAG recommendations. Committee Members are committed to ensuring the Committee's existing practices are effective, and in considering how their impact might be enhanced through additional follow-up and oversight. Members reflected on the importance of ensuring that the public is aware of both successful implementation of recommendations, and areas where more work is needed.

Copies of the Auditor General's reports are available online: <http://www.bcauditor.com/>

Minutes and transcripts are available on the Committee's website: <https://www.leg.bc.ca/cmt/pac>

Meeting Schedule

The Committee met on the following dates for the purposes described below. For a list of reports reviewed, see Appendix 1.

Second Session, 41st Parliament

November 6, 2017	Organizational meeting Report review
November 9, 2017	Informal orientation
November 27, 2017	Review of audit report
January 16, 2018	Review of audit reports
January 17, 2018	Review of audit reports
January 30, 2018	Review of audit reports
January 31, 2018	Review of audit reports

Annual Financial Statement Audit Coverage Plan

Financial Statement Audit Coverage Plan 2018/19 – 2020/21

Background

In support of the Auditor General's mandate to form an opinion on the summary financial statements each year, the *Auditor General Act* requires the Auditor General to prepare a plan each year detailing how the financial audit of the government reporting entity will be achieved. The Act requires that the plan include a list of government organizations and trust funds the Auditor General proposes to audit directly, and a list of government organizations and trust funds for which the Auditor General proposes that other auditors (i.e. private sector firms) be appointed, for the following three fiscal years. The plan must be provided to a Committee of the Legislative Assembly. In its Terms of Reference, the Select Standing Committee on Public Accounts is designated as this committee. As such, the Committee considers the plan each fiscal year, and may make amendments before approving the plan.

On November 6, 2017, the Committee considered the *Financial Statement Audit Coverage Plan 2018/19 – 2020/21*.

Summary of Proposed Plan

To determine its level of audit involvement for the organizations included in the government reporting entity, the OAG's established practice is to identify three levels of audit involvement in the plan.

The first level is low involvement, where contracted auditing firms conduct the audits with limited involvement of the OAG. In 2018/19, the plan proposes limited involvement for 101 of the 146 entities, increasing to 102 entities in 2019/20, and 103 entities in 2020/21.

The second level is moderate involvement, where the OAG conducts oversight procedures of work conducted by auditors other than the OAG. Oversight involvement is proposed for 25 entities or organizations, declining to 23 and 22 entities in the two subsequent fiscal years.

For the third level, high involvement, the OAG conducts audits directly with its own staff or private sector firms under contract. The OAG plans to undertake direct involvement in auditing 20 entities in 2018/19, increasing to 21 entities for both 2019/20 and 2020/21.

In determining the level of involvement, the OAG considers criteria such as the entity's risk to the government reporting entity and the OAG's own capacity. The plan notes that while the number of organizations subject to the two higher categories of OAG involvement is small relative to the number in the limited involvement category, the organizations subject to direct and oversight involvement is collectively significant: the OAG had direct and oversight involvement for 84 percent of government entity expenses in the most recent fiscal year (2016/17).

To facilitate the OAG's proposal to elevate its role with respect to BC Hydro from oversight to direct involvement starting in 2020/21 when the existing audit contract expires, the Auditor General noted that this year's proposed plan necessitates a higher budget request than has been the case in recent years.

The Auditor General requested that the Committee approve:

1. The proposed plan for the fiscal years 2018/19 through 2020/2021.
2. The Auditor General continuing as the direct auditor of 10 government entities where the engagement term exceeds five consecutive fiscal years.
3. The Auditor General being appointed as the direct auditor for one entity outside the government reporting entity: the Provincial Employees Community Services Fund.

Committee Inquiry

The Committee sought clarification on school district and post-secondary institution audits, asking how the OAG determines which entities will have direct involvement in their audits in a given year. Officials from the OAG reported that, over time, all districts are subject to a direct audit, and in taking on the five-year long commitment involved in being the direct auditor, the OAG strives to ensure geographic coverage, to audit a variety of sizes of districts and institutions, and if applicable, to address specific risks that might become evident.

Members asked about the OAG's criteria for assessing risk as it informs decisions around the level of involvement in auditing particular entities. The Auditor General explained that professional standards for auditors, and practices of other legislative audit offices, inform the OAG's approach to risk assessment. Risk assessments consider the overall financial significance to the province's public accounts, the public interest or public policy significance in an entity or a particular program, the complexity of the entity's operations, and the entity's past performance record as indicated by factors such as responsiveness to management letters issued to the organization.

Another area of interest for Committee Members was the human resource implications of assuming direct responsibility for auditing BC Hydro, and how OAG resources would be managed in light of plans for other significant audits around the same time. The Committee further probed the OAG's rationale for moving to a more direct role in relation to BC Hydro, asking for a comparison of expected costs to the taxpayer relative to the current contract carried out by private sector auditors, and how the OAG will obtain the necessary expertise to carry out the role of direct auditor effectively. The Auditor General explained that based on per hour costs, her office's fees are lower compared to private sector auditors; however, she also acknowledged that direct comparisons are difficult. The time spent on the audit may vary, and private firms focus on expressing an opinion in accordance with regulation, rather than public sector accounting standards, and her office is likely to look at other areas which may be in the public interest.

Members discussed the fact that their Committee is responsible for reviewing and approving the *Financial Statement Audit Coverage Plan* each year, while the Select Standing Committee on Finance and Government Services is responsible for reviewing and making recommendations on the budget requests of the OAG and other statutory officers. The Committee asked what the process would be in the event that the Committee approved the *Financial Statement Audit Coverage Plan* but the Select Standing Committee on Finance and Government Services did not approve the corresponding request for a budget increase to undertake the OAG's proposed new role of directly auditing BC Hydro. The Auditor General explained that in the event

that the Select Standing Committee on Finance and Government Services did not approve the OAG’s budget request, her office would revise the plan to rebalance priorities within the approved funding envelope, and return to the Select Standing Committee on Public Accounts to present a new plan.

Wanting to be clear that the Committee’s approval of the *Financial Statement Audit Coverage Plan* is not intended to constrain or influence the discretion of the Select Standing Committee on Finance and Government Services in reviewing the OAG budget request, the Committee decided to adopt a motion to require the OAG to return to the Committee with a revised plan in the event that the Select Standing Committee on Finance and Government Services did not approve the budget request.

Committee Decisions

The Committee adopted two motions with respect to its review and approval of the Financial Statement Audit Coverage Plan 2018/19 – 2020/21:

That the Select Standing Committee on Public Accounts endorse the three recommendations listed on page 5 of the Financial Statement Audit Coverage Plan 2018/19 - 2020/21, as required by sections 10 and 14 of the *Auditor General Act*.

That should the FY 2018-19 Budgetary Estimates proposed by the Office of the Auditor General fail to be approved by the Select Standing Committee on Finance and Government Services, the Office of the Auditor General return to this Committee with any amendments to the Financial Statement Audit Coverage Plan 2019/19 - 2020/21, which may be required.

Financial Audits and Information Reports

The 2015/16 Public Accounts and the Auditor General's Findings (February 2017)

Understanding Our Audit Opinion on B.C.'s 2016/17 Summary Financial Statements (September 2017)

Background

The Auditor General audits the province's summary financial statements each year and issues an opinion on whether these statements fairly report the government's financial position in accordance with Canadian generally accepted accounting principles (GAAP), and specifically, public sector accounting standards. This annual audit of the province's summary financial statements is the largest financial audit in B.C. and includes over 140 organizations within the government reporting entity.

On January 30, 2018, the Committee met to review the OAG's reports on the audit of the 2015/16 public accounts, and on the audit opinion of the province's 2016/17 summary financial statements. The Committee heard presentations from the OAG, and the Office of the Comptroller General in the Ministry of Finance.

Summary of OAG Reports

In the report *The 2015/16 Public Accounts and the Auditor General's Findings*, the Auditor General issued one qualification for the 2015/16 public accounts. In the report *Understanding Our Audit Opinion on B.C.'s 2016/17 Summary Financial Statements*, the Auditor General issued three qualifications for the 2016/17 summary financial statements.

Deferred Revenue

In the audit report, *The 2015/16 Public Accounts and the Auditor General's Findings*, the Auditor General issued a qualification regarding the way government recorded deferred revenue from other levels of government and restricted revenue. The presentation noted a difference of opinion between the government and the Auditor General with respect to the application of accounting standards. According to the Auditor General, accounting standards require revenue to be recorded at the time the asset is purchased or constructed. Following the standards in regulation, government records this revenue over the useful life of the asset, which could be over several decades.

The report on the audit opinion of the 2016/17 summary financial statements also had a qualification regarding deferred revenue. The OAG noted this was the sixth consecutive year for this qualification. If government had applied the Auditor General's accounting standards, year-end deferred revenue would have been reduced by \$5.1 billion and the accumulated surplus would have increased by a similar amount. For the year ending March 31, 2017, this results in an understatement of revenue and an annual surplus of \$900 million.

The OAG noted that the *Budget Transparency and Accountability Act* requires the accounting principles of government entities to conform to public sector accounting standards, or to conform to public sector

accounting standards as set by Treasury Board regulation. One Treasury Board regulation requires government entities to continue to defer government transfers and restricted revenue, which in the Auditor General's view is not compliant with public sector account standards. As a result, when government entities comply with the regulation, they are not complying with GAAP and receive a non-GAAP compliance or modified audit opinion.

Transportation Investment Corporation

The Transportation Investment Corporation (TIC) is a Crown corporation responsible for the Port Mann Bridge and the George Massey Tunnel replacement projects. The report on the audit opinion of the 2016/17 public accounts had a qualification related to the use of the modified equity basis of consolidation for the TIC. For a Crown corporation to qualify for consolidation using the modified equity basis, it must be classified as a self-supported Crown corporation. Based on conditions at March 31, 2017, the Auditor General's opinion is that the TIC is not a self-supported Crown corporation as it was unable to maintain operations and meet liabilities from revenues outside the government reporting entity. While the difference does not affect the bottom line, the difference does affect a number of account balances, including tangible capital assets, loans recoverable from agencies, and the classification of self-supported and tax-payer supported debt.

