



Select Standing Committee on Public Accounts

SUMMARY OF ACTIVITIES 2021-22

May 2022



LEGISLATIVE ASSEMBLY
of BRITISH COLUMBIA

Third Session, 42nd Parliament



May 31, 2022

To the Honourable
Legislative Assembly of the
Province of British Columbia

Honourable Members:

I have the honour to present herewith the First Report of the Select Standing Committee on Public Accounts for the Third Session of the 42nd Parliament titled, *Summary of Activities 2021-22*. This report summarizes the work of the Committee from April 1, 2021 to March 31, 2022.

Respectfully submitted on behalf of the Committee,

Peter Milobar, MLA
Chair

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COMPOSITION OF THE COMMITTEE

42nd Parliament, 3rd Session

Peter Milobar, MLA, Chair

Kamloops-North Thompson

Rick Glumac, MLA, Deputy Chair

Port Moody-Coquitlam

Brittney Anderson, MLA

Nelson-Creston

Bruce Banman, MLA

Abbotsford South

Dan Coulter, MLA

Chilliwack

Norm Letnick, MLA

Kelowna-Lake Country

Andrew Mercier, MLA

Langley

Niki Sharma, MLA

Vancouver-Hastings (To May 3, 2022)

Mike Starchuk, MLA

Surrey-Cloverdale

Adam Walker, MLA

Parksville-Qualicum (From May 3, 2022)

42nd Parliament, 2nd Session

Mike Bernier, MLA, Chair

Peace River South

Rick Glumac, MLA, Deputy Chair

Port Moody-Coquitlam

Brittney Anderson, MLA

Nelson-Creston

Bruce Banman, MLA

Abbotsford South

Dan Coulter, MLA

Chilliwack

Andrew Mercier, MLA

Langley

Niki Sharma, MLA

Vancouver-Hastings

Mike Starchuk, MLA

Surrey-Cloverdale

Jackie Tegart, MLA

Fraser-Nicola

Committee Staff

Jennifer Arril, Clerk of Committees

Ron Wall, Manager, Committee Research Services

Lisa Hill, Committee Research Analyst

Mary Newell, Administrative Coordinator

Emma Curtis, Committees Assistant

Jonathon Hamilton, Committee Research Assistant (Co-op)

TERMS OF REFERENCE

On April 15, 2021 and February 17, 2022, the Legislative Assembly agreed that all reports of the Auditor General of British Columbia transmitted to the Speaker of the Legislative Assembly be deemed referred to the Select Standing Committee on Public Accounts. For greater certainty, the following exceptions are provided:

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

That the Select Standing Committee on Public Accounts be the Committee referred to in sections 6, 7, 10, 13 and 14 of the *Auditor General Act* (S.B.C. 2003, c. 2).

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

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

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

THE WORK OF THE COMMITTEE

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

This report summarizes the Committee's activities from April 1, 2021 to March 31, 2022. At the first meeting of the Second and Third Sessions of the 42nd Parliament, the Committee elected the Chair and Deputy Chair and established a Subcommittee on Agenda and Procedure, consisting of the Chair, the Deputy Chair and two Members, representing the government and official opposition caucuses. The Committee met a total of 17 times and reviewed 13 OAG information and audit reports covering health sector administration, financial reporting, cybersecurity and infrastructure safety and management. Committee Members also considered a proposed reporting model for the Public Sector Accounting Board and ways to strengthen the process for ensuring follow-up by audited government organizations in the implementation of OAG audit recommendations. OAG reports are available at: <http://www.bcauditor.com/>

Committee Members also attended the 42nd annual conference of the Canadian Council of Public Accounts Committees from September 8 to 9, 2021, held as a virtual conference and hosted by the Legislative Assembly of Alberta. The annual conference enables public accounts committee Members and

staff as well as legislative auditors from across Canada to meet and discuss matters relating to financial accountability. The 2021 conference focused on the impact of the COVID-19 pandemic and the role of public accounts committees in the oversight of COVID-19 program administration, follow-up by different jurisdictions on audit report recommendations by legislative auditors, effective committee practices, and information and privacy issues in a COVID-19/post-COVID-19 world.

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

Meetings Schedule

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

42nd Parliament, 2nd Session

April 19, 2021

- Election of Chair and Deputy Chair
- Appointment of Subcommittee on Agenda and Procedure

April 26, 2021

- Review of Office of the Auditor General Report:
 - *Performance Audit Coverage Plan 2021/22–2022/23* (March 2021)

May 3, 2021

- Review of Office of the Auditor General Reports:
 - *Management of Medical Device Cybersecurity at the Provincial Health Services Authority* (February 2021)
 - *Vancouver Community College: Executive Compensation Disclosures Audit* (March 2021)

May 5, 2021

- Review of Office of the Auditor General Reports:

- *Financial Audit Work for the 2019/20 Fiscal Year* (March 2021)
- Management of Forest Service Roads (November 2020)

May 17, 2021

- Review of Office of the Auditor General Report:
 - *Auditor General's Status Report* (March 2021)
- Review and adoption of the Committee's report titled, *Summary of Activities 2020/21*

May 31, 2021

- Review of Office of the Auditor General Report:
 - *Avalanche Safety on Provincial Highways* (April 2021)

June 7, 2021

- Discussion of 2021 Action Plan Progress Assessments

June 21, 2021

- Review of Office of the Auditor General Report:
 - *Management of the Conservation Lands Program* (May 2021)

June 24, 2021

- Discussion of the Public Sector Accounting Board (PSAB) Financial Statement Proposal
- CCPAC Update

October 5, 2021

- Review of Office of the Auditor General Report:
 - *Community Living BC's Framework for Monitoring Home Sharing Providers* (June 2021)

October 6, 2021

- Review of Office of the Auditor General Report:
 - *Update on the Connecting British Columbia Program* (August 2021)

