

Select Standing Committee on Public Accounts

SUMMARY OF ACTIVITIES 2018/19



LEGISLATIVE ASSEMBLY
of BRITISH COLUMBIA

MAY 2019

**FOURTH SESSION
OF THE 41ST PARLIAMENT**



May 16, 2019

To the Honourable
Legislative Assembly of the
Province of British Columbia

Honourable Members:

I have the honour to present herewith the First Report of the Select Standing Committee on Public Accounts for the Fourth Session of the 41st Parliament titled, *Summary of Activities 2018/19*.

Respectfully submitted on behalf of the Committee,

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 (to February 21, 2019)		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, Acting Clerk of the Legislative Assembly

Ron Wall, Manager, Committee Research Services

Lisa Hill, Committee Research Analyst

Terms of Reference

On February 26, 2018 and February 21, 2019, 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,
2. That the Select Standing Committee on Public Accounts be the committee referred to in sections 6, 7, 10, 13 and 14 of the *Auditor General Act*, 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;
- b. to sit during a period in which the House is adjourned, during the recess after prorogation until the next following Session and during any sitting of the House;
- c. to adjourn from place to place as may be convenient; and
- d. to retain personnel as required to assist the committee;

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

Select Standing Committee on Public Accounts SUMMARY OF ACTIVITIES 2018/19

The Select Standing Committee on Public Accounts (PAC) is one of 10 permanent parliamentary committees of the Legislative Assembly of British Columbia. The Committee reviews reports of the Auditor General of British Columbia.



PAC enables increased public transparency and accountability



PAC holds government accountable for its expenditure of public funds and stewardship of public assets.



PAC ensures follow-up on the implementation of recommendations in the Auditor General's reports

14 REPORTS reviewed by the Committee at **8 COMMITTEE MEETINGS**



Health



Transportation



Education



Environmental



Financial



Governance & Accountability

KEY GOALS

Strengthened follow-up process

Enhanced transparency and accountability

Improved communications and engagement plan

Increased public awareness and understanding of PAC's work

www.leg.bc.ca/cmt/pac

The Work of the Committee

The Select Standing Committee on Public Accounts (the Committee) continued an active and productive approach to reviewing Office of the Auditor General (OAG) reports in the Third Session of the 41st Parliament. This report summarizes the Committee's activities in the Third Session.

At the first meeting of the Third Session, the Committee elected a Chair and Deputy Chair and established a Subcommittee on Agenda and Procedure, consisting of the Chair, the Deputy Chair and two Members representing government and the Official Opposition. The Committee met a further seven times and reviewed a total of 14 OAG reports covering issues across the public sector, including the provincial financial statements and tax expenditures, the recruitment and retention of nurses, BC Hydro's capital asset management, public sector governance and accountability matters, and climate change and recycling programs.

Committee Members met informally on May 31, 2018 with a delegation from the National Assembly of the Parliament of the Cooperative Republic of Guyana. The Chair, Deputy Chair and two Members representing government and the Official Opposition were invited to make presentations on the work of the Committee at the September 23 to 25, 2018 annual conference of the Canadian Council of Public Accounts Committees (CCPAC)/Canadian Council of Legislative Auditors in Charlottetown, PEI, and the Chair was added as a Vice-President of the CCPAC Board of Directors given the Legislative Assembly's hosting of the 2020 conference. The conference serves as a professional development forum for legislators and legislative auditors to discuss good practices and lessons learned from emerging issues in public sector administration and accountability.

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

Minutes and transcripts of Committee meetings and reports are available on the Committee website at: <https://www.leg.bc.ca/cmt/pac>

Meeting Schedule

The Committee met during the Third Session on the following dates.

February 26, 2018	Election of Chair and Deputy Chair Subcommittee on Agenda and Procedure Membership
March 29, 2018	Review of OAG Reports <ul style="list-style-type: none">• <i>An Independent Audit of Grizzly Bear Management</i> (October 2017)• <i>An Independent audit of the Recruitment and Retention of Rural and Remote Nurses in Northern B.C.</i> (February 2018)• Office of the Auditor General: Performance Audit Coverage Plan 2017/18 2019/20 (January 2018)
May 15, 2018	Consideration of draft Committee report titled, Summary of Activities 2017/18

- June 12, 2018 Review of OAG Reports
- *Observations on the BC Utilities Commission* (March 2018)
 - *Product Stewardship: An overview of recycling in B.C.* (November 2016)
 - *Managing Climate Change Risks: An Independent Audit* (February 2018)
- July 19, 2018 Review of OAG Reports
- *An Independent Audit of Executive Expenses at School District 61* (May 2018)
 - *Promoting Healthy Eating and Physical Activity in K-12: An Independent Audit* (May 2018)
- November 5, 2018 Review of OAG Reports
- *Office of the Auditor General's Financial Statement Audit Coverage Plan - For financial statement fiscal years ending in 2020, 2021 and 2022* (November 2018)
 - *Understanding Tax Expenditures* (October 2018)
- November 26, 2018 Review of OAG Reports
- *Understanding our Audit Opinion on B.C.'s 2017/18 Summary Financial Statements* (August 2018)
 - *An Independent Audit of Citizens' Services Real Estate Asset Management* (July 2018)
- February 7, 2019 Review of OAG Reports
- *Independent Audit of Capital Asset Management in BC Hydro* (December 2018)
 - *An Independent Audit of Commercial Vehicle Safety* (December 2018)

Financial Statement Audit Coverage Plan

The Committee considered the OAG's proposed Financial Statement Audit Coverage Plan for the 2019/20 to 2021/22 fiscal years at its November 5, 2018 meeting.

Summary of Proposed Plan

The Auditor General explained that the *Auditor General Act* requires that the OAG prepare a plan each year for the appointment of auditors for government organizations and trust funds to cover the next three fiscal years. Under the Act, the plan must be submitted to a parliamentary committee of the Legislative Assembly. The Assembly has assigned this responsibility to the Select Standing Committee on Public Accounts.

The plan presented by the Auditor General and her team is prepared in accordance with the Act and professional requirements for audit coverage under generally accepted accounting standards (GAAP). It enables the Auditor General to form a view on whether the provincial Summary Financial Statements – comprising annual revenue and expenditures each totaling about \$52 billion as well as assets and liabilities each totaling about \$90 billion – fairly present the financial position and operating results of the public sector. The Committee's approval of the plan informs the Auditor General's annual budget request which is considered by the Select Standing Committee on Finance and Government Services each fall.

The plan encompasses three levels of audit coverage based on a risk assessment of the size and core services provided by each of the 144 public sector organizations as well as the need for direct audits of new or planned organizations. The first level of low, or "limited," OAG involvement provides auditing by contracted firms for 102 organizations in 2019/20 and 103 in 2020/21 and 2021/22 – including most school boards, colleges, and employer associations. The second level of moderate, or "oversight," involvement consists of OAG oversight of work by auditors other than the OAG – this level covers 24 organizations for 2019/20 and 23 in 2020/21 and 2021/22, including a rotating selection of school boards, health authorities and Crown corporations. The third level of high, or "direct," involvement is conducted by OAG staff or private sector firms under contract – direct audits are contemplated for 18 organizations in the next three fiscal years, including a rotating selection of universities, health authorities and Crown corporations. New direct audits include BC Hydro and the University of British Columbia (UBC). Organizations subject to direct and oversight involvement are about 30 percent of public sector organizations, but account for over 80 percent of public sector expenses.

The OAG proposed to continue as the direct auditor for the Provincial Employees Community Services Fund, a charitable employee trust which collects donations from provincial employees, the one organization which is not part of the government reporting entity. To support the charity, the OAG charges no fee for this audit.

Committee Inquiry

Financial Audit Priority-Setting

The Committee sought clarification regarding the role of public interest in determining which organizations undergo a direct audit by the OAG, citing institutions with a high level of public interest, such as BC Hydro, the BC Oil and Gas Commission, ICBC, and the Real Estate Council of British Columbia. The Auditor General explained that regular correspondence is received from the public, which influences the selection of financial audit levels. Other factors which shape the determination of financial audit levels include an organization's impact on the Summary Financial Statements, newly established organizations, and significant new activities undertaken by organizations.

Geographical Coverage across Financial Audits

The Committee asked how geographical coverage is addressed as part of audit coverage planning and noted that organizations operating in rural and remote regions may have operating procedures and expenses which differ from those in large urban centres. OAG representatives indicated that their travel to remote and rural regions as well as the engagement of local private sector audit resources can support geographical balance. The OAG can also use technology to closely monitor audit work by private sector firms in remote regions.

Entities with Audits beyond Five Years

Another area of interest for Members was the rationale for auditing four entities beyond the standard five-year timeframe. The Auditor General cited specific reasons for keeping entities on the list for continued audits, such as: Columbia Power Corporation's close relationship with the Columbia Basin Trust, which will be audited by the OAG in 2019; the BC Oil and Gas Commission's responsibilities for the planned development of LNG and the increasing number of orphan oil and gas well sites; and the Transportation Financing Authority's audit which ensures that the OAG has coverage in the transportation finance sector.