Rate-Regulated Accounting

The Auditor General issued a third qualification for the 2016/17 public accounts in regard to the use of rate-regulated accounting for BC Hydro. Rate-regulated accounting allows utility companies to defer certain expenses and revenues to future years as a means to smooth out recovery costs over a longer period. Companies are usually overseen by an independent regulator to ensure the amounts deferred can be reasonably absorbed in the future.

The *Budget Transparency and Accountability Act* directs BC Hydro to follow the United States Financial Accounting Standards Board account standings codification 980 (ASC980), which is acceptable under Canadian public sector accounting standards. ASC980 requires an independent third party regulator or a governing board to establish rates. In the Auditor General's view, the application of rate-regulated accounting is inappropriate as it does not meet the independence requirements of ASC980. While B.C. has an independent third party regulator, the BC Utilities Commission, government issues directions that the Commission must follow. The OAG also does not consider government to be a governing board.

Other Highlights

The report on the audit of the 2015/15 public accounts highlighted additional opportunities for improvement, such as better explanations for the differences between planned and actual results in the Financial Statement Discussion and Analysis. Other areas of discussion in the report included: how estimates and assumptions in the financial statements may impact the statements (e.g. personal income tax revenue); the use of special accounts within the consolidated revenue fund; how self-supported Crown corporations impact the financial statements; background information on British Columbia's asset management program; contractual obligations; and how the *Budget Transparency and Accounting Act* regulations support GAAP.

Summary of Government Response

The Acting Comptroller General responded on behalf of the government, acknowledging the Auditor General's qualified opinions and sharing the government's perspective on the application of certain accounting principles.

Deferred Revenue

The Acting Comptroller General informed the Committee that the government disagreed with the Auditor General's preferred application of deferred revenue, explaining that it conflicts with the requirements of the province's legislated financial framework. Government has developed an approach that reflects the nature of intergovernmental financing, while ensuring the public's interest in accountability and a single, consistent bottom line. These objectives are codified in the *Budget Transparency and Accountability Act*. The Acting Comptroller General pointed out that the principle of recording revenue over the useful life of an asset is the same principle used for recording the expense of a capital asset. If the revenue is recognized up front and the expense is recognized over future periods, an artificial mismatch is created between revenues and expenses. This also skews operating results and constrains spending capacity artificially in future years. He further noted that provinces differ in their approach, depending on their reporting frameworks, and B.C. is the only province to receive a qualification on this issue from the province's legislative auditor.

Transportation Investment Incorporation

In response to the qualification on the TIC, the Acting Comptroller General noted that a similar qualification was in place from 2009-2013, and then removed from 2014-2016. He stated that for the year ending March 31, 2017, the TIC's financial performance exceeded revenue forecasts by 10 percent, and it continued to support its operations and meet obligations without taxpayer support. Moreover, no action of government changed the mandate or the direction of the TIC in the 2016/17 fiscal year.

The Acting Comptroller General also pointed to a subsequent note in the statements related to the removal of tolls on the Port Mann Bridge and the impact on the financial statements. Namely, this shifts the TIC from a self-supported to taxpayer-supported Crown corporation. The change is recognized in the second quarterly report and will be represented in the 2017/18 financial statements.

Rate-Regulated Accounting

ASC980 is the only standard that relates to rate-regulated accounting, and international financial reporting standards, which BC Hydro follows, directs the use of this standard. Government believes Cabinet to represent a governing board as intended by the standard, and with an independent regulatory authority in the BC Utilities Commission, feels the requirements and intent of ASC980 have been met.

The Acting Comptroller General discussed the importance of separating the practice of accounting for rate regulation from policy decisions that determine whether and how a utility is regulated. He pointed out that the audit opinion notes the regulatory actions of an entity's own governing board are acceptable when empowered by statute to do so, which aligns with the authority for policy decisions provided for by the *Utilities Commission Act*.

He further noted that a qualification on rate-regulated accounting has not been a qualification item in the past, although a previous Auditor General raised concerns in 2010. At that time, international financial reporting standards had not provided guidance on this particular issue.

Committee Inquiry

Much of the Committee's inquiry focused on the deferred revenue qualification and the impact of adopting the Auditor General's recommended approach. The Acting Comptroller General stated that the accounting impact would be moderate; in years where the province receives a lot of transfers from the federal government, revenues would increase, while in other years, revenue would decrease by a similar amount.

The Auditor General stated that the adjustment would have to be made all in one year if the approach is changed. She discussed the need to better understand what the financial statements show, rather than focusing too much on surplus versus deficit.

Several questions from Committee Members referenced the different approaches in other provinces, particularly as it relates to those who are deferring revenue like B.C., but are not receiving a qualification. The Acting Comptroller General explained that some provinces try to achieve a balanced (or surplus) budget every year, while others focus on demonstrating financial management by minimizing their deficit because they rely on equalization payments. B.C.'s financial management framework requires a balanced budget, direct comparability between the budget and actuals, and preparation of the budget on an accrual basis. The Auditor General explained that Auditors General across Canada have different positions on how deferred revenue should be accounted.

Members further clarified that the difference of opinion between the Auditor General and government on this issue is due to a choice regarding how accounting standards are applied, and that it ultimately has a minimal impact on the public accounts. The Acting Comptroller General responded by noting the different application of the standard does not affect cash, or the ability of government to spend money on programs or services. It affects the way information is presented in terms of government's accountability to the public or in comparison to the budget.

Committee Members inquired about public sector accounting standards and B.C.'s regulations in this regard. The Auditor General shared her office's position that legislation should simply require government entities to apply public sector accounting standards, without any modifications. Instead, the regulations require government entities to use different standards in some regards.

The Committee was interested in hearing more about the Ministry of Finance's Central Deposit Program, in which government organizations deposit their excess cash, and what this means for school districts. The Acting Comptroller General explained that the move to accrual accounting created a situation where government funds school districts, and other government organizations, based on their accrual-based bottom line. These organizations can end up appearing over-funded because they may not need all the allocated cash due to amortization and other benefits which do not have a cost. The Central Deposit Program is part of a financial management framework and structure that allows the excess cash to be appropriately managed and invested, and re-allocated through the process.

Another area of interest was BC Hydro's regulatory deferrals, with questions about the accuracy of projections and the implications for ratepayers in the future. The Acting Comptroller General shared that the mechanics of the rate-regulated accounting are well understood and monitored, however, regulatory or policy decisions may impact the overall balance. On implications for the future, the Auditor General explained the role of the regulator in analyzing the information and determining whether or not future ratepayers can absorb the costs. If they cannot, costs would be absorbed into the public accounts as a deficit.

Budget Process Examination Phase 2: Forecasting for Operating Expense, Capital Spending and Debt (April 2017)

Background

On January 30, 2018, the Committee heard presentations from the OAG and senior officials from Treasury Board in the Ministry of Finance regarding the OAG's report on the budget process. The report is the OAG's second information report on the government's budgeting process; the first report focused on three year revenue forecasts, while this second report examined the approach to forecasting operating expense, capital spending and debt for the 2015-16 budget and fiscal plan.

Summary of OAG Report

The Auditor General emphasized that the report is focused on the process, systems and methods government uses to develop the budget, not the actual budget itself. In reviewing the approach to forecasting, the OAG examined four aspects: whether assumptions underlying the forecasts were well-supported and provided a reasonable basis for the forecast; whether the forecast reflected those assumptions; whether the presentation and disclosure of the budget and fiscal plan met Canadian accounting standards for future oriented financial information; and whether the budget process met the requirements of relevant provincial legislation. OAG officials reminded Committee Members that legislation prohibits government from forecasting a deficit, which means forecasts must be flexible enough to accommodate unexpected expenses or revenue shortfalls.

The Auditor General concluded that the process met the four expectations. She recommended two areas for improvement. One, the Auditor General recommended the Ministry of Finance include information about the reasons for, and the effects of, presenting debt balances in the main body of the budget and fiscal plan, and the summary financial statements. Consistency in reporting between the two documents is important so government's planned versus actual financial performance can be compared.

Two, the Auditor General recommended the Ministry of Finance enhance disclosure of key assumptions supporting significant changes in projected caseloads for statutory programs. As an example, the report pointed to the estimated 18 percent decrease over three years in caseloads for the Ministry of Social Development and Social Innovation's temporary assistance program. Given statutory requirements for eligibility for the program, government has limited control over who receives the program, however, no explanation is provided about the decrease in caseload levels.

Summary of Government Response

The Secretary to the Treasury Board responded on behalf of government, briefly discussing progress made on the OAG's first report on the budgeting process, and accepting and outlining measures taken to address the Auditor General's two recommendations in the second report.

The Secretary stated that any recommendations by the Auditor General to improve readability, clarity and understanding of budget documents and information have been considered. Government accepted both recommendations, with enhanced disclosure about the differences in presentations of debt balances included in *Budget 2017* and the *Budget 2017 Update*. Government will also be looking at enhancing disclosure of assumptions underlying significant changes in caseloads for statutory programs. The Secretary emphasized that this latter suggestion is about improving the presentation and disclosure of information, and not about the forecast or assumptions.

Committee Inquiry

The Committee's inquiry covered various facets of the budget process. Committee Members asked about legislation prohibiting deficits, including the implications of running a deficit and how government prepares for unanticipated expenses or revenue shortfalls. The Secretary to the Treasury Board clarified that government is prohibited from forecasting a deficit, but it is not prohibited from running a deficit. If government runs a deficit, the *Balanced Budget and Ministerial Accountability Act* sets out terms for minister salary holdbacks. He explained that the Ministry of Finance uses a prudent approach to setting a three-year budget by incorporating a forecast allowance and contingencies in the economic forecast. Together, these create a buffer which allows government to manage normal fluctuations. When unexpectedly large fluctuations occur, a deficit may result.

Another area of interest to the Committee was budget-making approaches, and particularly the appropriateness of incremental budgets and the use of baselines to determine ministry budgets year to year. The Secretary explained that government uses a number of different approaches, including incremental budgeting, depending on the characteristics of each ministry and the policy objectives of government. He described it as an iterative process involving modelling, forecasting and policy assumptions to determine funding levels that allow ministries to deliver their mandates. The Secretary also reminded Members that any funds that may be carried over from year to year are an appropriation that provide a ministry with the ability to spend that money, but they do not create revenue.