October 13, 2021

- Review of Office of the Auditor General Report:
 - *Oversight of Dam Safety in British Columbia* (September 2021)

November 25, 2021

- Review of Office of the Auditor General Report:
 - *Auditor General's Report on the Audit of the Public Accounts – Fiscal 2020/21* (October 2021)
- Review of Subcommittee on Agenda and Procedure recommendations regarding 2021 Action Plan Progress Assessments

- Follow-up Information

42nd Parliament, 3rd Session

February 28, 2022

- Election of Chair and Deputy Chair
- Appointment of Subcommittee on Agenda and Procedure

March 7, 2022

- Discussion of 2021 Action Plan Progress Assessments

March 29, 2022

- Review of Office of the Auditor General Report:
 - *Financial Statement Audit Coverage Plan For financial statement fiscal years ending in 2023, 2024 and 2025* (March 2022)

March 31, 2022

- Consideration of the Action Plan Progress Assessments Process

May 16, 2022

- Review and adoption of the Committee's report titled, *Summary of Activities 2021-22*

FINANCIAL STATEMENT AUDIT COVERAGE PLAN (MARCH 2022)

The Committee considered the OAG's proposed *Financial Statement Audit Coverage Plan for fiscal years ending in 2023, 2024 and 2025* at its March 29, 2022 meeting. The *Auditor General Act* requires the Auditor General to report annually to the Legislative Assembly on the financial statements of the government reporting entity, which includes all provincial public sector organizations and trust funds. The Act provides that the Auditor General prepare and submit a plan for approval each year to a parliamentary committee of the Legislative Assembly that sets out the appointment of auditors for government organizations and trust funds to cover the next three fiscal years. The Legislative Assembly has designated the Select Standing Committee on Public Accounts as the Committee for this purpose. The Committee's review of the plan is made in the context of the Auditor General's annual budget, which is considered by the Select Standing Committee on Finance and Government Services each year.

Summary of Proposed Plan

Office of the Auditor General (OAG) staff provided an overview of the proposed plan for the appointment of auditors for the next three fiscal years, which indicates what government entities will be audited by his office and which ones will be done by private auditing firms. One of the goals of the plan is to ensure that the OAG has the right depth and breadth of knowledge about the business of government so that it can focus on areas of greater risk. The plan is also designed to meet Generally Accepted Auditing Standards, or GAAP, which allows the Auditor General to sign an audit opinion on government's summary financial statements.

The plan has three levels of proposed audit coverage for 143 public sector organizations covered in the provincial financial

statements. A first level of low, or "limited," coverage is carried out by private sector auditors, and ensures auditing by contracted firms for 106 organizations in 2022/23, 104 organizations in 2023/24 and 105 organizations in 2024/25 – including most school boards, colleges, and employer associations. For the second level of moderate, or "oversight," coverage, the OAG would arrange for work by private sector auditors with OAG oversight – encompassing 27 organizations for 2022/23, 29 organizations in 2023/24 and 25 organizations in 2024/25, including a rotating selection of school boards, health authorities and Crown corporations. The third level of high, or "direct," involvement, would involve the OAG conducting audits with OAG staff or private sector firms under contract for 10 organizations in 2022/23 and 2023/24 and 13 in 2024/25, including a rotating selection of universities, health authorities and Crown corporations.

The OAG proposed continuing as the direct auditor of five government entities and two subsidiaries where its term exceeds five years and as the direct auditor for the Provincial Employees Community Services Fund, a charitable employee trust collecting provincial employee donations. The trust is the only organization which is not part of the government reporting entity – the OAG charges no fee for this audit.

Committee Inquiry

BC Transportation Financing Authority

Committee Members asked about the OAG's plan to continue as the auditor of the BC Transportation Financing Authority for a term beyond five years. OAG staff indicated that its audit opinion on the organization's financial statements has been qualified since 2011, which increases its assessment of risk.

Use of Third Parties for Auditing Purposes

The Committee queried the OAG's use of third parties in its plan for auditing the provincial financial statements. OAG staff advised that the plan incorporates a rotation of OAG and private sector auditors, with direction to third parties through detailed letters of instruction at the beginning of the audit cycle. OAG staff have developed a good relationship with private sector auditors and meet regularly with them to review audit progress and emerging issues and to ensure the provision of high-quality audit services.

School Districts

In response to a request for detail on the OAG's approach to school districts in the financial statement audit coverage plan, OAG staff advised that the office has a rolling plan for coverage, which includes the three years addressed by the financial statement audit coverage plan and ensures strategic coverage of school districts across the province.

Performance Audits

Committee Members inquired about the OAG's overall approach to managing financial and performance auditing. OAG staff indicated that in addition to the financial statement audit coverage plan, the office has developed a detailed plan for managing anticipated performance audits. The performance audit coverage plan was being merged into the office's annual service plan as a way of streamlining the number of separate reports produced by the OAG.

Site C

The Committee asked for more information on the OAG's approach to auditing the Site C project. OAG staff noted that the office would be auditing BC Hydro's financial statements, which included expenditures for the project, and advised that a report would be released shortly on fraud risk management at the Site C project.

Auditing of Government Boards

Committee Members queried the coverage of government boards such as the Residential Tenancy Branch in the financial statement audit. OAG staff and the Comptroller General indicated that the Residential Tenancy Board is part of the Consolidated Revenue Fund and would be audited as part of the overall provincial financial statements audit and is subject to the guidance, regulations and policies of government.

Selection of Colleges for Direct Audit

Committee Members noted that the plan includes a direct audit of Okanagan College. OAG staff advised that the rotating selection of colleges for direct audit was based on criteria such as size and geographic location to provide strong ongoing coverage across the college sector.

Crown Corporations

Committee Members pointed to the plan's approach of varying coverage of audits for Crown corporations, the process for overseeing audit firm selection and the proposed extension of private sector auditing terms beyond five years. OAG staff explained that the level of coverage reflected size and risk, with smaller or low-risk Crown corporations subject to private sector auditing with OAG oversight. For private sector auditing coverage beyond five years, audit firms are subject to professional standards such as internal partner rotations to ensure effective audit performance.