UBC Financial Audit

Members asked about the OAG's plan to perform a direct audit of UBC's financial statements and whether the university's ownership of Crown land, real estate development, and different fee structures for domestic and foreign students would be included in the audit. The Auditor General explained that the financial audit would focus on whether or not UBC's financial statements were complete and accurate. If something was identified which was not appropriate, that could be drawn to the attention of the responsible organization, or identified as an area for a performance audit as part of the OAG's Performance Audit Coverage Plan.

Financial Audits of Statutory Offices

Members inquired whether the province's nine statutory offices are subject to auditing by the OAG, citing the listing in the Financial Audit Coverage Plan of the Office of the Representative for Children and Youth for a direct audit in 2019/20. The Auditor General stated that the *Representative for Children and Youth Act* includes a requirement for an OAG audit of the Office of the Representative for Children and Youth. The *Auditor General Act* requires that the OAG undergo an audit by an external private sector auditor. Other statutory offices are included in the provincial Summary Financial Statements and are therefore subject to the OAG's oversight through its responsibility for auditing those statements.



Committee Decision and Follow-up

The Committee supported the recommendations listed on page 5 of the Auditor General's proposed Financial Statement Audit Coverage Plan, including the proposed plan for the 2019/20, 2020/21 and 2021/22 fiscal years, the direct auditing of four government organizations where the engagement term exceeds five consecutive fiscal years, and the direct auditing for one organization outside the government reporting entity, namely the Provincial Employees Community Services Fund. In this regard, the Committee adopted the following motion:

The Committee endorse the three recommendations listed on page 5 of the Financial Statement Audit Coverage Plan – for financial statement fiscal years ending in 2020, 2021 and 2022, as required by sections 10 and 14 of the *Auditor General Act*.

The Committee asked the Auditor General for a historical compilation of audit coverage information at the organization level for the last 10 years. This information was distributed to Committee Members on November 27, 2018.

Performance Audit Coverage Plan

The Committee reviewed the January 2018 OAG report titled, Performance Audit Coverage Plan 2017/18 to 2019/20, at its March 29, 2018 meeting.

Summary of OAG Plan

Performance audits are sometimes called “value for money” audits because they can assess whether the province receives value for the money it spends on a program. The OAG’s audit of public sector financial statements is required under the *Auditor General Act*, while the Act provides the Auditor General with discretion in the selection of performance audits.

The Auditor General launched the publication of a Performance Audit Coverage Plan shortly after her appointment as a tool to support strategic planning, stakeholder engagement and public accountability. Potential performance audit topics are received from past and ongoing audits and discussions, information and requests from stakeholders (including Members of the Legislative Assembly and government officials) and citizens. A rigorous review is carried out to select topics which best meet the OAG’s mandate and will have the greatest impact. The review considers: the significance of each topic (financial magnitude, public impact and public interest); risks (the likelihood of an audit influencing positive change); timing; relationship to past, current and future OAG work; and the extent of change in sectors and programs. The plan is updated annually based on new input from stakeholders and citizens, the availability of internal resources and the changing environment in which the OAG operates.

The plan listed a total of 20 projects which are underway, covering the effectiveness of the BC Utilities Commission, health promotion in schools, climate change programs, commercial vehicle safety, and emergency health services. An additional 35 future projects will examine Indigenous housing, access to cancer care, employment programs, and independent power projects contract management. Finally, seven issues are being monitored to determine if and when an audit would be appropriate for projects such as the BC Services Card, domestic violence programs, the George Massey Tunnel replacement, and ICBC capital reserves.

Committee Inquiry

BC Hydro Performance Audits

Committee Members sought information on the status of BC Hydro audit projects. The Auditor General informed the Committee that work to assume responsibility for auditing the Crown corporation’s financial statements had been launched. She also reported that performance audits were planned for BC Hydro’s capital asset management, rate-regulated accounting, cybersecurity, and the contract management of independent power projects.

Concurrent Performance Audits

Committee Members asked about concurrent performance audits with her federal counterpart (e.g., on environmental matters) noting that audits limited to provincial aspects of a jointly-funded or administered body could be incomplete with respect to the accountabilities of the two levels of government. The Auditor General explained that previous concurrent audits on topics such as salmon farming and climate change had been time-consuming and her preference was to focus concurrent work on programs delivered jointly by the BC and federal governments.

Performance Audit Topics

Members noted urban housing and the financial statements of statutory offices as possible areas for future performance audits and asked how performance audit topics are selected. The Auditor General reported that the *Auditor General Act* includes a provision which enables the Legislative Assembly or one of its parliamentary committees to request an audit by her office. The provision was last used in 2012 by a special committee for a compliance audit of the Office of the Police Complaint Commissioner.

Financial Report

Understanding Our Audit Opinion on B.C.'s 2017/18 Summary Financial Statements (August 2018)

The Committee considered the August 2018 OAG report titled, *Understanding Our Audit Opinion on B.C.'s 2017/18 Summary Financial Statements*, at its November 26, 2018 meeting.

Summary of OAG Report

The Deputy Auditor General stated that the annual OAG audit of the provincial Summary Financial Statements determines whether they are accurate and prepared in accordance with accounting standards. The audit ensures that public sector financial results are presented transparently, enabling Members and British Columbians to hold government to account for the use of taxpayers' funds.

The OAG audit team noted that the 2017/18 Summary Financial Statements covered \$52 billion in each of public sector revenue and expenses as well as \$92 billion in assets and \$85 billion in liabilities. The previous year's audit had three qualifications. Since then, one of these – that the Transportation Investment Corporation (TIC) did not meet the criteria for a self-supporting Crown corporation because its revenues did not cover its costs – had been resolved by government's reclassification of the TIC as a taxpayer-supported Crown corporation. As a result, the OAG had removed the TIC qualification in the 2017/18 audit.

Two 2016/17 qualifications remained in the 2017/18 audit. The first related to the recording of deferred revenues. This was the seventh year that the OAG had expressed concern about how government accounts for deferred revenues from federal transfers. Federal transfers often require the province to use funds for a specific purpose. In the OAG's view, GAAP requires that these funds be recorded as revenue as the asset is incrementally bought or built. However, government records the money received each year for as long as the new asset is deemed useful. In this regard, a 2011 government regulation requires taxpayer-supported Crown corporations to record the money they receive from other levels of government the same way government records it, rather than in accordance with GAAP. To comply with GAAP, this should be recorded as revenue. The audit team emphasized that this did not mean that government had additional funds since, in most cases, the money was already spent or earmarked for specific projects.

The second qualification involved rate-regulated accounting. The OAG audit report expressed the view that government does not fully apply GAAP in recording the financial results of BC Hydro. The OAG audit team was encouraged by government's announcement in 2018 that it would revisit the accounting treatment for BC Hydro in the Summary Financial Statements and lowered the regulatory accounts by \$950 million. This reduced the OAG qualification from \$5.5 billion to \$4.5 billion. Additional changes are needed to fully address the OAG's qualification.

Summary of Government Response

The Comptroller General stated that public sector financial statements are prepared in accordance with the *Budget Transparency and Accountability Act* which, together with other relevant legislation, establishes government's statutory accountability framework. Two regulations address gaps in public sector accounting standards.

With respect to the qualification on deferred revenues, the Comptroller General observed that there is no accounting consistency across Canada. Five provinces, including British Columbia, follow a policy of deferring restricted revenues because they are focused on the long-term objective of financial sustainability which matches revenues and expenses annually in a legislated balanced budget regime. Of the five provinces, British Columbia is the only jurisdiction which receives an audit qualification on this issue. Government is committed to working collaboratively with the Auditor General to find a solution to this technical disagreement as accounting standards continue to evolve.

On the second qualification on rate-regulated accounting, in response to the 2016/17 audit qualification on the use of rate-regulated accounting, government made an adjustment of \$950 million in the 2017/18 Summary Financial Statements to reflect the estimated impact of government's direction to BC Hydro on deferred regulatory accounts. The Comptroller General observed that the OAG qualification required further action. An ongoing comprehensive review in the area would inform the development of a policy direction consistent with public sector accounting requirements.

Committee Inquiry

Cross-Jurisdictional Approaches to Accounting Standards

Committee Members asked the Deputy Auditor General and the Comptroller General to comment on the current state of financial reporting, and how other jurisdictions record government transfers and deferred revenues. The Committee heard that accounting standards for these issues were topics of ongoing debate across jurisdictions, and that BC is not the only province grappling with this issue. The Deputy Auditor General advised that the federal government and a number of provinces shared the OAG's approach to accounting for government transfers. The Comptroller General noted that four provinces share British Columbia's practice of deferring restricted transfers.

Rate-Regulated Accounting

Asked about the use of rate-regulated accounting at BC Hydro, and the possibility of a transition to a new accounting standard, the Deputy Auditor General and the Comptroller General noted government's 2018 decision to make a \$950 million adjustment in the 2017/18 public accounts in response to the Auditor General's 2016/17 qualification, government's removal of one accounting regulation, and government's direction to BC Hydro to work with the BCUC on a possible transition to a cost of service regulatory regime and an integrated rate plan. The OAG and the Comptroller General will continue to collaborate on ways to address accounting standard issues related to BC Hydro.