Committee Members asked how the financial framework for the ten-year capital plan is managed within goals for credit ratings, debt-to-GDP and other metrics. The Secretary explained that the government's approach for budgeting the capital plan is the same as for the operating budget, with the difference being that capital plans cover a ten-year period to account for the time length of large capital projects. Government meets regularly with credit-rating agencies to review plans and metrics, and understand the appropriate parameters or thresholds for where those metrics should be. This is used in conjunction with economic and fiscal forecasts to determine the government's fiscal capacity for capital projects, which are subsequently prioritized.

Finally, the Committee had questions about how estimates for caseload projections are determined and what type of detail could be provided to address the Auditor General's recommendation. The Secretary discussed the way in which the Ministry of Finance works with the relevant ministries to review modelling, demographic factors, economic factors and policy decisions to come up with assumptions and forecasts. He cited several examples related to income assistance, natural disasters, and school enrollment to illustrate how government could provide more detail and context on deviations from trends in caseload projections.

Governance and Accountability Audits

An Audit of B.C. Public Service Ethics Management (March 2017)

Background

The OAG's audit of ethics management in the B.C. public service examined whether government ministries and central agencies had a robust framework in place for setting expectations of ethical behaviour. To inform the audit, the OAG conducted a survey with public servants to find out how they experience ethics in the workplace; the survey was provided to approximately 25,000 public servants, and had a 50 percent response rate. The Committee met with the OAG and officials from the B.C. Public Service Agency (PSA) to review the report on January 17, 2018.

Summary of OAG Report

Many respondents to the OAG's survey provided positive feedback regarding ethical behaviour in their workplace, with the perceived likelihood of unethical behaviour as low. Some expressed concerns regarding the use of sick time and merit-based hiring, and just over half of respondents reported receiving ethics training. Twenty-eight percent of respondents indicated that they had observed ethical misconduct in the past two years, with over one-third saying they did not report it.

The report concluded that while government set expectations for ethical behaviour, they could do more to coordinate ethics management across the B.C. public service. The OAG made eight recommendations, including that government implement a system-wide approach or framework for accountability and ethics, with a lead role clearly defined to champion the initiative. This would enable government to define and communicate expectations regarding ethical behaviour, provide an outline of how this will be enforced, and ensure appropriate management is in place to continuously monitor, evaluate and improve the program and framework through to implementation.

Summary of Government Response

Senior officials from the PSA welcomed the Auditor General's recommendations and noted all recommendations are currently in progress or partially implemented, with total implementation planned by March 31, 2018. They explained that some of the recommendations are being worked on in conjunction with recommendations from the Ombudsperson's 2017 report entitled *Misfire: The 2012 Ministry of Health Employment Terminations and Related Matters*, given that both reports have systemic implications and are best suited to tandem implementation.

The PSA provided a brief overview of government's existing ethics management framework and outlined actions they are taking to meet the intent of the recommendations, including: ensuring that public servants regularly review and sign-off to indicate they understand the Oath of Employment and Standards of Conduct for Public Service Employees; providing increased staff and corporate ethics training; exploring the opportunity to designate a lead role for coordinated ethics management across the public service,

including research into the concept of a Chief Ethics Officer; and providing new information and strategic communications to ensure staff know about ethics advisory services and supports.

Committee Inquiry

Committee Members sought further detail on how the PSA was addressing issues regarding the use of work and sick time. Representatives from the PSA acknowledged that government needs to do a better job of communicating, educating and engaging with staff, and suggested that the perception of ethics in the public service is a highly relevant consideration. As an example of a potential disconnect between reality and perception, some respondents to the survey reported that sick time is sometimes misused in the public service. However, the average annual sick leave in the B.C. public service is 8.7 days, which is lower than the Canadian provincial public service average of 9.8 days and the federal public sector average of 11.9 days. This suggests that despite perceptions, or specific instances known to survey respondents, a widespread culture of misuse of sick time is unlikely.

With some respondents citing a fear of reprisal for not reporting ethical misconduct, the Committee asked about legislative protections for public servants such as “whistle-blower” legislation. The PSA noted that government accepted all 41 of the recommendations in the Ombudsperson’s *Misfire* report, one of which suggests the establishment of public interest disclosure protections.

The Committee wanted to know how the results in the OAG’s report compare with other jurisdictions. The Auditor General indicated that, to her knowledge, other jurisdictions had not conducted similar surveys, with the exception of an audit she conducted in Manitoba, where she formerly served in a similar role. A representative from the PSA shared that, anecdotally, colleagues in other jurisdictions believe their results are likely to be comparable, should they conduct a similar survey.

Another area of interest to the Committee was the number of investigations undertaken by the PSA in relation to ethical misconduct. The PSA reported that they undertake approximately 100 investigations per year and that workplace behaviour constitutes the bulk of the investigations. This may include complaints such as use of profanity in the workplace, discrimination, and cases of bullying or harassment.

Committee Members asked about the finding that some public servants feel hiring actions are not always merit-based. Representatives from the PSA responded by noting that staff can report concerns regarding hiring practices to the Merit Commissioner or to their ministry executive. Additionally, government is introducing a certification program for hiring managers to better support and train them in making equitable hiring decisions. Government is also in talks with the B.C. Government and Service Employees Union to look at ways to bring more transparency to hiring practices within the public service.

The Committee stressed the importance of training and ease of access to relevant source materials so staff can further their understanding of ethics in the workplace, and inquired how training and materials are currently provided. Officials from the PSA shared that they had created a centralized online hub of information and materials, and are trying to offer as many training sessions as possible, however demand was outweighing their internal capacity to provide training. While certainly encouraged, ethics training is not mandatory in the B.C. public service at this time.



Committee Decision

The Committee agreed to review the PSA's implementation of the Auditor General's recommendations in the fall of 2018.

Information Technology Audits

Workstation Support Services Contract: An Audit of Due Diligence (November 2016)

Background

On November 27, 2017, the Committee considered the OAG's report on its audit of the workstation support services contract. Government established an alternative service delivery arrangement for the provision of workstations and workstation support services to ministries and some Crown agencies in 2004. In 2010, a \$395 million contract added, or "onboarded", British Columbia's six health authorities to this arrangement. The decision to add to the existing contract an additional contract to serve health authorities was not required to be subject to a procurement process. The OAG presented the audit report findings, while representatives from the Ministry of Citizens' Services, with support from officials from the Ministry of Health, presented government's response.

Summary of OAG Report

The audit found that the analysis performed by government prior to onboarding the health authorities did not clearly demonstrate the contract would result in value for money for taxpayers generally, or in cost savings to health authorities. While health authorities had a decision-making role in determining whether to onboard, the report suggested that they did not have a full business case analysis to make an informed decision. Furthermore, a general belief that onboarding would be efficient, in conjunction with tight timelines for the decision-making process, contributed to inadequate due diligence in relation to the onboarding contract, and insufficient documentation of key parts of the business case, such as the legal analysis. Although onboarding may have been the best choice, the Auditor General could not make this determination with certainty, due in part to a lack of documentation.

The OAG report made four recommendations to improve oversight and due diligence of significant alternative service delivery contract decisions: identify clear responsibility for oversight; require independent review of contract decisions to ensure value for money and fairness are considered; clearly communicate to all service providers and contract management offices the due diligence expectations (e.g. cost benefit analysis of the option, and alternative options; ensure compliance with legal and other obligations; document the due diligence process and key decisions in the contract decision-making process); and make public reports on results of significant alternative service delivery onboarding initiatives.

Summary of Government Response

Officials from the Ministry of Citizens' Services stated that the government accepted the Auditor General's recommendations and reported progress on implementing the recommendations. The Ministry established the Strategic Partnerships Office (SPO) in 2012 to provide management oversight of large outsourcing contracts, including supporting business case development, financial and legal analysis, and ongoing monitoring of service delivery contracts. The SPO supports the recommendation to clarify roles and

responsibilities, and mitigates the risk to due diligence posed by tight timelines by providing early guidance and good governance.

Independent review is now undertaken before business cases are considered for approval. In addition to providing training and capacity building to the individual offices primarily responsible for the contract negotiations and development, the SPO has established a due diligence flow chart. The chart guides the business case, and financial and legal analysis prior to contract approval, as well as ongoing monitoring through the lifecycle of the contract. Ministry officials reported that information on the major strategic contracts in the SPO portfolio will be proactively released annually, and that the SPO will perform annual “health checks” on the contracts, and report results to Treasury Board.

Committee Inquiry

The Committee asked whether more procurement had been done since the OAG’s report, and whether there have been public reports or reports to Treasury Board since that time. Ministry officials described procurements currently in process and confirmed information has been provided publicly and to Treasury Board. Committee Members sought further clarification on the conditions for a procurement to attract the involvement of Treasury Board, and whether those criteria for involvement have changed over time. Officials described criteria such as value of the contract, outsourcing of staff, risk and complexity.

In response to Members’ questions about the status of the contract, officials stated that the procurement to replace the contract had been cancelled and instead the contract was extended for two years, until March 2019. The Committee inquired whether additional onboarding to existing contracts is being contemplated. Ministry representatives confirmed that for the onboarding recently undertaken and planned in the near future, the process for assessing an onboarding proposal is the same as it is to establish a new contract. They clarified that the process includes the requirement to prepare a business case, and that onboarding is assessed as part of a broader review of procurement processes and policies.

In light of the audit finding that the health authorities may not have had adequate information to make an informed decision, the Committee asked how information is now being shared with the health authorities. The Ministry of Health’s Chief Technology Officer shared that his Ministry is providing oversight to processes involving health authorities to ensure fairness and independence.

Committee Members had questions about the OAG’s recommendation with respect to independent review of key contract decisions, with the Ministry of Citizens’ Services acknowledging that the SPO is not structurally independent of Ministry decision makers. However, they use independent contractors for reviews to provide an additional measure of expertise and independent guidance to procurement decisions. The Committee probed whether it would be appropriate to establish more specific requirements to trigger Treasury Board to review contracts, such as contracts over a specific monetary value. Government responded that they are examining these processes for improvement.



Committee Decision

The Committee adopted a motion with respect to monitoring efforts to improve procurement processes across government:

That representatives of the Ministry of Citizens' Services return to Public Accounts to provide an update on planned procurement process improvements in order to discuss how the new process reflects the Auditor General's recommendations in the workstation support services contract report.