COMMITTEE DECISIONS AND FOLLOW-UP

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

1. That the Select Standing Committee on Public Accounts, pursuant to sections 10 and 14 of the *Auditor General Act*, endorse the three recommendations listed on page 21 of the *Financial Statement Audit Coverage Plan for Fiscal Years Ending in 2023, 2024 and 2025*, as presented on March 29, 2022.
2. That should amendments to the *Financial Statement Audit Coverage Plan for Fiscal Years Ending in 2023, 2024 and 2025* be required, the Office of the Auditor General return to the Select Standing Committee on Public Accounts with any such amendments.

The Committee requested additional information regarding Crown corporation coverage and future performance audits on the Site C project.

PERFORMANCE AUDIT COVERAGE PLAN (MARCH 2021)

The Committee reviewed the March 2021 OAG report titled, *Performance Audit Coverage Plan 2021/22 to 2022/23*, at its April 26, 2021 meeting. The *Auditor General Act* authorizes the OAG to conduct performance audits on the economy, efficiency and effectiveness of the administration of provincial public sector programs and policies. The Act provides the Auditor General with independence to select which program and policy topics will be audited.

Summary of OAG Report

OAG staff explained that the Performance Audit Coverage Plan for 2021/22 to 2022/23 outlines the OAG's performance audit selection process, current and upcoming audits and changes to upcoming performance audits topics. The most notable change in the report was the OAG's decision to shift from a three-year coverage plan to a two-year plan. OAG staff advised that a two-year schedule enabled the office to better address and react to new developments and priorities such as the impact of the COVID-19 pandemic on provincial government programs and services. The plan also highlighted the creation of an external thought group to provide the OAG with independent insight and experience on audit issues.

The plan listed 17 performance audits which were underway, ranging from dam safety to the procurement of hotels during the COVID-19 pandemic. A further 20 audits were contemplated in the next two years. Overall, performance audits covered a range of issues across government, including programs for marginalized populations such as substance use services, mental health, corrections and legal aid, post-secondary Indigenous education, Indigenous representation in the K-to-12 teaching workforce and Indigenous health services. A total of 20 performance audit topics had been

removed due to new audit priorities and/or reduced relevance and the shift from a three-year plan to a two-year plan.

Committee Inquiry

Shift in Plan Coverage from Three to Two Years

Committee Members inquired about the rationale for shifting the planning of performance audit work from the next three years to the next two years. The Auditor General indicated that the two-year plan provided a tighter approach to performance audit planning, with shorter production times to enable the office to respond to new developments and allocate audit resources to new priorities.

External Thought Leaders

Committee Members sought more information on the external thought leaders group established by the OAG. The OAG explained that the panel of external senior advisors was made up of distinguished individuals from diverse backgrounds and communities. The OAG meets periodically with the group to receive independent information on audit topics of interest. Other legislative auditors such as the Office of the Auditor General of Ontario have similar groups.

Termination of the Independent Power Contract Management Audit

In response to a query about the termination of the independent power project contract management audit, the Auditor General noted the office's shift to a more targeted audit program with shorter timelines for completion. OAG staff added that robust coverage across the hydro sector would be sustained by its BC Hydro financial statement audit work and an audit of the Site C project. If power contract

concerns emerged in the course of work on hydro issues, the OAG could consider taking a closer look at the independent power contract sector.

Diversity and Inclusion

Committee Members requested information about diversity and inclusion perspectives in performance audit work. The Auditor General advised that there was space for examining the administration of the government's diversity and inclusion program in future performance audits and the office would be mindful of diversity and inclusion perspectives as it selected audit topics to ensure coverage across groups with different lived experiences. The external thought leaders group was another mechanism the OAG could use to ensure that audit work was informed by different lived experiences.

Rural Internet Connectivity Audit

In response to a question about the scope of the rural internet connectivity audit, OAG staff reported that the audit was in the planning stage and could examine progress in the administration of the rural internet connectivity program and the potential risks to implementation going forward.

Temporary Foreign Workers Program Audit

Committee Members asked whether farm workers would be covered in the forthcoming audit of the temporary foreign workers program, noting the challenging working and housing conditions experienced by some farm workers and possible program administration difficulties in rural areas. OAG staff reported that work on the audit was at a preliminary stage and took note of the issues highlighted by Members.

AUDITOR GENERAL'S STATUS REPORT (MARCH 2021)

The Committee reviewed the March 2021 OAG information report titled, *Auditor General's Status Report*, at its May 17, 2021 meeting. The report provided an update on 10 performance audits, where eight had been postponed and two had shifted to alternative reporting arrangements.

Summary of OAG Report

OAG staff provided background information on the performance audit work of the office. They advised that the selection of performance audit topics reflected factors such as the OAG's mandate and authority, the significance to Members and the public, the amount of public money spent, complexity and the potential impact of an audit on audited government organizations. A performance audit typically takes 2,300 to 45,000 hours of OAG staff time to complete. This status report was the first of its kind prepared by the OAG which described why certain performance audits had changed course since they were originally communicated to the Committee in a performance audit coverage plan.

OAG staff reported that some health audits were postponed to enable health officials to focus on critical clinical care and COVID-19 responses. In other cases, major program changes, such as the Ministry of Environment and Climate Change Strategy's new business processes for managing hazardous spills and software updates led to a delay in the management of spills audit. As an example of alternative reporting, after planning work started on an audit of gender pay equity in the public service, and the absence of an up-to-date policy meant that the audit could not be concluded, the OAG reported its preliminary findings to the Public Service Agency, including suggestions on additional data the government may wish to collect.