Review of Accounting Frameworks

In response to questions from Committee Members, the Deputy Auditor General and Comptroller General outlined their plans to work together to address accounting issues in the provincial financial statements. The OAG and the Comptroller General were examining the impact of accounting standards, the requirements of the *Budget Transparency and Accountability Act* and other statutes, and cross-jurisdictional perspectives. The

Deputy Auditor General commented that the Public Sector Accounting Board was also reviewing its financial conceptual framework and reporting model.

Governance and Accountability Reports

Observations on the BC Utilities Commission (March 2018)

The Committee considered the March 2018 OAG report titled, *Observations on the BC Utilities Commission*, at its June 12, 2018 meeting.

Summary of OAG Report

The OAG audit team noted that the BCUC was created by government 38 years ago to protect the interests of ratepayers, while allowing utility companies to earn a fair return. The BCUC serves as the regulator for ICBC, FortisBC, and BC Hydro, which together provide services to almost all British Columbians. A 2013 government task force identified risks to the BCUC's effectiveness, and a 2014 task force report made recommendations to government for improvements.

The OAG audit team explained that many of the 2014 task force's recommendations had been implemented. However, recommendations in four key areas were outstanding. The first area was the BCUC's lack of independence, and the limits on its ability to make objective decisions based on facts when government defines the BCUC's mandate or directs the organization on specific matters. The second area was the BCUC's review of large projects which the *Clean Energy Act* allows government to exclude from BCUC review. The third area related to the multiple policies and legislation governing the BCUC, which have diverse and sometimes contradictory objectives. Fourth, the OAG report highlighted the BCUC's inability to recruit and retain qualified staff and appoint full-time commissioners because of government limits on compensation. The OAG report concluded by encouraging government to clarify its intentions regarding the outstanding recommendations made by the 2014 task force to help the BCUC better fulfil its role.

Summary of Government Response

The Chair and Chief Executive Officer of the BCUC and the Assistant Deputy Minister, Justice Services Branch, Ministry of Attorney General, reported on work to address the 35 recommendations made by the 2014 task force. The majority of the recommendations had been fully addressed or significant progress had been made to satisfy the recommendations. Further full-time Commissioner staffing, the hiring of a Chief Operating Officer, and the expansion of BCUC staff had increased operational capacity. Changes to organizational processes and technology were enhancing the BCUC's effectiveness, and guidelines and policies were being reviewed to remain useful and current. Work was underway to ensure that government policy objectives and directives to the BCUC were clear. Changes to the *Utilities Commission Act* adopted in 2015 had streamlined the BCUC's exemption process. Government had increased compensation for BCUC Commissioners in September 2016, and further discussion on this topic was underway.

The Ministry of Attorney General official advised with respect to outstanding task force recommendations that the Premier has directed the Minister of Energy, Mines and Petroleum Resources to create a road map for future energy generation which will inform the need for legislative amendments. Government was committed to continuing to work with the BCUC to address the remaining gaps in the task force recommendations.

Committee Inquiry

The OAG's Approach to Reporting on the BCUC

Replying to queries from Committee Members about the OAG's approach to reporting on the BCUC, the OAG report team explained that they had initially planned to do a full audit of the BCUC, and then concluded that this would not have added significant value to the work already done by the task forces. The OAG could monitor government's progress in implementing the 2014 task force recommendations and could adjust the OAG Performance Audit Coverage Plan to include further work on the BCUC in the future, if needed.

Independence and Effectiveness of the BCUC

Committee Members asked about the BCUC's ability to implement the task force recommendations given statutory limits on its independence and effectiveness. The Ministry of Attorney General official noted that the BCUC has experienced greater independence in recent years than in the past, reflecting significant progress in implementing many task force recommendations, but complete independence would require amendments to the *Utilities Commission Act*. The OAG report team indicated that stakeholders were pleased with the progress made so far to BCUC procedures and processes, and reiterated the conclusion in their report that further actions were required to address outstanding task force recommendations, including the issue of independence.

BCUC Proceedings

In response to questions from Members about how BCUC proceedings are initiated, the Chair and Chief Executive Officer of the BCUC explained that panel chairs can initiate proceedings or inquiries, although proceedings were typically triggered by an application to the BCUC. The application review takes place according to a transparent quasi-judicial process governed by parameters outlined in the *Administrative Tribunals Act* and the *Utilities Commission Act*.

Definition of Public Interest

Observing that the 2014 task force report noted there is no definition of public interest on the work of the BCUC, Committee Members asked how the BCUC meets the public interest. The Chair and Chief Executive Officer of the BCUC stated that, notwithstanding the absence of a detailed definition of public interest, there is a statutory obligation for a public interest test in many BCUC decisions. While it is up to panels to decide what the public interest is, panels generally take a broad approach which incorporates the interests of other parties in a proceeding.



Committee Follow-up

The Committee requested additional information from the Ministry of Attorney General regarding government's direction to the BCUC by Order in Council. This information was distributed to Committee Members on July 25, 2018 and posted on the Committee website.

Understanding Tax Expenditures (October 2018)

The Committee considered the October 2018 OAG report titled, *Understanding Tax Expenditures*, at its November 5, 2018 meeting.

Summary of OAG Report

The OAG report team stated that the tax system can be used to achieve public policy objectives through the application of specific measures, such as preferential tax rates, exemptions, deductions, deferrals and non-refundable tax credits. Such measures are known as tax expenditures and represent a tax break that government offers to individuals and corporations to support its policy objectives. It is forgone revenue, or money that government does not collect, but could if it did not offer such tax breaks. In the 2016/17 fiscal year, tax expenditures amounted to over \$7 billion in foregone revenue.

The OAG report team concluded that tax expenditures are significant, yet government has not kept up to date with other jurisdictions which report tax expenditures more fully and in a way that is transparent and easy to understand. To this end, the report urged government to provide more comprehensive reporting of tax expenditures to increase awareness of tax expenditures and their impacts on the overall budget.

Summary of Government Response

The Deputy Minister of Finance and the Senior Advisor on Tax Policy, Ministry of Finance, stated that there are no formal requirements or guidance for the disclosure of tax expenditures, although British Columbia has been seen as a leader in this area following significant changes in response to a 1993/94 OAG report on the public accounts. Generally, government records tax expenditures that are the equivalent of spending programs, excluding most programs that have a revenue value of less than \$2 million. Tax expenditures under the Income Tax Act constitute the largest category of tax measures, with the federal government having the responsibility for determining income subject to tax, including allowable deductions. Other tax reduction measures include the small business corporate income tax rate, the homeowner grant and the PST exemption on basic groceries.

In 2012, government changed its reporting approach. Until that time, both refundable and non-refundable tax credits were recorded in the budget plan. Beginning in 2012, the refundable credits were noted and recorded in the Estimates as a voted appropriation within the Ministry of Finance. In response to the OAG report, government will clearly identify refundable tax credits in the 2019 budget, although refundable and non-refundable credits will continue to be disclosed in an appendix in the budget document. Government is reviewing the disclosure of tax expenditures in other jurisdictions as part of its commitment to good practices in disclosure.

Committee Inquiry

Government Reporting on Tax Expenditures

Committee Members observed that government had taken action in recent years to enhance transparency and clarity in reporting tax expenditures and make this information easier to locate and understand, and asked if government would consider reverting to a more detailed approach in reporting tax expenditures which had existed in the 1990s. The Senior Advisor on Tax Policy indicated that a detailed accounting of tax expenditures is provided as an appendix to the annual budget document which is similar to the tax

expenditure reporting format from the 1990s. Government will consider more complete and comprehensive reporting options for tax expenditures as urged by the OAG report.

Review of Tax Expenditure Items

In replying to inquiries from Committee Members about government's process for reviewing past tax policy decisions, the Deputy Minister of Finance advised that legislation for most newer tax credits includes an automatic expiry date. This requires government to review the tax credit to ensure that it is achieving the stated policy objectives. While this does not necessarily address tax credits that have existed for a long period of time, some of the more significant tax expenditures, like the homeowner grant, are reviewed on a periodic basis as government adjusts the threshold for application. For other historical credits, review would be at the direction of the Minister of Finance or the Executive Council.

An Independent Audit of the Ministry of Citizens' Services Real Estate Asset Sales Management (July 2018)

The Committee considered the July 2018 OAG report titled, *An Independent Audit of the Ministry of Citizens' Services Real Estate Asset Sales Management*, at its November 26, 2018 meeting.

Summary of OAG Report

The Deputy Auditor General informed the Committee that this audit had been undertaken to determine whether government designed and followed appropriate processes to obtain the stated benefits of its initiative for the sale of surplus real estate assets in 2013/14 and 2014/15 fiscal years. The initiative had three stated benefits: revenue generation; cost savings; and economic activity generation. While many ministries were involved in the initiative, the audit focused on the Ministry of Citizens' Services because it planned and carried out the initiative within government. The OAG audit team reported that in 2014 government offered for sale 21 parcels of Crown land comprising approximately 584 acres on Burke Mountain in Coquitlam. Fourteen of the 21 parcels were awarded to one party for \$85 million, or 66 percent of the appraised value; four parcels were sold to another party for \$11.83 million, or 80 percent of the appraised value; and the remaining three parcels were not sold.