Police Records Information Management Environment: PRIME-BC System - A Security Audit (March 2017)

Background

PRIME-BC is the information management system used by all police and 911 emergency services operators. The OAG undertook an audit of the system given its broad use and strategic importance to law enforcement and emergency responders. The OAG presented the audit report to the Committee on January 16, 2018. Senior officials from PRIMECorp led the presentation on behalf of the audited entity, with officials from the Ministry of Transportation and Infrastructure, and the Ministry of Citizens' Services also in attendance.

Summary of OAG Report

The OAG's first audit of the system in 2013 concluded that the system was not fully protected from potential cybersecurity attacks. In accordance with accepted practice for audits concerning information security risks, the results of that audit, and its 75 recommendations, were not publicly released. After two years of monitoring, the Auditor General initiated another full audit in 2016. Due to information security risks, the Auditor General's substantive recommendations were provided directly to the relevant entities in a confidential management report in November 2016.

The single recommendation in the March 2017 public report is that the board of PRIMECorp implement the recommendations in the detailed management report. The public report discussed the critical importance of a police system having stringent and multi-layered defenses against threats. The audit found the system had good protections from external threats, however, additional attention should be given to protecting the system from internal vulnerabilities (including misuse), considering the approximately 13,000 users with access to the highly sensitive information in the system.

Summary of Audited Entity Response

PRIMECorp representatives emphasized that protecting sensitive data from constantly-evolving information security threats is their top priority. They accepted the recommendation to further strengthen the system from possible internal threats posed by users with elevated access to the system. PRIMECorp reported that 75 percent of the Auditor General's recommendations have been implemented, with the remainder expected to be implemented by September 2018.

Committee Inquiry

Given the inherent difficulty in ensuring information technology is secure against changing threats, the Committee asked what kind of resources are needed to protect a system such as PRIME-BC. PRIMECorp officials noted that while financial resources are important, human resources may be more critical to the system's integrity in terms of ensuring staff with the right skills and effective security clearances administer the system, and that user access rights are controlled properly. In response to questions about what was needed to achieve implementation of the final 25 percent of the Auditor General's recommendations,

PRIMECorp officials again emphasized that getting the right human resources in place was, and continues to be, critical to completing implementation by the September 2018 target date.

Members inquired whether the 2016 audit resulted in any new recommendations, beyond what was initially recommended in 2013. The Auditor General explained time and technological change was an element as to why her office decided to perform another full audit. What may have been in place in 2013, may or may not have been in place at a later point in time.

The Committee sought examples of internal security breaches and how they would be dealt with. Representatives from PRIMECorp cited inappropriate queries of the system, such as looking up information for purposes other than law enforcement, as the most common type of internal access issue. Both the Information and Privacy Commissioner, as well as the Police Complaint Commissioner, have a role in investigating, reporting on and determining consequences for inappropriate use of the system. Committee Members had further questions about the number of users, their access rights, and connections between PRIME-BC and other law enforcement information systems, including whether and how access for representatives from United States law enforcement organizations is arranged. PRIMECorp representatives explained how user accounts are controlled and audited, and how portals allow limited access to specified information between jurisdictions, in accordance with sharing agreements.

Committee Members asked about PRIMECorp's participation in broader government business continuity planning processes to improve resilience to disaster scenarios. The Committee heard that PRIMECorp does not participate in larger-scale government planning around disaster scenarios and continuity. Rather, they pursue their own disaster recovery plans, like other public safety entities such as health services, while remaining connected to the provincial process.

To understand the approaches undertaken in the 2013 and 2016 audits, Members sought clarification whether the same contractor assisted the OAG for both audits in order to promote consistency, and the OAG confirmed this was the case. The Committee requested further context on the reference in the OAG's report to the PRIMECorp governance model, with PRIMECorp and the OAG explaining that the report provided detailed explanation of the governance model and accountability structure because it is unique and involves a large number of stakeholders.

An Independent Audit of the Regional Transportation Management Centre's Cybersecurity Controls (October 2017)

Background

Established in 2013, the Regional Transportation Management Centre (RTMC) is the centre responsible for operating traffic management controls, such as variable speed limit signs, and lane controls on tunnels and bridges, as well as monitoring of road and traffic conditions on provincially-managed highways. On January 16, 2018, the Committee considered the OAG's report on an audit of the RTMC which examined whether foundational cybersecurity controls were in place.

The OAG presented the findings of the audit, and senior officials from the Ministry of Transportation and Infrastructure, and the Ministry of Citizens' Services presented government's response.

Summary of OAG Report

The audit evaluated whether the RTMC had foundational cybersecurity controls to protect the traffic management information technology system from potential attack. The audit did not assess the effectiveness of the controls, or the operations of the traffic management controls.

Overall, the OAG found that sufficient cybersecurity controls were not in place. In accordance with accepted practice for audits concerning information security risks, the results of that audit and its recommendations were conveyed in a detailed management report to the Ministry of Transportation and Infrastructure.

The publicly-available audit report outlines four areas for action, and makes five recommendations to the Ministry: assess the operational environment for the RTMC and implement appropriate security controls; maintain an accurate inventory of hardware and software so it can be secured; establish and maintain baseline settings for hardware and software; perform vulnerability assessments to look for weaknesses; and better control and monitor access to the system, in particular for administrator accounts.

Summary of Government Response

Officials from the Ministry of Transportation and Infrastructure shared that the government supports all five of the Auditor General's recommendations, and emphasized the safety measures built into the RTMC system. For example, lane control conflict monitors are separate from the RTMC system in order to prevent cyberattacks. The Ministry reported that implementation of the recommendations involves collaborating with the Office of the Chief Information Officer within the Ministry of Citizens' Services, which is responsible for providing technology, security and policy guidance to ministries. Government officials indicated that all recommendations would be implemented by the end of 2019, and provided information on the specific steps taken to date in response to each of the five recommendations.

Committee Inquiry

Reflecting on the need for strong information security practices to be in place to respond to evolving cybersecurity threats, the Committee asked for more information on how government ensures its many complex systems have foundational cybersecurity controls. The Chief Information Officer responded that like all organizations, government is vulnerable to rapidly-changing security risks, and makes ongoing efforts and investments to support all ministries in making improvements to address these risks.

Given the importance of assuring British Columbians that key transportation networks are safe, Members requested an explanation of why the recommendations will not be fully implemented until the end of 2019. Representatives from the Ministry of Transportation and Infrastructure reported that the most critical elements of the system, such as lane control systems, were prioritized and dealt with immediately. The system is complex, dealing with everything from critical lane control indicators to sensors that detect temperature and humidity on the highways, and any changes in such a system require careful testing to avoid operational impacts.

The Committee inquired as to why the RTMC was not meeting what might be thought of as baseline expectations for an information technology system of this scale, and whether the Office of the Chief Information Officer will have a role in the future to prevent gaps in other projects. Ministry officials explained that engineering and information technology teams need to work together more effectively when integrating industrial control systems, and that the establishment of the RTMC involved transitioning from an approach involving localized deployment, control and retrieval of data, to a networked and connected system. They also noted that the Chief Information Officer is a member of the capital program board, which helps to ensure that the information technology elements of future projects in government receive focused attention.

Members asked about future directions for intelligent transportation networks in B.C., including anticipating and dealing with issues around safety, personal privacy, cybersecurity and sabotage, as well as obtaining and applying information on travel patterns from private companies such as Google. Government referenced their participation in a number of intergovernmental forums, which discuss issues such as automated and connected vehicles, as an important element of ensuring the province is apprised of emerging policy issues and ready to operate in alignment with other jurisdictions. They also explained that while they can employ some publicly-available information such as Google Maps congestion information, they are careful about only collecting the information strictly necessary to carry out transportation management functions.

The Committee sought further information on the choice and application of international cybersecurity standards, and controlling access to administrative privileges in the system. Members asked about the general vision in government for improved cybersecurity across ministries and the Chief Information Officer's role. The Chief Information Officer explained that her office does annual information security reviews and is currently in the process of changing the assessment criteria to a new international standard. Noting the challenge of ensuring ongoing maintenance, compliance and vulnerability assessments in information technology systems, the Chief Information Officer mentioned her office's new publication *Defensible Security for Public Sector Organizations* as an example of how they are proactively supporting ministries in ensuring strong information technology systems.

Progress Audit: Integrated Case Management System (February 2017)

Background

The Integrated Case Management (ICM) system brought together multiple program areas and systems from the Ministry of Social Development and Poverty Reduction (formerly the Ministry of Social Development and Social Innovation) and the Ministry of Children and Family Development into a single system. The purpose of the ICM system is to replace multiple out-of-date “legacy” systems with one system that could improve information sharing and case management within the social services sector. A 2015 OAG audit of the project examined access management, data quality management, and project scope and cost, and found that the system did not meet expectations or fulfill key objectives. The OAG issued eight recommendations to improve the system.

At the time the progress audit was conducted, the Ministry of Social Development and Social Innovation was the lead ministry on the project, with participation of the Ministry of Children and Family Development, and the-then Ministry of Technology, Innovation and Citizens’ Services. In February 2017, the OAG released its progress audit on the ICM system. The Committee reviewed the report on January 17, 2018.

Summary of OAG Report

The 2017 progress audit report focused on the Ministry of Social Development and Social Innovation’s progress in implementing six of the eight recommendations from the 2015 audit related to access management and project costs, with a view to assessing whether the Ministry fairly and accurately represented its progress on implementing the recommendations from the OAG’s first audit. The audit did not assess progress on implementing the two recommendations related to data quality management, as the OAG determined the risk of the Ministry not fully addressing them was low.

The progress audit report states that the OAG disagreed with the Ministry’s view that the recommendations from the first audit had been fully or substantially implemented, instead finding that the recommendations have been partially implemented. With respect to the OAG’s initial recommendation on monitoring employee access to the system, the OAG found improvements in terms of the Ministry’s spot checks, and that roles have been clarified to better define who can access restricted records. Stronger procedures are now in place for assigning employees the correct level of access. However, the Ministry has not fully implemented the review process for inactive accounts, nor has the Ministry determined whether access to restricted records was properly assigned.

The Auditor General found less progress on the recommendations related to cost transparency. When the OAG first reviewed the system’s costs in 2015, budget information for both capital and operating costs, as well as updated operating cost estimates for the early phases of the project, was available. Total costs were not available at the time as the project had not been fully completed. During the progress audit, the OAG received information on the actual capital costs, but only minimal information on the operating costs. The report noted this issue is not unique to the ICM system project and that the Auditor General made a recommendation regarding costs for the life of an information technology project in an October 2016 report, *Getting IT Right: Achieving Value from Government Information Technology Investments*.