Committee Inquiry

Frequency of Audit Delays

Committee Members inquired about the number of government requests for delays in performance audits and the OAG's consideration of such requests. The Auditor General reported that audit delays generally reflect defensible considerations such as policy or program changes or competing priorities, such as the impact of the COVID-19 pandemic on health operations. The number of audit delays that do not meet the OAG bar for such requests is minimal.

Determination of Audit Cancellations

In response to questions about the process for determining that a performance audit would be cancelled, as in the case of the gender pay equity audit, OAG staff advised that after the audit begun, it became clear that there was an absence of an up-to-date gender pay equity policy and a lack of government data collection and analysis. While the audit was cancelled, the OAG continued to track the government's work in the area. When a gender-based pay equity policy and model emerge, the OAG could consider whether that was an area to come back and audit.

Adapting Audit Work to Changing Policy and Program Conditions

Committee Members sought information on how the OAG adapts performance audit work to changes in the policy environment or shifts in the timeline for the implementation of projects being audited such as the Site C project. OAG staff noted that after the office started planning for a performance audit of the project in 2016, the BC Utilities Commission began a review of the project and therefore the OAG decided

to wait until the review was completed and turned its focus to other work involving BC Hydro, such as the examination of its financial statements which included Site C transactions.

Changes to Performance Audit Priorities in Other Jurisdictions

Committee Members asked about the approach of legislative auditors in other jurisdictions to performance audit planning. The Auditor General indicated that in his experience as Auditor General of Nova Scotia, similar considerations were made as those outlined in the status report. In addition, as the province moves out of the COVID-19 pandemic, audit work on COVID-19 program administration would likely become a new priority.

REPORT ON THE FINANCIAL AUDIT WORK FOR THE 2019/20 FISCAL YEAR (MARCH 2021)

The Committee considered the Auditor General's March 2021 audit report titled, *Report on the Financial Audit Work for the 2019/20 Fiscal Year*, at its May 5, 2021 meeting. The report outlines the results of the OAG's financial audit of the provincial summary financial statements for the 2019/20 fiscal year.

Summary of OAG Report

OAG staff advised that the audit of government's summary financial statements is required by the *Auditor General Act* and provides Members of the Legislative Assembly and the public with assurance about the province's summary financial statements. The government reporting entity is comprised of over 200 entities, with approximately \$59 billion in revenues and expenses, \$102 billion in assets, \$94 billion in liabilities and \$72 billion in debt. Overall, the OAG audit opinion found that the summary financial statements presented the provincial public sector financial position and results in accordance with GAAP except for a qualification about the government's recording of \$5.7 billion in deferred revenue liabilities. OAG staff explained that government's accounting recorded funds received primarily from the federal government for capital projects as deferred revenue rather than revenue, which was inconsistent with GAAP. This was the ninth year in a row that the OAG differed from government on the accounting approach for deferred revenues. New accounting standards are under development by the Public Sector Accounting Board (PSAB), which could provide a basis for resolving this disagreement. OAG staff also stated that the impact of the COVID-19 pandemic would be much larger in the 2020/21 summary financial statements.

Summary of Government Response

The Comptroller General explained that the provincial summary financial statements are prepared in accordance with the *Budget Transparency and Accountability Act*, which requires the government to follow generally accepted accounting principles, supported by regulations of Treasury Board issued under the Act. Office of the Comptroller General (OCG) staff noted that in 2011, when PSAB issued a new standard on government transfers, Treasury Board had issued a regulation to continue the previously existing practice of recording deferred revenues, whereas the OAG believed that contributions from outside sources such as the federal government should be recorded when the funding is received rather than when it is used. OCG staff pointed to a 2016 PSAB publication which concluded that sufficient flexibility existed in the accounting standard to support the approaches taken by the government as well as the OAG. The government had reviewed the issue and decided to maintain its longstanding accounting treatment because, in its view, this best served the public interest for the recording of deferred revenues. The Comptroller General committed to work with the OAG on the development and implementation of a new conceptual framework and reporting model for deferred revenues with the goal of addressing the audit qualification.

Committee Inquiry

OAG Qualification on Deferred Revenues

Committee Members sought additional information on the different approaches taken by the OAG and the government on the recording of deferred revenues. The Comptroller

General noted that the government's approach to recording deferred revenues matched the receipt of revenues with their use. This ensures that the recording of deferred revenues is less affected by sudden changes to federal funding decisions than might be the case if the approach recommended by the OAG was used.

Approaches by Other Jurisdictions

Committee Members pointed to some other jurisdictions which use the BC approach to deferred revenues and asked why legislative auditors had not issued qualifications in those jurisdictions. The Auditor General indicated that he could not comment on the work of other legislative auditors and underlined the OAG's assessment that its qualification was based on a longstanding assessment about the application of generally accepted accounting principles. OAG staff noted that there were discussions underway regarding a new PSAB reporting model for deferred revenues.

Personal Income Tax Revenues

In response to questions about the use of projected personal income tax revenues for the preparation of the provincial financial statements, OAG staff noted that personal income tax revenues were based on two calendar years and final tax information from individuals for both years was not available when the government calculated this figure. As a result, the government prepared an estimate of projected personal income tax revenues using information from the Canada Revenue Agency and economic modelling.

AUDITOR GENERAL'S REPORT ON THE AUDIT OF THE PUBLIC ACCOUNTS – FISCAL 2020/21 (OCTOBER 2021)

The Committee considered the October 2021 OAG audit report titled, *Auditor General's Report on the Audit of the Public Accounts – Fiscal 2020/21*, at its November 25, 2021 meeting. The report outlines the results of the OAG's financial audit of the provincial summary financial statements for the 2020/21 fiscal year.