The audit concluded that the Ministry's initiative team designed and followed appropriate processes to obtain one of the initiative's three stated benefits – revenue generation – and that appropriate processes had been designed and followed to achieve revenue objectives, but there was room for improvement in those processes. The audit also concluded that the initiative team did not set targets or design a system to identify and assess potential economic activity generation and cost savings during the two-year period of the initiative.

The audit report made recommendations to assess the costs and benefits of selling versus holding surplus assets prior to a sale, and to provide comprehensive public reporting to demonstrate how selling surplus assets can be in the best interests of the province. Given that real estate asset sales will continue to be handled by government, expert knowledge and judgment about when and how best to buy, maintain and sell real estate assets to meet current and future provincial needs continue to be important.

Summary of Government Response

Ministry of Citizens' Services officials outlined actions to implement the audit report recommendations. A comprehensive manual on real estate asset sale processes is complete. The manual includes a template for a cost-benefit analysis to be done by all ministries and agencies before they sell real estate assets. Ministries and agencies are also required to: submit a readiness checklist to show that due diligence has been done before a property has been put up for sale; ensure that controls are in place to prevent and detect real or perceived bias, bid rigging or collusion when selling real estate; and submit bids to the Ministry of Citizens' Services and put these bids with the Ministry's analysis to the Secretary of Treasury Board before the properties are sold. More training is also being provided to employees responsible for selling real property.

To help address the outstanding recommendations, an independent consultant has been hired through a Request for Proposals process. Colliers Project Leaders, a leading building and infrastructure firm, will review the real estate asset sales program, and make recommendations by March 31, 2019 on how to improve public reporting and program delivery.

Committee Inquiry

Due Diligence in Real Estate Asset Management

Members inquired about work to improve government's capacity to conduct an effective cost-benefit analysis of a proposed real estate asset sale compared with holding onto the real estate asset. Ministry of Citizens' Services officials confirmed that a new process manual included a cost-benefit analysis template for real estate asset sale initiatives based on financial, environmental and social impacts. As part of this process, entities must report the costs of selling versus holding the real estate asset under consideration. The Ministry is working with a consultant on how to capture information related to the future cost of land. The OAG audit team noted that at the time of the audit there was an impetus within government to sell properties to support a balanced budget, which underlined the importance of due diligence in real estate asset management.

Addressing Risks of Bid Rigging, Collusion and Perceived Bias

Committee Members sought information on the OAG report recommendation to ensure that "the controls that ministries and agencies have in place are sufficient to prevent and detect real or perceived bias, bid rigging and collusion when selling real estate assets." Members also inquired whether there was evidence of bid rigging, perceived bias or collusion in real estate asset sales. The OAG audit team stated that they had not found any such evidence and had concluded that government has controls in place to mitigate the risk of such issues.

Properties Selected for Audit Review

Committee Members asked about the OAG's selection of properties for review in the audit, and whether the sample of properties chosen by the OAG, representing 75 percent of real estate asset sales, constituted a sufficient sample. The OAG audit team explained that the sample represented a cross-section of ministries and agencies, including schools, which were selling properties at the time of the audit. In the audit team's assessment, the selection of properties provided a sound basis for evaluating the Ministry of Citizens' Services' policies and processes for real estate property management.

Use of Government Real Estate Asset Sale Processes by Agencies

Asked whether other public sector organizations such as school districts were required to follow government processes for real estate asset sales, Ministry of Citizens' Services officials confirmed that all ministries must follow government processes, and while other public sector organizations were encouraged to do so, they were not required to do so. School districts must seek permission from the Minister of Education before divesting themselves of real estate assets and must carry out a formal cost-benefit analysis for proposed real estate asset sales.

Independent Audit of Capital Asset Management in BC Hydro (December 2018)

The Committee considered the December 2018 OAG report titled, *Independent Audit of Capital Asset Management in BC Hydro*, at its February 7, 2019 meeting.

Summary of OAG Report

The Deputy Auditor General noted that BC Hydro is the main supplier of electricity in the province, and arguably the most significant Crown corporation. The audit report on capital asset management was one part of the OAG's work on BC Hydro. The Crown corporation has an immense asset base valued at approximately \$25 billion, which must be maintained and refurbished over time. These assets represent 35 percent of government's total assets.

The OAG audit team explained that asset management is a purposeful and long-term process that aims to get the greatest efficiency for the lowest cost out of an asset over its lifetime. These processes help organizations to achieve their objectives. Over ten years ago, BC Hydro made asset management an organizational priority. Since then, it had worked to implement international guidelines and good practice standards, and has its practices verified by independent audits.

The audit examined BC Hydro's asset management processes, using criteria from the International Infrastructure Management Manual, and looked at the maturity of BC Hydro's processes in 16 areas in the categories of information and life-cycle cost management systems and practices. The audit covered approximately 80 percent of BC Hydro's assets, valued at \$19 billion, including a mix of older and newly-acquired assets such as dams, generators, power lines and poles, substations and transformers.

The OAG audit team found that BC Hydro has good asset management practices which support its organizational mission to safely provide reliable, affordable, clean electricity throughout the province. The audit concluded that BC Hydro is managing its assets well, and there were no significant deficiencies in its systems, activities or practices. Overall, BC Hydro demonstrates good practices as a result of a decade-long plan and associated efforts, and the audit report did not identify any recommendations for improvement. The audit team stated that the success of BC Hydro's ongoing plan was the most important lesson for other government agencies to take from this audit.

Summary of BC Hydro Response

BC Hydro officials outlined the asset management efforts of the Crown corporation over the past decade and work underway to enhance asset management practices and systems. BC Hydro's capital planning management system and practices had generally reached an advanced level of maturity, reflecting the high priority assigned to capital asset management.

BC Hydro officials highlighted three areas for the future enhancement of asset management practices. First, the recent alignment of the planning, building and operating function within BC Hydro will further strengthen asset management practices across the organization. Second, an enterprise capital planning process has been established, which will facilitate a common approach for the planning, prioritization and governing of investments, including annual updates to BC Hydro's ten-year capital plan. Third, for the prioritization of capital investments, BC Hydro is moving from a risk-based framework to a value-based framework, which is a leading edge practice in the utilities sector.

Committee Inquiry

Longevity of Equipment

Committee Members inquired about the expected longevity of BC Hydro capital assets, and whether there were schedules for replacing different assets as part of an overall capital asset plan. BC Hydro officials outlined asset plans for different types of asset classes, based on expected lifespans. For example, transformers tend to be long-lasting assets which can perform reliably for up to 60-70 years, depending on the location, size and typical power load conditions. An extra transformer is typically installed at each substation to avoid disruptions in service should one transformer cease to function.

Value-based Framework

Committee Members requested details on BC Hydro's work to shift from a risk-based framework to a value-based framework. BC Hydro officials noted that risk-based frameworks help determine the risks associated with not proceeding with or deferring projects. The industry evolution to value-based frameworks allows decision-makers to compare large and small-scale projects in a more cohesive manner. Risk factors would continue to be a major aspect in the value-based framework and the transition to the value-based framework would be completed within the next three to four years.

Cybersecurity and Information Technology Controls

In response to questions about cybersecurity risks, as highlighted in the experience of cybersecurity attacks involving other utilities around the world, the Deputy Auditor General indicated that an OAG audit report of cybersecurity controls at BC Hydro was planned for release in the next month.

Self-Assessment Tools

In response to an inquiry about the use of self-assessment tools, the Auditor General explained that her office had used them for a number of organizations to look at information technology controls, and the results of the self-assessments by the organizations were later verified by OAG audit teams. In BC Hydro's case, their self-assessment results were consistent with the audit team's findings. The OAG plans to continue to use self-assessment tools as part of a comprehensive audit approach for other organizations, such as health authorities and school districts.

Procurement Processes

Committee Members questioned the variation in procurement processes at BC Hydro. BC Hydro officials noted that the Crown corporation has adopted a category asset management approach for the procurement of equipment, and is considering a corporate-wide supply chain management application across the organization to eliminate identified inconsistencies in procurement processes.

Areas for Improvement

Committee Members sought information on plans for further improvement to BC Hydro's capital asset management policies. BC Hydro officials noted that work was continuing in areas identified in the OAG report, including a new organizational structure to support integrated risk management across power system assets, Enterprise Capital Planning processes with a common approach to investments across the organization, and the ongoing updating of process documentation.

Health Report

An Independent Audit of the Recruitment and Retention of Rural and Remote Nurses in Northern B.C. (February 2018)

The Committee reviewed the February 2018 OAG report titled, *An Independent Audit of the Recruitment and Retention of Rural and Remote Nurses in Northern B.C.*, at its March 29, 2018 meeting.