Summary of Government Response

Senior officials from the Ministry of Social Development and Poverty Reduction lead the presentation of the government's response to the audit report, with support from government's Chief Information Officer.

Ministry officials explained that the ICM system operates within government's broader technology environment. The Ministry partners with the Ministry of Children and Family Development, as well as the Office of the Chief Information Officer in the Ministry of Citizens' Services, to ensure strong privacy and security controls, and to increase awareness of best practices for information technology overall. A 2017 security review found the Ministry to be fully compliant in areas of information security policies, operational security, incident management, and system acquisition and development.

The Assistant Deputy Minister, Information Services explained that the initial audit was done in the middle of the project, and that the final phase of the project focused on security and privacy enhancements. The Ministry has since continued to make enhancements to the ICM system, many of which address the access and data quality issues identified within the audit.

He also noted that when the Ministry first reported on progress in 2016, their self-assessment was based on the level of effort taken to address recommendations. The Ministry has since adjusted their approach to reflect the Auditor General's view on progress which looks at whether the Ministry has achieved the recommendations.

Ministry officials further detailed the progress made to date to address each of the recommendations from the 2015 audit. These include improved user and access management processes and reviews, regular reviews of user accounts with access to restricted records, and monitoring for inappropriate access. Committee Members heard that a full-time data quality team is now in place, along with an ongoing data quality management program.

As it relates to cost transparency, the Ministry completed the accounting of capital costs and shared these details with the Auditor General. The Ministry did not track operating costs for the project separately as this was not required by core policy and it was expected that the costs would be absorbed within the Ministry budget. The Ministry is working with other government partners, including the Office of the Comptroller General, to develop a standardized process for tracking operating costs for future capital projects.

Committee Inquiry

The Committee sought clarification as to what is meant by data quality, as well as when access is removed for individuals who leave employment, and how inappropriate access is tracked. Ministry representatives explained that data quality is based on ensuring the information in the system is accurate against the contact and that the right access is in place for system users. Access should be removed immediately after a user is no longer employed, and the Ministry has been working on processes for both onboarding and offboarding of staff. Government officials explained that every time someone accesses a record, that activity is logged in the system, creating an audit trail which can be reviewed for inappropriate access.

Committee Members inquired about the meaning of a "contact" in the system in terms of how many individuals are captured in the system. The Ministry explained that the ICM system merged several legacy systems, and includes a range of contacts beyond direct clients, such as service providers, or other individuals

and professionals connected to a specific case file. The retention policy requires information to be kept for 99 years to reflect the potential lifespan of an individual.

Another area of interest to Members was the rationale for conducting an audit prior to full implementation of the ICM system. The Auditor General explained that her office takes this approach with all audits to avoid situations where an audit shows something which should have been done differently in retrospect. She acknowledged that it adds a level of complexity to the audit, and that her office has internal processes for this kind of work, particularly as it relates to information technology projects. Ministry representatives added that the Auditor General's recommendations were aligned with the work already planned for the final phase.

The Committee asked about the Ministry's self-assessment, expressing concern that the Ministry reported the Auditor General's recommendations from the first audit as implemented while the progress audit suggested otherwise. Ministry staff acknowledged that they over-emphasized the plans they had in place when reporting progress and the level of effort expended in working on implementation, and reiterated their commitment to acting on the recommendations.

Committee request for additional information

A Committee Member requested further information regarding the definition and number of "contacts" in the ICM system.

Following the Committee meeting on January 17, 2018, the Ministry of Social Development and Poverty Reduction responded in writing to indicate that a "contact" is any person, identified or anonymous, in the system. Contacts include, but are not limited to: applicants, clients, family members of clients, foster parents, lawyers, stakeholders, counsellors, medical professionals and police officers. Contacts are created as a result of any interaction with a ministry in the social sector. There are currently 2.8 million contacts in the ICM system.

Justice and Public Safety Audits

An Audit of the Contract for the Family Maintenance Enforcement Program (August 2017)

Background

On January 17, 2018, the Committee considered the OAG's August 2017 report on an audit of the contract for the Family Maintenance Enforcement Program (FMEP) which collects and issues payments for child and spousal support. The audit examined whether what was then the Ministry of Justice and Attorney General procured and managed the current contract in accordance with government policy and guidance in order to achieve best value for money. The audit did not review the program itself, or the program's service quality.

The Committee heard presentations from the OAG and the Ministry of Attorney General.

Summary of OAG Report

The contract for the FMEP has been awarded to the same service provider since the program was established in 1988. Following multiple contract renewals in the 1990s, the contract was offered through an open procurement process in 2000 and 2006 with the Ministry directly awarding the contract to the incumbent. The OAG found that with a few exceptions, the Ministry complied with government policy.

One of these exceptions was the 2006 procurement process, for which the OAG audit determined that the Ministry's choices were inconsistent with government guidance and good procurement practices. The Ministry chose a procurement strategy that was unlikely to generate competition and as a result, only one vendor responded. Additionally, the OAG found several contract management challenges that should have triggered stronger Ministry oversight. These include: the service provider regularly requesting and receiving additional funding to cover cost pressures; multiple external assessments of the program recommending improvements; and a history of procurements failing to achieve competition.

The OAG report made five recommendations to improve procurement and contract management: use an independent procurement specialist to lead, plan and carry out the upcoming procurement contract for the FMEP; address risks identified in previous reports; ensure Ministry experts review contracts to confirm the terms are consistent with policy; develop Ministry guidance on the timing of contractor performance evaluation; and ensure executive oversight of significant contracts includes monitoring program management's response to identified risks.

Summary of Government Response

The Deputy Attorney General and the Executive Director, Maintenance Enforcement and Locate Services in the Ministry of Attorney General responded on behalf of government, discussing the importance of the FMEP and the progress made on the recommendations. They explained that the results of the audit have

been accepted and are assisting the Ministry with making improvements to the FMEP procurement process specifically, as well as procurement processes generally.

Of the five recommendations made by the Auditor General, the Ministry has implemented three: obtaining independent procurement expertise, addressing previous audit recommendations, and establishing procedures for reviewing contracts to confirm consistency with policy. The remaining two recommendations related to guidance for contractor performance evaluation and executive oversight are currently in progress, with implementation expected by March 31, 2018.

Committee Inquiry

The Committee expressed concern about whether appropriate actions were being taken to address issues specific to the FMEP contract, and to address procurement practices and culture in the Ministry more broadly. Ministry representatives reiterated their acceptance of the Auditor General's findings, and explained that upon receiving the initial findings, the Ministry immediately contracted with an independent specialist to improve the process. They assured Committee Members that if a decision is made to go to tender, the procurement process will look very different from previous versions and that the Ministry is considering the anticipated outcomes, legal and otherwise, of any service delivery option.

The Deputy Attorney General outlined some of the challenges with procurement for the FMEP as it relates to ensuring continuity of service while trying to address underlying contract and procurement issues. He discussed implications for the government's bargaining position if competition for this contract is limited, sharing that part of the examination of the procurement process for the FMEP includes looking at whether the program is appropriate as a contracted service.

Committee Members further asked about the market for these services, and whether other companies exist and are capable of competing for a contract. Ministry representatives noted that B.C. is the only province to contract out this function and as such, there is no pre-existing national market of firms doing this type of work. However, they confirmed that work has been done in this regard by the independent specialist, and that the Ministry is optimistic about interest from other vendors.

Another area of inquiry for the Committee was the finding that Ministry executives may not have had complete information about financial, legal and program delivery risks. They learned that information on risks relating to contract management was not elevated to senior Ministry officials on a number of occasions. This made it difficult to ascertain whether the Ministry's response to various issues was appropriate.

Committee Members had questions about the divergence between the decrease in caseloads and increase in budget. The Executive Director, Maintenance Enforcement and Locate Services, explained that caseloads include those with default fees owing to government as a result of missed payments. Resolution of a significant number of these cases resulted in the caseload drop, and that caseloads of individual enforcement officers are now a more manageable number. The budget increased because of increases in compensation costs, per collective agreements, and increases in lease costs for facilities.



Committee Decision

The Committee requested the Ministry of Attorney General provide an update on decisions about the FMEP as a contracted service, and if the program continues to be contracted, details on the procurement process and results.

Follow-up on the Missing Women Commission of Inquiry (December 2016)

Background

The Missing Women Commission of Inquiry examined the conduct of investigations into the disappearance of nearly 50 women from Vancouver's Downtown Eastside in the 1990's and early 2000's. The Commission's final report made 63 recommendations, including 54 recommendations to the provincial government and two urgent measures. Government stopped reporting on its progress in addressing the inquiry's recommendations in December 2014.

On January 31, 2018, the Committee considered the OAG's December 2016 audit report examining government's response to the Commission's recommendations. The Committee heard presentations from the OAG, and representatives from the Ministry of Public Safety and Solicitor General, Ministry of Mental Health and Addictions, Ministry of Transportation and Infrastructure, and the Ministry of Attorney General.

Summary of OAG Report

The purpose of the audit was to report on government's response to 21 selected recommendations and two urgent measures by the Commission. The OAG found that eight recommendations had been implemented, six recommendations had been partially implemented, five had not been implemented, and four recommendations were not far enough along to determine whether or not government's approach will address the intent of the recommendation.

The report acknowledged that government made significant progress in some areas and recognized the complexity of fulfilling the recommendations while working with a diverse group of stakeholders. However, the report noted that government did not engage with stakeholders or involve them as much as would be expected.

The report issued a single recommendation: that government report publicly each year on how government's actions are meeting the intent of the Commission's recommendations. In the OAG's view, regular public reporting will help set the foundation for increased meaningful engagement with stakeholders.

Summary of Government Response

Ministry representatives noted their ongoing commitment to addressing violence against women and girls, through implementation of the Commission's recommendations, and participation in the National Inquiry into Missing and Murdered Indigenous Women and Girls. They reported on actions undertaken to address the challenges identified by the Auditor General, including funding, stakeholder engagement, oversight, reporting and accountability. The ministries have worked together to define deliverables related to the four themes which emerged from the Commission's report: compensation, healing and legacy; improvements to policing; safety for vulnerable women; and supports in missing persons investigations.

Representatives from the Ministry of Public Safety and Solicitor General committed to resuming annual public reporting on actions taken by government to fulfill the Commission's recommendations, beginning with the release of the next annual status update report in February 2018.