Summary of OAG Report

OAG staff reported that the audit of the 2020/21 provincial summary financial statements concluded that the public sector financial position was fairly presented in accordance with generally accepted accounting standards in all material respects, except for a qualification on the recording of deferred revenue liabilities received primarily from the federal government for capital projects, as was the case with the OAG's financial audit of the provincial summary financial statements for the previous nine years. As with past OAG financial audits, the office indicated that under its assessment of GAAP the government should record such funding contributions as soon as the purpose of the funds has been satisfied, whereas the government records only a portion of the contributions to align with their use over the life of a project. The report also highlighted other financial issues of interest, including ways public sector organizations could strengthen financial accounting and control.

Summary of Government Response

The Comptroller General and OCG staff indicated that the 2020/21 summary financial statements were prepared consistently with previous years. OCG staff reported that

the OAG qualification on deferred revenues had been raised since the 2011/12 OAG audit of the provincial summary financial statements and indicated that new accounting standards are expected to be approved by PSAB in the next year and implemented within two to three years. OCG staff would work closely with the OAG on the implementation of those standards in due course. While there were no changes in the legislative framework for financial statements and no new accounting standards were introduced, the government had added reporting on COVID-19 pandemic programs spending, which totaled \$10.1 billion in 2020/21. With the onset of the pandemic, government-wide financial controls and reporting for pandemic expenses had been developed and implemented, including robust controls and financial compliance procedures for new and existing services to citizens and organizations. Monitoring of business transactions indicated a low level of risk due to fraud, error or omission and no systemic fraud schemes or loss events had been identified.

Committee Inquiry

OAG Qualification on Deferred Revenues

Committee Members asked about the new conceptual framework and reporting model being developed by PSAB and whether this would provide a way of resolving an important and technical dispute on accounting for deferred revenues. OAG and OCG staff outlined their approaches to the recording of contributions from external sources and indicated that they were continuing to work together on the

development of a new framework and accounting model for deferred revenues.

Developments in Other Jurisdictions

Committee Members sought an update on developments in other jurisdictions on the recording of deferred revenues. OCG staff noted that Alberta, Ontario and Quebec shared the approach used by BC. OAG and OCG staff expressed hope that a new PSAB accounting model would provide an opportunity to resolve this issue.

Fraud Risk Management

Committee Members inquired about fraud risks in the new budget cycle year. The Comptroller General noted that fraud risk was an important issue requiring continuing efforts to ensure that controls, monitoring and compliance procedures responded to new programs such as COVID-19 initiatives.

MANAGEMENT OF MEDICAL DEVICE CYBERSECURITY AT THE PROVINCIAL HEALTH SERVICES AUTHORITY (FEBRUARY 2021)

The Committee reviewed the February 2021 OAG audit report titled, *Management of Medical Device Cybersecurity at the Provincial Health Services Authority*, at its May 3, 2021 meeting. The report evaluated the cybersecurity protections and controls of medical devices by the Provincial Health Services Authority (PHSA).

Summary of OAG Report

OAG staff noted that networked medical devices are an essential part of health care. Since cyberattacks can disrupt medical devices and prevent or delay medical treatment, medical devices and their networks must be secure. The audit examined the PHSA's administration of medical device cybersecurity risk and found that PHSA is not effectively managing cybersecurity risk to all its medical devices to protect patients. In particular, the PHSA lacked many cybersecurity controls for its medical devices. It was not identifying all hardware and software or monitoring systems and devices and therefore could not detect all cybersecurity incidents. It was also not controlling administrative access and, as a result, could not ensure that all access was appropriate.

The audit report recommended that the PHSA: evaluate cybersecurity threats and their potential harm to patients and take appropriate action to identify all hardware and software on its medical device networks and their configurations; monitor all systems and devices on its medical device

networks to identify and act on vulnerabilities; and control all administrative access to systems and devices on its medical device networks.

Summary of Government Response

Ministry of Health and PHSA officials accepted the audit report findings and advised that work was underway to implement all the audit recommendations by September 2022. The PHSA has initiated a project to begin remediation activities to address the recommendations in a phased approach, with the most critical findings to be addressed first. This includes implementing: automated inventory and configuration management process and systems; proactive automated vulnerability and rogue device detection; secure zoning to insulate medical devices from the non-clinical device networks; modernized and enhanced security event monitoring; multifactor authentication for administrative access; and updated security standards with a defined audit and compliance program. This work will be coordinated with other cybersecurity investments underway across the health sector.

Committee Inquiry

Application of IT Asset Management Practices

Committee Members cited a previous audit report about information technology asset management practices

involving a team-based approach to horizontal learning and systemization of cybersecurity and asked if this approach was being used in the health sector. Ministry of Health officials confirmed that the previous audit report had been shared with health authorities, including the PHSA, and advised that a digital information security committee had been established and met regularly to share findings, workplans, and risk assessments of the security of the healthcare system with health authorities. PHSA officials take part in public sector security leadership meetings where they share and leverage best practices from across the public sector.

Implementation of Audit Report Recommendations

Committee Members expressed appreciation for the OAG report and thanked Ministry of Health and PHSA officials for moving forward so quickly on the implementation of the audit report recommendations.

VANCOUVER COMMUNITY COLLEGE: EXECUTIVE COMPENSATION DISCLOSURES AUDIT (MARCH 2021)

The Committee considered the Auditor General's March 2021 audit report titled, *Vancouver Community College: Executive Compensation Disclosures Audit*, at its May 3, 2021 meeting. The audit assessed whether Vancouver Community College's annual remuneration and expense disclosures for executives complied with statutory requirements.

Summary of OAG Report

OAG staff noted that disclosures of employee compensation required under the *Financial Information Act* (FIA) and the *Public Sector Employers Act* (PSEA) are not independently audited before they become public. The audit of Vancouver Community College's (VCC) annual executive compensation and expenses reporting was undertaken to provide assurance that these disclosures complied with statutory requirements. The audit found that in all material respects VCC complied with remuneration and expense reporting requirements and executive compensation disclosure requirements. The disclosures were presented as required by statutes and the VCC board reviewed and approved the disclosures before they were made public. The audit report recommended that VCC: evaluate its approach to preparing the expenses part of FIA disclosures with a view to potential reporting gaps that could prevent complete and accurate expense reporting; review disclosure calculations to identify any potential errors or omissions early in the process; document its approach to preparing disclosures and develop guidance and procedures for staff; and require supervisors to confirm in writing that they have reviewed the supporting documentation for draft

FIA and PSEA disclosures in order to ensure there are no omissions before submitting them for board approval.