Summary of OAG Report

The Auditor General noted that the recruitment and retention of health professionals, including registered nurses (RNs) and nurse practitioners (NPs), is a significant concern in BC's north. Northern Health Authority (Northern Health) delivers health services across a largely rural and remote area covering approximately two-thirds of the province. The objective of the audit was to determine if Northern Health was effectively recruiting and retaining enough RNs and NPs to fill rural and remote positions.

The OAG audit team noted that, globally, nurses are in short supply. Many countries, including Canada, are reporting gaps in the recruitment of nurses, particularly in remote and rural areas. As of April 1, 2017, Northern Health was short 121 RN full-time equivalents (FTEs), or approximately 15 percent of its RN workforce, and one quarter of its NPs. While Northern Health cannot change external factors contributing to the nursing shortage, and it has implemented many good policies and practices, more could be done to address internal factors and improve recruitment and retention practices.

The audit report recommended that Northern Health do more to track the performance of its recruitment, hiring and retention functions and programs, and develop comprehensive recruitment and retention strategies for nurses with clearer goals, performance measures and responsibilities. The audit report also recommended that Northern Health expand collaboration with other organizations on recruitment and retention programs, and initiatives to improve housing availability and affordability and nursing education in the north. On the latter issue, there was evidence that a nurses training program in the northeast region could improve the development and retention of nurses in the area.

Summary of Government Response

Ministry of Health and Northern Health officials reported on work to implement the audit report recommendations. They advised that a workforce planning toolkit was being rolled out in consultation with northern communities and stakeholders. On access to affordable housing, Northern Health was working with the Ministry of Health and the Nurses Bargaining Association to identify short-term housing options in several communities. Partnerships with the First Nations Health Authority were being strengthened to support human resource program delivery and innovation in northern communities. Northern Health was working with the

B.C. Nurses Union to enhance recruitment and retention strategies. Government was also developing a comprehensive nursing recruitment strategy in consultation with communities and stakeholders. This includes restructured human resources leadership, expanded human resources programs, clearer hiring responsibilities and processes, and a standardized orientation process for nurses.

The officials highlighted an integrated team-based approach to health delivery as an important element in nursing recruitment and retention in the north. This work would draw on learnings from across the province on team-based care experiences. Collaboration was underway between the University of Northern BC, the Ministry of Health and the Ministry of Advanced Education, Skills and Training on access to nurses training in the region. A joint planning board of senior officials from Northern Health and the Ministries of Health and Advanced Education, Skills and Training had also been launched to develop a proposal on training for nurses in the north.

Committee Inquiry

Global Competition and the Recruitment of internationally-trained Nurses

Committee Members noted the pressure of global competition for nurses, and asked about government's strategy for attracting Canadian and international nurses to the north. Ministry of Health and Northern Health officials acknowledged the need to compete in a global market, and reported on the use of special recruiters who can speak about the northern lifestyle to attract internationally-trained nurses as well as work to streamline the assessment process for international nurses. Northern Health also works with international partners such as Health Match B.C. on the recruitment of nurses from the United States.

Managing Changes to Human Resources Programs

Committee Members noted the wide range of human resources policy and program initiatives underway to address concerns about the recruitment and retention of nurses, and inquired about the management of program changes across the employees who deliver front-line health services. Northern Health officials explained that strategic planning and prioritization were a focus for the organization. In this context, employee engagement as well as education, training and information technology supports were being developed to move forward with changes to recruitment and retention programs.

Gender Equity

Members queried the need for attention to gender equity as part of Northern Health's changes to recruitment and retention of nurses. Northern Health officials affirmed the importance of efforts to address gender issues, and the need for ongoing work with inter-professional teams to communicate and understand gender issues.

Engagement of Indigenous Groups

In response to questions from Members about collaboration between Northern Health and the First Nations Health Authority, Northern Health officials outlined efforts to meet with the First Nations Health Authority and Indigenous groups on the recruitment of nurses, housing, and the use of inter-professional teams. Attracting students from First Nations communities into nurses training was also noted as an important area for recruitment efforts.

Affordable and Accessible Housing

Committee Members requested additional details on pilot programs to improve access to affordable housing for nurses. Northern Health officials advised that an assessment was underway of temporary and long-term housing challenges and ways to enhance existing housing initiatives for nurses. Northern Health, the Ministry of Health and the Nurses Bargaining Association had set aside funds to secure housing in a number of communities to remove housing as a barrier to the recruitment of nurses. Given the diversity of northern communities, an approach involving many solutions was required.

Training for Nurses in Northern BC

Noting the OAG audit report recommendation for enhanced training for nurses in northern BC, Members asked about government's actions on this issue. Ministry of Health and Northern Health officials shared the view of Members that training people from a rural background has an impact on the availability of professionals in rural communities. UBC's Distributed Medical Program, the UNBC nursing program, and UNBC's rural nursing certificate demonstrated that the training of medical professionals from the north had positive results on their retention in northern communities. A proposal regarding a nursing program for the northeast quarter of the province would be coming forward for consideration within government in the near future.

Travelling Nurses Program

Interest was expressed by Members in travelling nurses programs for northern communities. Northern Health officials reported that rotations of nurses between Prince George and other northern communities were being developed for 13 nursing positions.

Training of Hiring Managers

In response to inquiries from Members about the hiring and training of core managers, Northern Health officials outlined work to improve training manuals and monitor hiring practices by managers. More standardized and consistent support and training for front-line leaders were also being developed.



Committee Follow-up

The Committee noted an interest in reviewing an update to the Action Plan outlining follow-up on the audit report recommendations. The Committee will receive an Action Plan Progress Assessment on the status of work to implement the audit report recommendations in spring 2019.

Environment Reports

An Independent Audit of Grizzly Bear Management (October 2017)

The Committee reviewed the October 2017 OAG report titled, *An Independent Audit of Grizzly Bear Management*, at its March 29, 2018 meeting.

Summary of OAG Report

The Auditor General began by noting that in 1995 government publicly committed in its grizzly bear conservation strategy to maintain healthy grizzly bear populations and the ecosystems that they depend on. The Ministry of Environment and Climate Change Strategy and the Ministry of Forests, Lands, Natural Resource Operations and Rural Development are jointly responsible for the strategy.

The OAG audit team noted that government had undertaken activities to conserve grizzly bears and their habitats. The greatest risk to grizzly bear populations was the degradation of grizzly bear habitats due to human activities, such as resource roads which result in human interaction with grizzly bears. Although secure habitats are important, there was a lack of initiatives to ensure wildlife corridors and safe transition areas.

The audit report concluded that gaps in the protection of grizzly bear populations resulted from an unclear organizational structure across the two responsible ministries. The audit report recommended that government review its legislation and policies and clarify the responsibilities between the ministries. Other recommendations included: the creation of a management plan for grizzly bears based on adequate inventory and monitoring; improving hunting policies; regulating bear viewing; ensuring that conservation officers have adequate tools and resources; and evaluating and adjusting activities that mitigate threats and protect grizzly bear habitats.

Summary of Government Response

Officials from the Ministries of Environment and Climate Change Strategy and Forests, Lands, Natural Resource Operations and Rural Development opened their presentation by noting that the province is considered a world leader in the management of grizzly bears. There are an estimated 15,000 grizzly bears in the province, occupying 90 percent of their historic range. Government has access to a group of engaged and qualified professionals who are committed to the long-term conservation of grizzly bears. WildSafeBC and Bear Aware programs provide information to the public, communities and First Nations and mitigate human-wildlife conflicts. Numerous parks and protected areas protect grizzly bear habitats. In the context of its commitment to meet the United Nations Declaration on the Rights of Indigenous Peoples, government is working with Indigenous groups to modernize land use planning and ecosystems, and manage wildlife resources.

Officials from the two ministries agreed with the audit report that clear roles and responsibilities are necessary to ensure effective grizzly bear management. While strong accountability relationships exist within government, these could be enhanced and made more understandable to those outside government.

The officials indicated that work has started on a new grizzly bear management plan. The plan will cover inventory and monitoring, bear viewing and population management and augmentation. It will set a foundation for developing objectives for grizzly bears at smaller geographic scales, including land use planning. Government is considering further initiatives to enhance wildlife management and species at risk legislation.

Committee Inquiry

Audit Topic Selection

Members sought information on the selection of grizzly bear management as the subject of an audit. The OAG audit team noted an earlier examination of broader ecosystem issues in the audit report titled, *An Audit of Biodiversity in B.C.: Assessing the Effectiveness of Key Tools*. In contrast, the audit of grizzly bear management focused on specific environmental risks which would be relevant to the evaluation of policies and programs for other sensitive species.

Integration of Ministry Responsibilities and Accountabilities

Committee Members inquired about the management and protection of grizzly bear habitats, and whether clearer responsibilities across ministries would promote a more holistic approach to ecosystem management. Officials from the Ministries of Environment and Forests, Lands, Natural Resource Operations and Rural Development agreed on the importance of integration across government, and indicated that internal collaboration had improved, although there is more work to be done. The officials pointed to recent work on a grizzly bear management plan as a good example of more integrated policy coordination across the two ministries.