Committee Inquiry

Committee Members sought information as to why no “champion” or leader had been identified to ensure centralized accountability, and ongoing activity and communications, on government’s progress in meeting the Commission’s recommendations. Ministry officials noted that after Steven Point resigned as the Chair of the Advisory Committee, which was established to provide stakeholder input in addressing the recommendations, it was determined that a multipronged approach to leadership would better address the complexity of the recommendations and the various ministries involved in fulfilling their intent.

In response to questions about victim supports and funding for organizations dedicated to helping vulnerable women and girls, government indicated that the budget for victims’ services and violence against women programs reflects the focus on healing and rebuilding initiatives. Additionally, a call for proposals from organizations seeking funding in the 2018/19 fiscal year was recently renewed.

The Committee inquired about the cross-ministry working group that had been assembled to provide updates on progress on fulfilling the recommendations. Committee Members learned that the Minister of Public Safety and Solicitor General is the designated lead on continued implementation of the Commission’s recommendations and is coordinating participation in the National Inquiry, and that the Deputy Solicitor General holds primary responsibility for this file.

Another area of interest was what data government was collecting to illustrate progress or improvements. Noting that each ministry has their own performance measures, representatives from the Ministry of Transportation and Infrastructure outlined their strategy to improve safe and reliable transportation options along Highway 16 (also known as the Highway of Tears), which includes increased transit routes and service, a First Nations driver education program, a community vehicle grant program, and the purchase of new buses funded by the federal government’s Public Transportation Infrastructure Fund.

The Committee asked about the outstanding financial awards from the fund which had been created to offer financial compensation to the children or families of the missing and murdered women identified in the report. Committee Members heard that there were five families or children who had not yet received their compensation from the 98 women identified in the report and asked about the reasons why these payments were still outstanding. Government representatives explained that there could be many factors as to why a child or family had not yet received their compensation, including difficulties in confirming identities of some of the children. Government noted that they were working closely with the Public Guardian and Trustee to ensure that assistance was offered to those who might require guidance or assistance in accessing the compensation process or application forms. Government officials also noted that the timeline to provide compensation had been extended to April, 2018 to allow more time for families to apply for compensation, and that government is looking for ways to ensure that the funding remains available to these children beyond the extended deadline.

Social and Community Services Sector Audits

An Audit of Community Gaming Grants (December 2016)

Background

On January 16, 2018, the Committee met with the OAG, and senior officials from the Ministry of Municipal Affairs and Housing, and the Ministry of Attorney General to review the OAG's report on an audit of the Community Gaming Grants program. The program is one of the province's largest grant programs, distributing \$135 million to approximately 5,000 non-profit organizations each year.

Summary of OAG Report

The audit explored whether government had a suitable framework for administering the program, per four key expectations set by the Auditor General: it would have been designed to be transparent and accountable; it would have policies and procedures in place to ensure fair, consistent and transparent awarding of grants; measures would be in place to ensure the funds were used as intended; and evaluation and reporting on the program results would be undertaken.

The OAG concluded that the framework was suitable and made 10 recommendations for improving the program. The presentation highlighted that the program guidelines should better communicate eligibility requirements both to applicants and to staff administering the program. Noting the importance of consistent funding decisions, the report suggested that a lack of specific policies (beyond the program's guidelines) contributes to the possibility that applications might not be assessed consistently, and suggested improvements with respect to special one-time grants and to reconsiderations requested by applicants. The OAG further found that grant recipients were sometimes awarded funding despite not having submitted the required report on how prior-year grants were spent. The recommendations touched on a number of strategies for addressing these issues, such as improved internal guidelines and policies, better public reporting, and thorough documentation of decision-making.

While not a formal recommendation, the report also suggested government consider reassessing the program design in terms of the sectors that are eligible for funding, how much money is provided, and whether the funding model and outcomes are appropriate and effective.

Summary of Government Response

Officials from the Ministry of Municipal Affairs and Housing described the organizational changes that have taken place since the time of the audit. Previously shared between the Ministry of Community, Sport and Cultural Development and the Ministry of Finance's Gaming Policy and Enforcement Branch, the responsibility for administering the program was consolidated in the Ministry of Community, Sport and Cultural Development in April 2016. That Ministry was later restructured into the Ministry of Municipal Affairs and Housing. Some support services remain with the Gaming Policy and Enforcement Branch, now located within the Ministry of Attorney General.

Ministry officials shared that seven of the 10 recommendations have been implemented, and action on the remaining three is in progress. In implementing the recommendations, avoiding disruptive impacts on the community groups that rely on funding was a priority. Officials described their response to the audit as phased, initially focused on acquiring the necessary resources to make the recommended improvements, before moving on to enhancing their operational polices, reporting compliance and eligibility requirements. The final phase is currently in progress, and includes a strategic review of the program and its performance measures. Based in part on research conducted by the Ministry of Municipal Affairs and Housing, and findings from a survey to be issued in early 2018, the Ministry expects to provide options to government in the fall of 2018 which might include broader changes to the program.

Committee Inquiry

Members asked about the origins and strategic intent of the program, and heard that the program was established following a policy change under which government began collecting gaming revenue, rather than non-profit organizations directly raising revenue through bingos and casinos. Staff from the Ministry of Municipal Affairs and Housing described the program's purpose as efficiently, fairly and transparently distributing gaming revenue to community groups. The Committee suggested it would be beneficial to have clarity around the program's purpose, supported by performance indicators.

Government confirmed that allocation of funding under the program is application-driven. Beyond a requirement to be a non-profit providing a benefit to the community, applicants are not required to demonstrate that they advance a particular strategic goal set by the program. Reinforcing the application-driven nature of the program, Committee Members learned that the relatively low number of environmental groups funded under the program reflects an average of the applications from the sector over the past three years.

The Committee asked whether other jurisdictions have different approaches for programs funded with gaming revenue, and heard that B.C.'s application-driven fund is unique in Canada. With respect to possible strategic improvements in the program, Members referenced feedback from some non-profit organizations that the program creates a structural disincentive to merge as collectively organizations would receive less funding. Ministry representatives acknowledged the issue and shared that this is something that could be reviewed.

Other questions related to the long-term future of the program related to its demand-based allocation structure, with the Committee inquiring how the Ministry will manage a fixed annual allocation that may be subject to an increased number of applications year over year. Officials from the Ministry of Municipal Affairs and Housing responded that overall demand has been met within the available funding envelope to date. Officials suggested that in the event of increased demand, the \$135 million fixed budget could be managed by reducing the amounts received by all applicants within the program's sectors, but that increased demand in the future could possibly require a change in the approach to meeting the overall demand. They noted that the Ministry's own outreach and community education efforts could spur further demand on the program. Members clarified that it is currently the case that applicants do not necessarily get the full amount that they ask for, and suggested that the demand on the fixed annual amount is already being managed by reducing amounts granted.

Members asked for clarification regarding the reconsideration of applications and how grant recipients who were non-compliant in regard to reporting requirements continued to receive funding. Ministry officials explained that decisions related to reconsiderations are made at the staff level. As for reporting requirements, an audit function detects possible instances of non-compliance with the focus going forward on supporting compliance. Additionally, an assistance referral system has been established for organizations that require more guidance with an application or reconsideration.

Reflecting on the importance of gaming grants as a revenue source for non-profits, many of which are small and reliant on volunteer labour, the Committee probed how the program balances applicants' need for predictability and administrative ease, with the need for accountability. Members described their experience with helping constituents apply and request reconsiderations. Ministry officials appreciated the difficulty posed by high turnover in organization volunteers from year to year, and outlined changes made to ease the administrative burden, such as a short-form application for organizations that have received funding in the past. They further noted that the program's reporting requirements are likely as close to the minimum that could be requested while still maintaining accountability. An organization which maintains its financial records should not have too much difficulty reporting on how the money was spent.

Finally, the Committee shared with the government staff in attendance that groups in their communities find the distinction between regional and provincial level grants and local grants to be ambiguous. Members acknowledged the population and geographic size guidelines to be valid considerations in determining whether an organization may apply to the regional or provincial categories. They suggested that impact should be an important consideration – some organizations in rural and remote areas have a regional scope and impact despite not serving a large population.

An Audit of BC Housing's Non-Profit Asset Transfer Program (March 2017)

Background

Introduced in 2013, BC Housing's Non-Profit Asset Transfer program transfers some of the province's social housing assets to the non-profit sector with the goals of better supporting the non-profit housing sector and generating funding for reinvestment in social housing.

On January 31, 2018, the Committee considered the OAG's report on an audit of the program. Committee Members heard presentations by the OAG, and officials from the Ministry of Municipal Affairs and Housing, and BC Housing.

Summary of OAG Report

In setting the context for the audit, the report noted that B.C. faces challenges with regard to the provision of social housing: demand continues to outpace supply, the cost of repairing existing buildings is significant, and federal funding for current social housing agreements will expire by 2036. The audit examined how the Non-Profit Asset Transfer Program was planned and implemented, whether the Ministry demonstrated that benefits of the program outweighed the costs and risks, and whether BC Housing was on track to achieve program objectives and outcomes.

The OAG report concluded that while the program provides immediate funding for reinvestment in housing, it also introduces risks to the provision of social housing. As well, the Ministry had not fully assessed the benefits, risks and costs of the program, nor demonstrated how the program will result in a more sustainable housing sector.

The OAG report made five recommendations: establish how the program's intended outcomes will be achieved, measure and monitored; transfer housing assets based on a document assessment of provider's ability to meet the program outcomes; monitor and report annually on progress made; clearly define what providing "access to safe, affordable and appropriate housing" means and the Non-Profit Asset Transfer Program helps achieve it; and assess and mitigate risks the program introduces to social housing.

Summary of Government Response

The Assistant Deputy Minister, Office of Housing and Construction Standards in the Ministry of Municipal Affairs and Housing, and the Chief Executive Officer of BC Housing responded on behalf government. They provided Committee Members additional information and context about social housing in the province and the Non-Profit Asset Transfer Program specifically.