Summary of Government Response

The VCC President and CEO informed the Committee that VCC accepted the audit findings and was committed to implementing the audit recommendations by December 2021. VCC was evaluating its approach to preparing the expense part of disclosures for potential reporting gaps, comparing disclosure calculations to identify potential errors or omissions early in the disclosure process, developing guidance and procedures for staff including standard operating procedures and controls, and requiring supervisors to confirm in writing that they have reviewed draft disclosure information before it is submitted to the VCC board for approval. Overall, these changes would improve the way disclosures were prepared and would strengthen internal controls during the preparation process.

Committee Inquiry

Statutory Duplication of Disclosure Requirements

Committee Members noted the disclosure reporting requirements under the *Financial Information Act* and the *Public Sector Employers Act* and asked if there were opportunities to examine whether these requirements could be streamlined or combined. The Auditor General indicated that his office could provide suggestions on duplication issues or the possible consolidation of requirements to improve the overall administration of disclosure. The Comptroller General

stated that the two Acts served different purposes, although there may be future opportunities for government to review and consolidate legislation if appropriate.

Documenting Supervisory Review Before Board Approval

Committee Members sought information on the process for documenting supervisory review of staff work prior to board approval. OAG staff noted that adjustments to documentation procedures would reduce the risk of inadvertent errors. VCC officials pointed to mechanisms in place to address risks, including independent audits, finance and audit committee meetings with the independent auditors, and management letter provisions for appropriate documentation.

MANAGEMENT OF FOREST SERVICE ROADS (NOVEMBER 2020)

The Committee considered the Auditor General's November 2020 audit report titled, *Management of Forest Service Roads*, at its May 5, 2021 meeting. The audit assessed whether the Ministry of Forests, Lands, Natural Resource Operations and Rural Development managed safety and environmental risks on forest service roads in accordance with its policies.

Summary of OAG Report

OAG began by telling the Committee that there were 58,000 km of forest service roads on Crown land in British Columbia built to enable forestry operations and timber harvesting. While forest service roads are not built for public use, they can be accessed for other commercial purposes and by recreational users and serve as vital connections for Indigenous and remote communities. As a result, safety and environmental impacts of forest service roads are important issues across the province. The audit found that the Ministry of Forests, Lands, Natural Resource Operations and Rural Development did not manage safety and environmental risks on forest service roads as required by its policies. Moreover, shortcomings in maintenance work and lack of reliable information led to increased risks to road users and to the environment. The audit report recommended that the ministry develop and implement policies, procedures, and practices to strengthen forest service road information, ensure consistent, effective inspections and maintenance, and improve the administration of road use permit oversight to support robust maintenance of forest service roads.

Summary of Government Response

Ministry officials reiterated the government's commitment to forest service road users and environmental safety and indicated that the audit report and recommendations will help guide their implementation of revised business practices. Work to implement the audit report recommendations has been launched, including a comprehensive review to improve road and bridge inspection, maintenance planning, and project tracking. A new Land Resource Management System project will ensure that forest service roads information is comprehensive, up to date and available to all staff. Most of the work to implement the audit report recommendations will be completed within the next fiscal year, although some elements – particularly road use permit coordination and oversight – will require additional review and will be informed by work to advance other recommendations, before determining next steps.

Committee Inquiry

Forest Service Road Maintenance Funding and Reporting

Committee Members noted that forest service roads are a real concern in rural areas and asked about funding for road maintenance and reporting systems for forest service roads maintenance. Ministry officials recognized the importance of forest road maintenance and explained that the budget for resource roads had increased substantially, including a rural resource road program which was part of the government's StrongerBC Economic Plan.

Audit Methodology

In response to a question about the lack of fieldwork in the preparation of the audit and whether this had an impact on the audit findings, OAG staff noted that the audit team went into the field, including visits to several forest service road sites, during the audit planning phase and followed up with Ministry officials on the effectiveness of controls. The audit focused on the effectiveness of controls to meet forest service road policies and the audit findings and recommendations would not have changed with more extensive fieldwork.

Impact of Climate Change and Natural Disasters

Committee Members asked how forest service road standards were evolving to address the impact of climate change and natural disasters. Ministry officials acknowledged the important implications of climate change and natural disasters and reported on ongoing discussions with engineering teams about the impacts on forest service road maintenance and renewal and the need to develop alternate routes in the case of forest fires or floods. An annual inspection and cataloguing of work also provided opportunities to determine whether engineering and investment changes were required to respond to environmental changes, noting that when structures such as bridges are rebuilt, they incorporate climate change adaptation and mitigation in the engineering specifications.

Recreational Use of Forest Service Roads

Committee Members sought information about how high-value recreation sites were defined and incorporated in forest service road planning. Ministry officials explained that they monitor the usage of recreational sites via forest service roads and were working with the Ministry of Tourism, Arts, Culture and Sport to strengthen data collection on high-value recreational site usage.

AVALANCHE SAFETY ON PROVINCIAL HIGHWAYS (APRIL 2021)

The Committee considered the Auditor General's April 2021 audit report titled, *Avalanche Safety on Provincial Highways*, at its May 31, 2021 meeting. The audit examined whether the Ministry of Transportation and Infrastructure is effectively managing its avalanche safety program to ensure the safety of highway users and to minimize the frequency and duration of avalanche-related road closures.