Management Plan

Committee Members asked for more details on the development of a grizzly bear management plan. Officials from the Ministries of Environment and Climate Change Strategy and Forests, Lands and Natural Resource Operations indicated that the plan would be developed following the completion of engagement and collaboration with Indigenous groups, local communities and other stakeholders. The plan would outline broad provincial goals, and area-based wildlife and habitat activities where needed.

Forestry Practices

Committee Members requested further detail on the impact of forestry practices on grizzly bear populations. Officials from the Ministry of Forests, Lands, Natural Resource Operations and Rural Development advised that government has a fairly rigorous overall monitoring scheme for key wildlife populations, including grizzly bears. There are controls for grizzly bear habitats in protected areas under the *Forest and Range Practices Act*. Additional efforts could be developed in consultation with the forest industry, community groups, and other stakeholders.

Bear Viewing Policies

In the context of the audit report finding that bear viewing provides economic opportunities but can have negative impacts on bear populations, Committee Members asked about government consideration of bear viewing policies. Officials from the Ministry of Forests, Lands, Natural Resource Operations and Rural Development stated that engagement efforts were underway with stakeholders, communities and Indigenous groups on bear viewing policies.

User-fee Funding for Conservation Programs

Members inquired about user-fee funding as a model for conservation programs, noting that the Bear Viewing Association had increased its financial contributions to grizzly bear conservation. Ministry of Forests, Lands, Natural Resource Operations and Rural Development officials noted that a surcharge on hunting licences goes to the Habitat Conservation Trust Foundation, although this was a small portion of the overall work done by government on conservation. In addition, engagement with industry, communities and other stakeholders had indicated a strong willingness from the viewing sector to pay for conservation, either through licence fees with surcharges or in other ways. This would require a legislative change to the *Wildlife Act*.

Species at Risk Legislation

Committee Members sought information on government's plan to bring forward species at risk legislation, and its impact on grizzly bear management. Ministry of Environment and Climate Change Strategy officials advised that government was engaging with Indigenous groups and stakeholders on the development of such legislation.



Committee Follow-up

The Committee expressed an interest in receiving an update from the Ministries of Environment and Climate Change Strategy and Forests, Lands, Natural Resource Operations and Rural Development on the creation and implementation of a grizzly bear management plan, as outlined in their Action Plan for follow-up on the audit report recommendations. The Committee will receive an Action Plan Progress Assessment on the status of work to implement the recommendations in spring 2019.

Product Stewardship: An Overview of Recycling in B.C. (November 2016)

The Committee considered the November 2016 OAG report titled, *Product Stewardship: An Overview of Recycling in B.C.*, at its June 12, 2018 meeting.

Summary of OAG Report

The Deputy Auditor General explained that the OAG report examined the Ministry of Environment's regulation and management of the province's recycling system.

The OAG report team indicated that while government regulates recycling, those who make and distribute products are ultimately responsible for recycling these products. Third party organizations called stewardship agencies, like Recycle BC, do this through curbside pickup programs and drop-off recycling depots. The report team noted the following opportunities for enhancing the recycling program: improving reporting for recycling outcomes; resolving challenges related to stewardship agency competition; consistently applying regulatory oversight of producers to eliminate free-riders; expanding access to recycling services to more locations throughout the province, including small communities; and encouraging accountability through transparent financial reporting.

Overall, the recycling system was performing well in some areas, with high recovery rates for regulated products, and the Ministry of Environment and Climate Change Strategy was pursuing planned improvements to its oversight of recycling.

Summary of Government Response

Ministry of Environment and Climate Change officials reported that the province's product stewardship program is recognized as a national and international leader in the recycling oversight area. The Ministry had identified additional opportunities for product stewardship and is examining the expansion of recycling programs to encompass new products.

Ministry officials outlined steps to enhance recycling regulation and management, including more reporting on recycling outcomes involving performance measures and annual reporting criteria. A study offering guidance on competition between stewardship agencies was initiated in 2016, and would be released shortly. On compliance and enforcement, almost 500 previously non-compliant producers now meet recycling requirements. With respect to access across the province to recycling services, the Ministry planned to have industry-funded recycling services for packaging and printed paper in all eligible communities by the end of 2018.

Committee Inquiry

Recycling Costs

Committee Members asked for information on who bears the costs of recycling programs, noting the challenges of municipal recycling costs, and funding for newspaper recycling. Ministry of Environment and Climate Change Strategy officials reported that following a process of consultation, newspapers had agreed to be included in the Recycle BC program and pay recycling costs. With respect to municipal collection costs, stewardship cost plans were being renegotiated with municipalities and recycling providers with guidance from the Ministry.

Waste Reduction

In response to questions from Committee Members about bonuses for collection, Ministry officials explained that recycling incentives were effective in ensuring that recyclable products did not end up in landfills (including recycling costs on producers and end-of-life costs for products).

Impact on Greenhouse Gas Emissions

Committee Members inquired about the impact of diesel recycling trucks on greenhouse gas emissions. Ministry officials advised that a study comparing emissions generated by trucks and emissions captured by diverting organics from landfills had not been conducted. Officials indicated that source separation at residential locations resulted in significant reductions in waste going to landfills and re-use of products, which were important in reducing greenhouse gas emissions.

Province-wide Access

Committee Members sought an update on the status of recycling services in rural areas, noting that British Columbians pay eco-fees wherever they live. Ministry officials acknowledged the challenges of recycling in rural areas, and reported that Recycle BC was examining rural recycling service and ways to incorporate rural considerations into recycling plans and targets.

Managing Climate Change Risks: An Independent Audit (February 2018)

The Committee considered the February 2018 OAG report titled, *Managing Climate Change Risks: An Independent Audit*, at its June 12, 2018 meeting.

Summary of OAG Report

The Deputy Auditor General noted that climate change policies and programs involve two responses: mitigation, or reducing greenhouse gas emissions; and adaptation, or reducing the potential harms and negative impacts climate change may cause. Both responses are needed to create a climate-resilient province. Overall, the OAG audit found that government is not adequately managing the risks posed by climate change. It is very likely that the province will not meet its 2020 emissions reduction target, and models suggest that the 2050 target may be in jeopardy. Given that the province's actions are part of national and international efforts, the OAG audit was completed as part of a Canada-wide collaborative audit on climate change based on input from legislative auditors across the country.

The OAG audit team highlighted areas for improvement in the report's recommendations, including enhanced adaptation efforts within government ministries, strengthened reporting on climate change impacts, and better monitoring and reporting on climate change program performance outcomes. Government was encouraged to address climate change-driven risks, such as flooding and wildfires, and support local governments affected by these risks. The report also recommended the development of a comprehensive mitigation plan with measurable goals aimed at meeting stated targets, and public reporting on progress in achieving plan targets.

Summary of Government Response

Officials from the Ministry of Environment and Climate Change Strategy, the Ministry of Forests, Lands, Natural Resource Operations, and Rural Development, the Ministry of Agriculture, the Ministry of Transportation and Infrastructure, the Ministry of Municipal Affairs and Housing, the Ministry of Public Safety and Solicitor General, and Emergency Management BC provided government's response to the OAG audit report. Government was working with federal and provincial jurisdictions on a pan-Canadian framework on clean growth and climate change. Government was also matching federal contributions to a low-carbon-economy fund to support a transition to a low-carbon future.

Officials advised that a draft province-wide climate risk assessment would be prepared by December 2018, integrating existing risk assessment work, and an overview of key risks and priorities. In the fall of 2017, government had announced the creation of a Climate Solutions and Clean Growth Advisory Council, and was committed to the release of a climate strategy in the fall of 2018. A multi-year training program and a performance monitoring framework were also being developed. Government had introduced the *Climate Change Accountability Act*, with targets for greenhouse gas reductions by 2030 and 2040 and publicly required reporting on adaptation for public sector organizations. Progress was being made on the preparation of a provincial drought management strategy and a provincial flood risk strategy, including strengthened monitoring and data collection, research and the enhancement of programs to mitigate these risks.

Committee Inquiry

Comparison with Other Jurisdictions

Committee Members sought information on successful climate change strategies and initiatives implemented in other jurisdictions which could be adopted or modified for implementation in the province. Ministry of Environment and Climate Change Strategy officials indicated that cross-jurisdictional reviews were being done to understand the results of significant climate change initiatives in other jurisdictions, such as California and Norway. Officials added that the province's emissions rank lower than some other jurisdictions because of its ability to generate hydroelectric power, which reduces reliance on petroleum products.

Data Collection and Reporting

In response to requests for more detail on the calculation of targets for greenhouse gas emissions and offsets, Ministry of Environment and Climate Change Strategy officials advised that information on offsets is generally reported separately from greenhouse gas emissions targets. Provincial data collection and reporting are consistent with federal government and the United Nations processes.

Performance Measurement

Members asked about the long-term goals and planning processes outlined in the OAG report, including progress in meeting targets and goals associated with the Paris Agreement on Climate Change. Ministry of Environment and Climate Change Strategy officials confirmed that provincial greenhouse gas emissions targets for 2050 are based on commitments outlined in the Paris Agreement. Officials acknowledged that the Paris targets are very ambitious, and would require societal change, and the expanded use of clean energy technologies. Work on a detailed climate plan to meet the Paris targets was underway.