Government accepted and implemented all of the Auditor General's recommendations, and will be incorporating them in a new plan for housing affordability. However, the Ministry disagreed with the Auditor General's assessment of the magnitude of risk represented by Non-Profit Asset Transfer program, and conveyed their confidence that BC Housing ensured risk is contained and subsidies are maintained. BC Housing's Executive Committee assessed every transfer and took into consideration a non-profit provider's ability to manage the unit. These assessments did not identify any increased risk resulting from the transfer of land ownership. Additionally, the Ministry employs covenants to ensure units continue to be used for affordable housing. Government reported that they have reinvested the net proceeds of \$505 million from the program with \$150 million directed towards the Provincial-Federal Cost-Matching Program, and \$355 million invested in new construction and renovation of existing housing.

Government did identify one risk to the program: what happens to housing stock at the end of an operating agreement. Along with the non-profit housing sector, the Ministry is working closely with the federal government to ensure that housing stock remains viable moving forward.

Committee Inquiry

Committee Members questioned the overall viability and anticipated benefits of the Non-Profit Asset Transfer Program, and expressed concerns about the risks and how government determined the program's value. The Auditor General clarified that the audit examined whether assessment and documentation regarding risk was sufficient, not the level of risk itself. The Chief Executive Officer of BC Housing described some of the benefits of the program, and the expected future opportunities through redevelopment and densification.

The Committee asked for more detail on potential levers the province has for ensuring non-profit providers build and maintain social housing. BC Housing described existing agreements, mortgages and covenants as the strongest levers, as well as a provider's mission, constitution and bylaws, some of which cannot be altered as it relates to dissolution and assets. They acknowledged that assurance on the provision of social housing is not guaranteed once an agreement, covenant or mortgage has run its course.

Members asked what options were considered by the Ministry in developing the program. Ministry officials declined to answer during the meeting, saying that they would first need to consult with government legal services due to the possibility of public interest immunity affecting what they are able to disclose publicly. Members further inquired as to the process for determining when public interest immunity protects information from being disclosed to the OAG and to the public. The Auditor General described the role of government's legal services branch and Cabinet Operations branch as they work with her Office under the guidance of protocols that have been developed over the years. The Auditor General stated that access to additional information around business cases and other analyses developed by Ministry staff would have been useful, but noted that she did not consider the lack of resolution on the matter to be a major issue with respect to completing this audit report.

Members sought clarification from the OAG regarding concerns over the lack of documentation and assessment for monitoring and measuring the program's outcomes. Analysis and information about short-term outcomes was present, however, the OAG's view was that the same level of detail, documentation and assessment was not applied to analysis of long-term outcomes. The OAG reiterated recommendations to put more rigorous performance management measures in place, including clearly-identified targets, risks and benefits, to enable data-based decision-making by the Ministry in relation to both long and short-term goals for the program.

The Ministry noted that through ongoing operational reviews with non-profits, including an annual budget and audit process, they have insight into a non-profit's operational functions and finances. They explained that the program is currently in its final year, with no expectations or plans for extending the program at this time.

Committee request for additional information

Committee Members requested further information and clarification on what is covered within the parameters of the protocol between government and the OAG with respect to determining materials that are covered by public interest immunity.

Following the Committee meeting, the Ministry of Municipal Affairs and Housing responded with a letter dated April 25, 2018. In response to one Member's question about what options government considered, the Ministry briefly outlined three options that were considered by the Minister responsible for housing, and noted that options presented to Treasury Board could not be disclosed as such disclosure would reveal the substance of Treasury Board deliberations. The letter concluded with a general statement about protecting the confidentiality of documents and information in support of open and frank discussions that allow Cabinet and Cabinet Committee members to make "informed, responsible decisions."



Committee Decision

The Committee requested that the Ministry of Municipal Affairs and Housing provide the Committee with information on targets and performance measures that are developed in response to the audit.

Transportation Audit

Progress Audit: Evergreen Line Rapid Transit Project (February 2017)

Background

On January 31, 2018, the Committee met to review the OAG's progress audit report on the Evergreen Line Rapid Transit project. The progress audit follows up on the OAG's original audit, conducted in 2013, in which the OAG examined whether the Ministry of Transportation and Infrastructure, Partnerships BC, and the Ministry of Finance provided Treasury Board with enough information to make well-informed decisions about the \$1.43 billion Evergreen Line Rapid Transit project.

Representatives from the OAG, the Ministry of Finance, Partnerships BC, and the Ministry of Transportation and Infrastructure presented to the Committee.

Summary of OAG Report

In the original 2013 audit, the OAG concluded that the information provided to Treasury Board fell short of what was required to fully understand the recommendations. Since 2013, the Ministry of Transportation and Infrastructure, Partnerships British Columbia, and the Ministry of Finance have been working to implement the Auditor General's seven recommendations. The progress audit found that five out of the seven recommendations were fully or substantially implemented.

One outstanding recommendation relates to updating the Capital Asset Management Framework (CAMF) to provide guidance to public sector agencies on the information and documentation required for capital project planning, and the type of oversight required to verify information presented to government. While government reported this recommendation as fully or substantially implemented, the Auditor General determined it was partially implemented as the Ministry of Finance has not completed a project addressing the recommendation.

The other outstanding recommendation relates to improving how government assesses and reports on strategic options and business cases that have followed the CAMF guidelines. The Ministry of Transportation and Infrastructure developed, tested and implemented a CAMF checklist, and Partnerships British Columbia revised its quality control process to include review for compliance to the principles of the CAMF. However, the Ministry of Finance's plans to revise business case guidelines have been delayed.

Summary of Government Response

Government noted that the Ministry of Transportation and Infrastructure was fully responsible for action taken on four of the recommendations, and jointly responsible with Partnerships British Columbia and the Ministry of Finance on two of the recommendations. The Ministry of Finance was solely responsible for action on one of the recommendations.

The Ministry of Finance updated its action plan to reflect the Auditor General's assessment that the recommendation related to updating the CAMF was partially implemented, and confirmed the status of the

second outstanding recommendation as partially implemented. The Ministry shared that updating the CAMF is an ongoing project and that revisions to include guidance on the information and documentation required in planning a capital project, as well as guidelines for strategic options assessments and businesses cases, are expected to be a part of the update to the CAMF's planning chapter in the summer of 2018.

Committee Inquiry

Committee Members asked if the anticipated timing of updates to the CAMF planning chapter present risks for any developments that might take place before the summer. Government officials indicated that they felt this did not represent a major risk, in light of the high levels of due diligence applied to major projects by government, including the Ministry of Finance and Partnerships British Columbia. The audit team noted that they would categorize this as an efficiency issue, rather than a risk, and acknowledged the complexity and timeframes required for comprehensive stakeholder engagement strategies.

The Committee inquired if the audit process and the resulting work done to fulfill the Auditor General's recommendations had enhanced other aspects of the Ministry of Transportation and Infrastructure's operations, and if improvements made by the ministries and Partnerships British Columbia added any value. Government confirmed that the impacts on their work had been very positive, and highlighted the benefits of increased levels of due diligence in analyzing the feasibility of large projects. For example, the development of the risk screen tool has been particularly effective for applying a faster approval process for lower-risk projects that do not meet the risk screen threshold.

Appendix 1: Reports Reviewed

Date	Reports Reviewed
November 6, 2017	<i>Financial Statement Audit Coverage Plan 2018/19 – 2020/21</i> (November 2017)
November 27, 2017	<i>Workstation Support Services Contract: An Audit of Due Diligence</i> (November 2016)
January 16, 2018	<i>Police Records Information Management Environment: PRIME-BC System - A Security Audit</i> (March 2017) <i>An Independent Audit of the Regional Transportation Management Centre's Cybersecurity Controls</i> (October 2017) <i>An Audit of Community Gaming Grants</i> (December 2016)
January 17, 2018	<i>An Audit of the Contract for the Family Maintenance Enforcement Program</i> (August 2017) <i>Progress Audit: Integrated Case Management System</i> (February 2017) <i>An Audit of B.C. Public Service Ethics Management</i> (March 2017)
January 30, 2018	<i>The 2015/16 Public Accounts and the Auditor General's Findings</i> (February 2017) <i>Understanding our Audit Opinion on B.C.'s 2016/17 Summary Financial Statements</i> (September 2017) <i>Budget Process Examination Phase 2: Forecasting for Operating Expense, Capital Spending and Debt</i> (April 2017)
January 31, 2018	<i>An Audit of BC Housing's Non-Profit Asset Transfer Program</i> (March 2017) <i>Progress Audit: Evergreen Line Rapid Transit Project</i> (February 2017) <i>Follow-up on the Missing Women Commission of Inquiry</i> (December 2016)

Appendix 2: Composition of the Previous Committee at Dissolution of the 40th Parliament

Members

Bruce Ralston, MLA	Chair	Surrey-Whalley
Sam Sullivan, MLA	Deputy Chair	Vancouver-False Creek
Kathy Corrigan, MLA		Burnaby-Deer Lake
David Eby, MLA		Vancouver-Point Grey
Simon Gibson, MLA		Abbotsford-Mission
George Heyman, MLA		Vancouver-Fairview
Marvin Hunt, MLA		Surrey-Panorama
Vicki Huntington, MLA		Delta South
John Martin, MLA		Chilliwack
Dan Ashton, MLA		Penticton
Lana Popham, MLA		Saanich South
Linda Reimer, MLA		Port Moody-Coquitlam
Selina Robinson, MLA		Coquitlam-Maillardville
Ralph Sultan, MLA		West Vancouver-Capilano
Laurie Throness, MLA		Chilliwack-Hope

Appendix 3: Summary of Activities in the 40th Parliament

The following is a summary of the work of the Select Standing Committee on Public Accounts between March 10, 2015 and March 15, 2017. The Committee did not release a detailed Summary of Activities for this time period, prior to the April 11, 2017 dissolution of the 40th Parliament.

Annual Financial Statement Audit Coverage Plans

Financial Statement Audit Coverage Plan for Fiscal Years 2016/17 through 2018/19

Financial Statement Audit Coverage Plan for Fiscal Years 2017/18 through 2019/20

Section 10(6) of the *Auditor General Act* requires that the Auditor General submit to a committee of the Legislative Assembly each year a plan for the appointment of auditors for government organizations and trust funds for the following three fiscal years. The Legislative Assembly has assigned this responsibility to the Select Standing Committee on Public Accounts as part of its terms of reference.

On November 2, 2015, the Committee considered and approved the OAG's Financial Statement Audit Coverage Plan for the 2016/17 to 2018/19 fiscal years. On October 5, 2016, Committee Members considered and approved the OAG's Financial Statement Audit Coverage Plan for the 2017/18 to 2019/20 fiscal years.