Summary of OAG Report

OAG staff indicated that approximately 1,600 avalanche paths pose risks to the highway system in BC. The reliability of highways is crucial to the provincial economy and avalanches can cause serious injury or death. The Ministry of Transportation and Infrastructure has established an avalanche safety program delivered through eight field offices across the province, with standards and policies, avalanche hazard forecasting and road closures and avalanche control. In the last 20 years, no snow avalanche-related fatalities have been reported on provincial highways. Over a similar period, both the frequency and duration of highway closures decreased, although this data is highly variable because of annual fluctuations in snowpack and weather conditions.

The audit found that the Ministry is effectively managing its avalanche safety program, ensuring the safety of highway users, and minimizing the frequency and duration of avalanche-related road closures, with some exceptions. The audit report recommended that the Ministry: decide whether the avalanche safety program has sufficient head office staff to effectively oversee avalanche control activities; identify avalanche control infrastructure investment needs in a long-term provincial plan based on avalanche safety program

objectives; update the province-wide avalanche hazard index, or a similar tool, to ensure that future capital projects mitigate the most significant risks to highway safety and reliability; record incident data and track and follow up on incident report recommendations to ensure that actions have been considered or taken; complete the Weather Services Transformation Project, or implement a similar project, to streamline and improve avalanche data collection; and define performance measures, set targets and monitor its performance against avalanche safety program objectives and intended outcomes.

Summary of Government Response

Ministry of Transportation and Infrastructure officials accepted the audit conclusions and reported that implementation of audit recommendations was well under way and would be completed by fall 2023. A review of head office staffing requirements had been finalized and new staffing positions would be posted by the summer; avalanche risk mitigation projects were being identified and prioritized; a review of industry best practices would support the updating of the Ministry's avalanche hazard index; incident data processes and tracking would be strengthened by fall 2021; an avalanche and weather services update was scheduled for completion in fall 2022; and best practices for avalanche program performance measures were being examined to improve performance measures and targets by fall 2023.

Committee Inquiry

Definition of Avalanche Incidents

Committee Members asked how the Ministry defined an avalanche incident and about the relationship between avalanche incidents and highway closures. Ministry officials explained that an incident is defined as an avalanche which happened on an open highway, including a secondary highway, rather than a closed highway.

Collaboration With Other Ministries

In response to questions about the Ministry's collaboration with other ministries to identify more avalanche paths, Ministry officials indicated that they work with officials in resource and industry ministries to identify avalanche risks and minimize impacts on economic sectors and populations across the province.

Head Office Staffing Requirements

In response to comments about the audit report recommendation to address head office program staffing requirements, Ministry officials acknowledged the importance of timely head office staffing and advised that outstanding staffing requirements would be fulfilled by fall 2021.

Use of Remote Devices

The Committee inquired about the use of remote devices, including sensors and radar technologies, to enhance avalanche monitoring and forecasting. Ministry officials noted that approximately \$9 million has been spent over the last ten years to install remote devices across the province. Radar technologies were used to provide information on the volume, speed and reach of avalanches to reduce avalanche risks, provide information or warnings to the public, and determine whether road closures were necessary. In addition, remote avalanche control devices were used to trigger avalanches in a controlled environment to minimize or avoid incidents, safety threats and road closures.

MANAGEMENT OF THE CONSERVATION LANDS PROGRAM (MAY 2021)

The Committee considered the Auditor General's May 2021 audit report titled, *Management of the Conservation Lands Program*, at its June 21, 2021 meeting. The audit examined whether the Ministry of Forests, Lands, Natural Resource Operations and Rural Development has effectively managed the Conservation Lands Program to conserve habitats for significant fish and wildlife species such as species at risk and migratory birds.

Summary of OAG Report

OAG staff began their presentation by noting that British Columbia has the greatest diversity of native fish and wildlife in Canada. The Conservation Lands Program contributes to government's strategy to maintain diversity through conserving some of the most biologically productive estuaries, wetlands and grasslands in the province. The audit concluded that the Ministry had not effectively managed the Conservation Lands Program to conserve important habitats. While the Ministry had identified the species and habitats it aims to conserve and designated conservation lands as wildlife management areas, the program lacked strategic direction. In particular, most wildlife management areas lacked current or approved management plans, the regions had not ensured that activities on administered conservation lands were compatible with management objectives, the inventory of conservation lands was inaccurate and the Ministry had not monitored and reported publicly on the effectiveness of the program. The audit report recommendations focused on: improvements to ensure the program's strategic direction; increasing direction to staff to collaborate with Indigenous peoples; revising all outdated management plans for wildlife management areas; resolving

threats to the most at-risk conservation lands; improving tracking of inventory; and monitoring and reporting publicly on the effectiveness of the program.

Summary of Government Response

Ministry of Forests, Lands, Natural Resource Operations and Rural Development officials highlighted the importance of partnerships to the Conservation Lands Program. The program recently secured significant federal funding in partnership with Indigenous Guardians. In 2017, all provincial program areas were directed to review policies, programs, and legislation to determine how to bring the principles of the UN Declaration on the Rights of Indigenous Peoples and the Calls to Action of the Truth and Reconciliation Commission into action. In this context, Ministry officials accepted the audit report recommendations and outlined work to implement them. The Together for Wildlife Strategy has committed action and funding toward revitalizing and improving the Conservation Lands Program; a provincial strategic plan is being prepared with regional implementation plans, which will include direction to collaborate with Indigenous peoples in all aspects of the Conservation Lands Program; a planning framework is being developed to guide resourcing needs; guidelines will be developed to reduced unauthorized use in the most at-risk conservation lands; improved inventory, accuracy and tracking of infrastructure and data have been launched; and performance measures and targets will be included in the provincial strategic plan and reported on publicly on an annual basis as part of the implementation of the Together for Wildlife Strategy.