Engagement with Indigenous Groups

Asked about government's engagement of Indigenous groups on climate change initiatives, Ministry of Environment and Climate Change Strategy officials indicated that the Climate Solutions and Clean Growth Advisory Council has representation from Indigenous groups and engagement, and consultation processes on climate change and adaptation were underway with Indigenous groups.

Cross-Government Coordination

Recognizing that climate change involves all ministries and agencies, Members sought information on work to strengthen climate change coordination across government. Ministry of Environment and Climate Change Strategy officials reported on cross-ministry committees on the implementation of climate change strategies and adaptation initiatives, and efforts to share information on best practices and performance in meeting goals and targets. The Climate Action Secretariat plays a key role in monitoring progress on climate change work. Other jurisdictions in Canada face similar challenges, and share the need for better information, programs and reporting on climate change impacts and mitigation. Consideration would be given to ensuring appropriate levels of staffing on adaptation initiatives in the future as part of government's adaptation strategy, which was planned for completion in 2020.

Education Reports

Promoting Healthy Eating and Physical Activity in K-12: An Independent Audit (May 2018)

The Committee considered the May 2018 OAG report titled, *Promoting Healthy Eating and Physical Activity in K-12: An Independent Audit*, at its July 19, 2018 meeting.

Summary of OAG Report

The OAG audit team stated that schools can teach young people about healthy living, and thereby create lifelong habits to prevent chronic disease, which affects one in three British Columbians. The objective of the audit was to determine whether the Ministries of Health and Education were working effectively on public school programs to encourage healthy eating and physical activity.

The audit team found that the majority of healthy eating and physical activity initiatives are jointly developed and evidence-based; however, government is not doing enough to support these initiatives. Ministries have not communicated overarching direction to health authorities and school districts and, as a result, delivery partners are not prioritizing the implementation of the initiatives. The audit report recommended that ministries and agencies: establish a shared direction; revise the school meal handbook; maximize access to the program for vulnerable students; support school districts and schools in meeting nutritional guidelines for the food they provide in breakfast programs; identify and address barriers to implementation; and publicly report on shared performance measures. The audit report also recommended increased program evaluation and more consistent funding across school districts to support vulnerable students.

Summary of Government Response

Officials from the Ministries of Health and Education outlined programs to promote healthy living in schools and collaboration to enhance their programs as recommended in the OAG audit report. The two ministries were developing a Memorandum of Understanding to guide their work on policies and resources to promote health and wellbeing for children and youth in schools. A new tripartite agreement with the First Nations Education Steering Committee and the federal government was aimed at bringing healthy eating and fitness recommendations into First Nations schools. The two ministries were also working with delivery partners on shared goals, objectives, targets and performance measures. A revised School Meal and School Nutrition Program Handbook and initiatives to maximize program access for vulnerable students were underway.

The Ministry of Health, the Ministry of Education, school districts, health authorities and non-governmental organizations were collaborating to improve program measurement, develop a consistent method for estimating the number of vulnerable students who need access to healthy eating and physical activity programs, and remove barriers for vulnerable students seeking access to these programs. Work was scheduled for completion in the 2019/20 fiscal year on new requirements in funding agreements for regular program evaluation and the measurement of health outcomes as well as improved cooperation with partners on program delivery.

Committee Inquiry

Health and Education Collaboration

Committee Members inquired about efforts to strengthen collaboration between the Ministries of Education and Health on healthy eating and physical activity programs. Officials from the two ministries pointed to the increased attention to health eating and physical activity in the new provincial curriculum as an outcome of enhanced collaboration. The ministries were also placing more attention on the interconnectedness of health education files, such as the role of mental health considerations, and the development of shared approaches to programs with delivery partners.

Health Outcomes Measurement

Committee Members sought information on the adequacy of the data collected by the two ministries on the needs of students and the effectiveness of healthy eating and physical activity programs. Ministry of Health officials reported on the adolescent health survey, Statistics Canada's Canadian Community Health Survey, which was being expanded, and, as part of the B.C. Centre for Disease Control, a population health observatory to integrate data. In the longer term, work with community organizations on new requirements for program evaluation will provide a baseline on health status and the impacts of programs over time.

Status of Nutrition Programs

In response to queries from Committee Members on funding for healthy eating and physical activity programs, Ministry of Health officials noted investments in the Farm to School B.C. program in partnership with the Public Health Association of B.C., which was reaching 100 schools across the province. In Action Schools B.C., partnerships with registered dietitians and food literacy mentors were developing food literacy skills. Healthy eating and physical activity also have an expanded place in the new provincial curriculum, which includes having learners and teachers address eating and physical activities. Government is conducting an independent review of its funding model in order to ensure that school districts have equitable and predictable funding, and CommunityLINK is within the scope of that review.

Health Promotion

Committee Members asked whether a larger public awareness effort involving creative and innovative tools was needed with respect to healthy living. Ministry of Health officials indicated that partnership with ParticipAction included funding for a new two-year partnership, with a campaign to strengthen student engagement and a digital health strategy to increase awareness and promote healthy living.

Prevention Initiatives

Members sought information on funding for prevention initiatives and their integration with the work of other ministries in areas such as mental health. Officials from the Ministries of Health and Education noted that early investment in healthy living was key to shaping behaviors in later life, and reported on efforts to improve data collection and develop a wellness plan which would integrate information on the social determinants of health and influence prevention activities.

An Independent Audit of Executive Expenses at School District 61 (May 2018)

The Committee considered the May 2018 OAG report titled, *An Independent Audit of Executive Expenses at School District 61*, at its July 19, 2018 meeting.

Summary of OAG Report

The OAG audit team reported that this was the first report completed by a new compliance, control and research team specializing in smaller-scale audits. The objective of the audit was to determine if employer-paid expenses for executives at School District 61 in Victoria comply with applicable school district policies and follow the spirit and intent of core government policy.

The OAG audit team advised that the School District was doing a good job of managing the payment of executive expenses. Their financial records were complete and accurate, and no instances of inappropriate or non-business expenses were found. However, based on a sample of the expenses of six executives, the School District's approach to executive expenses had two variations from government reporting expectations. First, the School District did not disclose all executive expenses, but only those where an employee could be seen to have received a personal benefit (e.g., attending a conference). This resulted in a gap of approximately \$145,000 over two years for the six staff sampled. The audit team concluded that the School District's interpretation was not consistent with government policies and confirmed with the Ministry of Education that all travel and accommodation expenses should be disclosed. Second, whereas government policy provides that an expense incurred by employees using corporate purchasing cards is reimbursed after an expense claim is submitted, the School District pays the employee's monthly bill directly, thereby taking on the financial risk for the employee's expenses. The audit report recommended changes to executive expense policies to address gaps and more fully align with core government policies.

Summary of Government Response

Ministry of Education and School District 61 officials expressed their commitment to public accountability and outlined work to promote public transparency and good governance. They advised that the School District's financial policies were consistent with the spirit and intent of policies for government ministries, although the policy details were adapted to meet the School District's circumstances and requirements. They acknowledged that the School District's policy on the disclosure of executive expenses differed from the approach for government ministries and advised that School District policy would be changed to align with government approach. With respect to the use of corporate purchasing cards, the OAG audit had not found any evidence of inappropriate or irregular payments. The School District will review its practices to ensure consistency with the spirit and intent of core government policy. However, since the School District has not had any issues with corporate purchasing cards, it will continue to use them in the current manner, while monitoring potential expenses which could fall outside of School District policies and procedures.

Ministry of Education officials indicated that they will support the School District in follow-up on the audit report recommendations. They were distributing the report and related information to other provincial school districts to promote good practices on executive expenses across the province. The Ministry is also working with the B.C. Association of School Business Officials and the School Trustees Association to ensure that all provincial school districts benefit from the report and provide high-quality public education in a fiscally responsible manner.

Committee Inquiry

New Compliance, Control and Research Audits

Committee Members expressed interest in the OAG's new compliance, control and research audits. The Auditor General explained that these audits were narrower in scope, which would allow the OAG to cover a range of smaller-scale audit projects within its budget envelope.

Government Relationships with School Districts

Committee Members sought additional information on government's ability to provide direction to School Districts on their financial policies. Ministry of Education officials explained that statutory responsibilities are divided between the Ministry of Education and locally-elected boards of education. As a result, the OAG audit report recommendations directed towards School District 61 were the School District's responsibility. The Comptroller General advised that government's core policies were established by Treasury Board and applied to all ministries, agencies, boards and commissions which make up core government. The broader public sector, including Crown corporations, schools, universities, colleges and hospitals are required to comply with the spirit and intent of those policies. This recognizes that there are different governance structures and requirements which reflect the particular circumstances of the broader public sector. The Ministry of Education and the Comptroller General take an active role to ensure that the policies and controls employed by school districts and other broader public sector organizations are consistent with the spirit and intent of core government policies, and were following up with School District 61 and other school districts to strengthen financial policies and governance.