Education Audits

An Audit of the Education of Aboriginal Students in the B.C. Public School System (November 2015)

On February 3, 2016, the Committee considered the OAG's report on an audit examining whether the Ministry of Education met government's commitment to close gaps in education outcomes between Aboriginal and non-Aboriginal students. The Auditor General found that while the Ministry has made improvements, they can do more to increase the number of Aboriginal students who graduate.

Improving Budgeting and Expenditure Management in the Public Education System (May 2016)

The OAG's audit of the development of budgets, and the monitoring and control of expenditures in a sample of four school districts, outlined ways to improve long-term planning and budgeting, engagement with stakeholders, and scrutiny over spending. Committee Members met with the OAG and the Ministry of Education to discuss the results of the audit on October 5, 2016.

An Audit of Mid-size Capital Procurement in Post-Secondary Institutions (May 2016)

On November 23, 2016, the Committee reviewed the OAG's report on an audit of the prioritization, planning, activities and assessment of capital procurement projects within the Ministry of Advanced Education and post-secondary institutions. The report pointed to good practices in budgeting and management, as well as procurement processes for campus buildings, and identified areas for improvement.

Environment and Natural Resources Audits

Management of Cumulative Effects (May 2015)

Cumulative effects are changes to the environment caused by the combined impact of past, present and potential future activity. The Committee met with the OAG, and the Ministry of Forests, Lands and Natural Resources on October 5, 2016 to consider the OAG's report on an audit of government's management of cumulative effects. The Auditor General concluded that the Ministry is undertaking work to support cumulative effects management; however, more work needs to be done.

Follow-up Report: Environmental Assessment Office (May 2015)

In 2011, the Auditor General made recommendations for improving the Environmental Assessment Office's oversight of major projects. Committee Members considered a report following-up on this audit on June 3, 2015, hearing presentations by the OAG and the Ministry of Environment. The Auditor General found the Ministry of Environment made progress implementing the 2011 audit recommendations, resulting in improved oversight of environmental assessment.

An Audit of Compliance and Enforcement of the Mining Sector (May 2016)

On June 6, 2016, and June 7, 2016, the Committee met with the OAG, the Ministry of Energy and Mines, and the Ministry of Environment, to review the OAG's audit of whether compliance and enforcement activities of the mining sector were protecting the province from significant environmental risks. The Auditor General concluded that government's compliance and enforcement activities were not effectively protecting the province from environmental risks, and recommended actions to strengthen government's responsibilities in this area.

Financial Audits

Monitoring Fiscal Sustainability (June 2015)

An audit examining the risks to fiscal sustainability in B.C., and government's reporting on the management of those risks, determined that government could not demonstrate long-term fiscal sustainability, given government plans on a three-year budget cycle. The Auditor General recommended enhanced planning for fiscal sustainability and expanded reporting on long term fiscal sustainability to citizens and legislators, in a presentation to the Committee on February 2, 2016.

Budget Process Examination Phase 1: Revenue (June 2015)

On February 2, 2016, Committee Members also heard from the OAG and the Ministry of Finance about the OAG's report on an audit of the process behind the economic and revenue forecasts in government's three-year budget and fiscal plan. The Auditor General found that government's revenue forecasts and forecasting processes are sound, and called for increased reporting and disclosure of information on government's budget forecasts.

The 2014/15 Public Accounts and the Auditor General's Findings (March 2016)

The OAG's report on the 2014/15 summary financial statement's provided the Auditor General's audit opinion on the statements and highlighted key financial developments from that fiscal year. The Committee discussed the report on May 2, 2016.

Progress Audit: Credit Union Supervision in B.C. (July 2016)

On October 5, 2016, the Committee heard presentations by the OAG, the Financial Institutions Commission (FICOM) and the Ministry of Finance regarding a progress audit on the implementation of recommendations in a 2014 audit of credit union supervision. The progress audit found that while FICOM has addressed some issues, the key recommendation to address pay scales which limit the FICOM's ability to offer competitive salaries had not been implemented. Without new pay scales to attract more staff, FICOM has not been able to meet its goal of reviewing all B.C. credit unions every two to three years, resulting in a continuing risk to the oversight of credit unions.

Health Audits

Access to Adult Tertiary Mental Health and Substance Use Services (May 2016)

Adult tertiary mental health and substance use services are the highest level of care available for individuals with mental health and/or substance use issues. The OAG's audit of access to these services found pockets of good practice; however, more is needed to ensure highly vulnerable patients can access the services they need. Committee Members considered a report on this audit on October 5, 2016.

Information Technology Reports and Audits

An Audit of the Panorama Public Health IT System (August 2015)

On November 2, 2015, November 16, 2015, and February 2, 2016, the Committee considered the OAG's report on an audit of the Panorama public health information technology system. The report found that the Panorama system had been impacted by defects from the start, is inefficient to use and burdensome to public health staff, and requires ongoing financial support. The Auditor General recommended improvements to procurement practices for future projects, and an independent review to assess the ongoing suitability of the Panorama system.

The Status of Government's General Computing Controls: 2014 (December 2015)

The OAG's report assessing government's general computing controls found that compared to 2013, government organizations assessed themselves at a higher level than was warranted. The Auditor General recommended organizations review their business and information technology goals, determine which level is best suited to their needs, and then achieve and maintain that desired level. The Committee met with the OAG and representatives from the Ministry of Technology, Innovation and Citizens' Services to review the report on February 3, 2016.

Getting IT Right: Achieving Value from Government Information Technology Investments (October 2016)

On November 23, 2016, Committee Members considered the OAG's report identifying common reasons for government's success and failure with information technology investments. The Auditor General made recommendations to improve information technology project oversight and accountability across the public sector. The OAG, and representatives from the Ministry of Finance, and the Ministry of Technology, Innovation and Citizens' Services, presented to the Committee.

Integrated Case Management System (March 2015)

The Integrated Case Management system is government's main information technology system for social services. An audit of the system examined access and data quality management, as well as implementation scope and costs. On June 4, 2015, Committee Members met with the OAG, and current and former officials the Ministry of Social Development and Social Innovation to consider the report on the audit. The report found that the system had not fulfilled its key objectives of replacing numerous legacy systems and improving information sharing. The Auditor General made several recommendations to improve accounting for the system, strengthen data quality and protect sensitive data.

Management of Mobile Devices: Assessing the Moving Target in B.C. (October 2016)

On November 23, 2016, the Committee considered the OAG's report on an audit of government's management of the use of mobile devices and maintaining the security of sensitive data. The report credited government for being proactive in several areas, and made recommendations to further improve security. The Committee heard presentations by the OAG, and representatives from the Ministry of Finance and the Ministry of Technology, Innovation and Citizens' Services.

Justice and Public Safety Audits

An Audit of the Adult Custody Division's Correctional Facilities and Programs (January 2015)

The OAG's audit of the Adult Custody Division assessed whether the division was planning for, and providing, the facilities and programs it needs to meet its mandate. Committee Members reviewed the report on the audit on April 29, 2015. The Auditor General found gaps in correctional services, and recommended improvements for the planning and delivery of correctional facilities and programs.

Progress Audit Report: Effectiveness of B.C. Community Corrections (May 2016)

On November 23, 2016, the OAG and officials from the Ministry of Public Safety and Solicitor General appeared before the Committee to discuss the OAG's progress audit of the B.C. Community Corrections Division. The audit examined whether the division had fairly and accurately represented its progress against recommendations made in a 2011 audit titled, *Effectiveness of B.C. Community Corrections*. The progress report found that while some improvements have been made, much more should be done to meet gaps in community corrections program effectiveness.

Follow-up on Audit Report Recommendations

Follow-up Report: Updates on the Implementation of Recommendations from Recent Reports (April 2013 and June 2014)

The Committee considered two OAG follow-up reports on February 4, 2015. The reports provided the government's self-assessed progress in implementing responses to recommendations from previous OAG reports. In their review, Committee Members had questions about three previous reports regarding managing fraud risks, rate-regulated accounting at BC Hydro and the Agricultural Land Commission.

On June 3, 2015 and June 4, 2015, the Committee heard presentations regarding these three reports by the OAG, the Comptroller General, and officials from the Ministry of Energy and Mines, BC Hydro, and the Agricultural Land Commission.

Committee Decision: New Follow-up Process and Action Plans

In Spring of 2015, the Committee heard a proposal from the Auditor General and the Director, Performance Audit for enhancing the follow-up process. The Auditor General proposed a strengthened follow-up process, using detailed “action plans” from audited organizations outlining work and timelines for implementing recommendations. This would provide the Committee and the public with more information, and a higher level of assurance on the implementation of recommendations by government organizations.

As background, the Committee had agreed in 2000 to a follow-up process which used self-assessments prepared by government organizations to report on implementation of audit report recommendations. The self-assessments were updated by government organizations every six months, and summarized and reported by the OAG in follow-up compendium reports. The OAG compendium reports were tabled in the Legislative Assembly, and referred to the Committee for consideration. The self-assessment approach was straightforward and simple to administer. However, the quality of self-assessments varied across government.

Committee Decision: Enhanced Follow-up Process and Action Plans

To address the potential gaps in the existing follow-up process, the Auditor General proposed in 2015 a strengthened follow-up process, using detailed “action plans” from audited organizations outlining specific actions and timelines for implementing audit report recommendations. This would provide the Committee and the public with more information, and a higher level of assurance on the implementation of audit report recommendations by government organizations.

Following a discussion of ways to ensure a robust follow-up process, on June 3, 2015, the Committee endorsed the Auditor General’s proposal to strengthen the follow-up process by requiring audited government organizations to prepare detailed action plans on the implementation of audit report recommendations, including specific actions and timelines. Government organizations would be required to submit an initial action plan at Committee meetings to support Members with their consideration of a particular audit report. Regular updates to action plans indicating progress in implementing audit report recommendations would also be required.

Update on the Operation of the Enhanced Follow-up Process

In 2016, the Auditor General reported to the Committee that the enhanced follow-up process was working well and constituted a significant step forward in providing Members, her office, and the public with more detailed information on the status of the implementation of audit report recommendations as well as timelines for completing work on implementation.

Additional information and action plans presented at Committee meetings are available on the Committee’s website: <https://www.leg.bc.ca/cmt/pac>