Use of Corporate Purchasing Cards

Committee Members noted the School District's statement that it had established its own corporate purchasing card policies following the spirit and intent of the Treasury Board's Core Policy and Procedures Manual. Members also cited the audit report's finding of gaps between the details of core government and School District policies, and asked about the status of follow-up to implement the audit report recommendations for changes in this area. The Comptroller General explained that his office was working with the Ministry of Education to make school districts aware of the audit report findings and recommendations, and to assist them with the development of expenses policies to achieve appropriate outcomes, good internal controls, accountability and transparency. While School District 61's policy did not constitute a significant departure from government policy, the audit provided a good opportunity to engage with school districts and look for areas for improvement.



Committee Follow-up

The Committee requested that the Auditor General provide an inventory listing of outstanding audit reports and information regarding different types of OAG reports. This information was distributed to Committee Members on September 10, 2018 and posted on the Committee website.

Transportation Report

An Independent Audit of Commercial Vehicle Safety (December 2018)

The Committee reviewed the December 2018 OAG report titled, *An Independent Audit of Commercial Vehicle Safety*, at its February 7, 2019 meeting.

Summary of OAG Report

The Auditor General indicated that the commercial vehicle safety report was a very large performance audit, which reflected the complex relationships among organizations responsible for commercial vehicle safety. Stakeholders had also encouraged a broad examination by the OAG. The Deputy Auditor General advised that the safety of commercial vehicles, primarily heavy commercial vehicles such as semi-trailers, was a significant issue in the province. On average, over the last ten years, about 300 people have died each year in motor vehicle incidents in the province and, of these, 61 (or 19 percent) died in incidents involving a heavy commercial vehicle. Commercial vehicle safety involves many different issues and stakeholders.

When the OAG audited truck safety in 1996, that audit focused primarily on inspection and enforcement, whereas the 2018 audit had a wider approach based on consultations with stakeholders and agencies. Across the latest audit's six areas of examination – commercial driver licensing, education and awareness programs, the regulatory and administrative policy framework, consistency of the monitoring and enforcement of commercial vehicle safety, the work of commercial vehicle safety and enforcement officers and the data and analysis on how well these programs are working – the audit found that the Ministry of Transportation and Infrastructure, ICBC and the Ministry of Public Safety and Solicitor General had taken steps to improve commercial vehicle safety. However, the ministries and ICBC needed to do more to effectively manage their respective programs to promote the safe operation of commercial vehicles. For example, drivers are currently not required to take specialized training to get their commercial licence in the province, whereas Europe has had mandatory training for commercial drivers for over 10 years, Ontario brought in mandatory training last year, the United States is phasing it in over three years, and Saskatchewan, Manitoba and Alberta all have plans to do so soon.

The OAG audit recommended that government establish clearer governance and responsibility for road safety education and awareness related to commercial vehicles in order to address gaps in the consistency of regulatory and policy administration and ensure accountability for the effectiveness of commercial vehicle safety programs. The report also recommended better support for commercial vehicle safety and enforcement officers to do thorough inspections in a safe environment. Other recommendations included the strengthening of licence training and requirements, reviewing regulatory and policy frameworks, improving the timeliness and consistency of carrier interventions and doing better data collection and analysis of how well safety programs are working.

Summary of Government Response

The Deputy Minister of Transportation and Infrastructure and officials from ICBC and the Ministry of Public Safety and Solicitor General stated that safety is government's top priority, and outlined actions which were underway to implement the audit report recommendations and maintain effective programs to promote the safe operation of commercial vehicles.

To ensure clear responsibilities for commercial vehicle road safety education and awareness, a permanent oversight committee has been established, comprised of officials from the Ministry of Transportation and Infrastructure and the Ministry of Public Safety and Solicitor General. The new committee was reviewing education and awareness programs, developing program enhancements and establishing a lead agency.

Government officials indicated that, with respect to training, ICBC and the two ministries were working on the development of a mandatory entry-level training model for British Columbia. This included discussions with other provinces to leverage existing developing programs and consulting with the commercial driving and training industries.

Officials also outlined initiatives to: strengthen program evaluation, regulations and administrative policies, inspection and enforcement practices and intervention with carriers; ensure effective support for inspection staff; improve data collection and analysis for the evaluation of commercial vehicle safety programs; and increase collaboration with other government road safety partners, such as the B.C. Coroners Service.

Committee Inquiry

Governance of Commercial Vehicle Safety Responsibilities

Committee Members highlighted the audit report finding regarding the importance of clear governance for commercial vehicle safety responsibilities across ministries and agencies and sought information on actions to address this matter. The Deputy Minister of Transportation and Infrastructure reported that the Ministry was chairing a new permanent cross-government committee on commercial vehicle safety. The committee will look at safety education and awareness, come up with a plan to improve program design, and identify which ministry or agency will be responsible for implementing specific improvements.

Support for Commercial Vehicle Safety Enforcement Officers

Noting the valuable contributions made by commercial vehicle safety enforcement officers and designated inspection facility operators, Members sought information on initiatives to ensure effective support for these groups. Ministry of Transportation and Infrastructure officials outlined initiatives underway to ensure effective education, training and information technology services as well as up-to-date regulations and policies to support work in the field.

Data Collection and Analysis

Members cited the audit report's use of a model to apply safety program data to the prevention of vehicle crashes, and asked about work by government to enhance data collection and analysis. The Deputy Minister of Transportation and Infrastructure confirmed that efforts were underway across government to ensure that the right data was being collected and analyzed in a timely way to promote the development of effective safety programs.

Mandatory Entry-level Training for Licences

Committee Members noted that mandatory entry-level driver training was being implemented in a number of North American jurisdictions and asked about government's plans in this area. The ICBC representative stated that evidence showed that training had a positive effect on road safety. Ministry of Transportation and Infrastructure officials advised that Ontario was the only Canadian province to have implemented such a mandatory training requirement. Federal and provincial Ministers of Transportation recently committed to a cross-country entry-level minimum standard modelled after Ontario's system. Government was working with other Canadian jurisdictions and consulting with stakeholders on improving licensing requirements and mandatory training and testing.



Committee Follow-up

The Committee requested additional information from ICBC regarding the total number of collisions involving commercial and private passenger vehicles, as well as population statistics. This information was distributed to Committee Members on March 19, 2019 and posted on the Committee website.

Information was also sought from the Ministry of Transportation and Infrastructure with respect to government leadership and responsibilities for the implementation of OAG audit report recommendations.

Appendix 1: Follow-up on Past Committee Decisions

Meeting Date	Report	Committee Decisions
November 6, 2017	<i>Financial Statement Audit Coverage Plan for Fiscal Years 2017/2018 through 2019/2020</i>	<p>Motion: 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, that the office of the Auditor General return to this Committee with any amendments to the Finance Statement Audit Coverage Plan 2018/19 to 2020/21, which may be required.</p> <p>Status: the Select Standing Committee on Finance and Government Services made a recommendation regarding the 2018/19 OAG budget and no amendments to the Financial Statement Audit Coverage Plan were needed.</p>
November 27, 2017	<i>Workstation Support Services Contract: An Audit of Due Diligence (November 2016)</i>	<p>Update request: the Committee agreed to invite the Ministry of Citizen's Services to return to the Committee after procurement process improvements are implemented in order to consider how the new process reflects the audit report recommendations.</p> <p>Status: Action Plan Progress Assessment to be provided in spring 2019.</p>
January 17, 2018	<i>An Audit of the Contract for the Family Maintenance Enforcement Program (August 2017)</i>	<p>Update request: the Committee requested that the Ministry of Attorney General provide an update after the decision-making process regarding the future of the contract is complete, including the procurement process and results in the event that a determination is made to continue contracting the program out.</p> <p>Status: Action Plan Progress Assessment to be provided in spring 2019.q</p>
January 17, 2018	<i>Progress Audit: Integrated Case Management System (February 2017)</i>	<p>Information request: the number of contacts in the Integrated Case Management System and the meaning of a contact.</p> <p>Status: information received on February 19, 2018 was circulated to Members on March 19, 2018.</p>
January 17, 2018	<i>An Audit of B.C. Public Service Ethics Management (March 2017)</i>	<p>Information request: the Committee agreed to review, through the Action Plan update process, the Public Service Agency's assessment of their implementation of the audit report recommendations and determine if it further information on implementation is required.</p> <p>Status: Action Plan Progress Assessment to be provided in spring 2019.</p>

<p>January 31, 2018</p>	<p><i>An Audit of BC Housing's Non-Profit Asset Transfer Program (March 2017)</i></p>	<p>Information request: the parameters of OAG access to business case analysis and other relevant information developed by government to inform the Cabinet decision to proceed with the program, and the application of public interest immunity with respect to providing information on other options that may have been considered by government.</p> <p>Status: Information received on April 26, 2018 was circulated to Members on April 27, 2018.</p> <p>Information request: Committee Members expressed interest in further information on the progress in implementing audit report recommendations.</p> <p>Status: Action Plan Progress Assessment to be provided in spring 2019.</p>
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