Committee Inquiry

Management Plan Timeline

Committee Members sought information on the timeline for the development of the management plan for wildlife management areas. Ministry officials explained that the first step in developing the management plan is the development of a partnership framework, to be completed by 2022, which will include priorities areas, criteria, and annual targets. The most critical areas will receive attention first, with full implementation planned by 2029 given the large number of wildlife management areas. Since the program is based on collaboration with Indigenous and other stakeholders, extensive consultation and collaboration is required.

Overlap With Non-profit Organizations

When questioned about the overlap of the oversight of maintenance by non-profit organizations such as Ducks Unlimited Canada, Ministry officials noted that there are agreements in place with non-profit organizations responsible for building and maintaining infrastructure such as dams. The Ministry has approximately 130 site agreements with Ducks Unlimited Canada.

Performance Measures

Committee Members inquired about performance measures to be included in the provincial strategic plan and reported on publicly on an annual basis as part of the Together for Wildlife Strategy performance management framework. Ministry officials indicated that many regional plans already have performance measures as part of existing partnerships. Provincial performance measures could draw on this experience to align with the provincial strategic plan.

Collaboration with Indigenous Stakeholders

In response to queries about the Ministry's goal to increase collaboration and consultation with Indigenous stakeholders prior to the development of the provincial strategic plan, Ministry officials advised that they were working closely with Indigenous stakeholders and the provincial strategic plan would be based on consultation with and input from Indigenous stakeholders.

Unauthorized Recreational Activities

The Committee expressed concerns about increased unauthorized recreational activities in wildlife areas due to travel constraints related to the pandemic. Ministry officials confirmed that there has been an increase in outdoor recreational activities by British Columbians, noting that applications for licenses for fishing and hunting have increased during the pandemic. They explained that inappropriate, unauthorized or conflicting use of conservation lands could be addressed by improved communications and signage as well as compliance and enforcement tools.

Species Management

Committee Members asked how species management is incorporated into conservation land management. Ministry officials noted that government distinguishes between species at risk recovery versus broader wildlife management objectives. Often, with species at risk recovery, like the caribou recovery program, specific tools and measures are applied, such as temporary protections, to get species back to healthy levels. Other management tools include predator management and the oversight of winter recreation across the province. More broadly, Together for Wildlife provides a framework for achieving wildlife outcomes in the province.

Strategic Plans as Living Documents

The Committee asked about the Ministry's ability to be flexible in adapting strategic plans to changing data or information, such as species at risk or emerging wildlife challenges in different regions of the province. Ministry officials stated that ongoing performance reporting and monitoring are integral to ensuring planning processes stay up-to-date. Regular reporting also enables science to drive information and decisions on habitats and supports the updating of strategic plans.

COMMUNITY LIVING BC'S FRAMEWORK FOR MONITORING HOME SHARING PROVIDERS (JUNE 2021)

The Committee considered the June 2021 audit report titled, *Community Living BC's Framework for Monitoring Home Sharing Providers*, at its October 5, 2021 meeting. The audit examined whether Community Living BC (CLBC) had implemented a monitoring framework to ensure that home sharing providers meet contract requirements for service delivery and quality-of-life outcomes for people in care.

Summary of OAG Report

The Auditor General explained that home sharing is the main form of residential support for adults with intellectual and developmental disabilities that is funded by CLBC. These individuals receive support from CLBC based on their needs and goals. Approximately 4,200 people lived in a home sharing provider's home in 2018-19, the period examined in the audit.

The audit concluded that CLBC had not implemented a monitoring framework to ensure that home sharing providers aligned their service delivery to further quality of life outcomes for people in care and complied with contracted standards and service requirements. The audit report made recommendations to help CLBC ensure that home sharing providers understand what they must do to deliver particular quality-of-life outcomes. The audit recommended the establishment of a monitoring framework to ensure that programs and services align with legislation, regulations, policy goals and program objectives. In addition, the audit recommended that the monitoring framework be implemented to ensure that programs are working as

intended, with periodic evaluations to promote continuous improvement by identifying program gaps and weaknesses and ways to correct them.

Summary of Government Response

Ministry of Social Development and Poverty Reduction officials and the CEO of CLBC indicated that the government accepted the audit recommendations to implement a monitoring framework for home sharing to ensure quality-of-life outcomes which comply with legislation, regulations and policies for individuals who live in home sharing arrangements and to increase the sustainability of the delivery of home sharing in the future. CLBC's top priority is the safety and wellbeing of those it serves, and the organization is committed to continuing to enhance monitoring, follow-up and critical incident responses.

CLBC plans to undertake a project to develop, test and implement requirements for home sharing providers that support positive quality-of-life outcomes and to conduct a yearly survey to measure quality-of-life among the individuals it serves and publicly release the survey results. As part of its commitment to continuous quality improvement, CLBC is taking additional steps to verify and document compliance with standards and service requirements for home sharing providers and is introducing new standards for the coordination of shared living, which will be documented and verified in a timely way. A new online data system for tracking monitoring visits, outcomes and follow-up activities was launched in May 2020. Compliance monitoring has improved,

with monitoring completed for 98 percent of direct contracted home sharing arrangements and 93 percent of agency coordinated shared living in the 2020/21 fiscal year.

Committee Inquiry

Qualitative Measures for Outcomes

In terms of Members' questions regarding how to measure qualitative aspects or outcomes related to the lives of those living in home support arrangements, the CEO explained that while quantitative aspects are more easily measured through traditional methods, the annual quality-of-life survey includes information regarding qualitative aspects such as general wellbeing, self-determination, social inclusion, rights and personal development as reported by the self-advocates who complete the survey. CLBC can adjust services or target professional development to address any lagging indicators based on survey results.

Flexibility for Contractual Requirements

The Committee wanted to know how contractual requirements with home support providers could be clearly defined and flexible enough to apply to a variety of circumstances. The CEO of CLBC indicated that contractual requirements reflect a variety of factors, including self-determination, social connections, and general quality-of-life for individuals in home support arrangements and advised that individuals who live in home support arrangements, advocates and home support providers are engaged in the development of program and service delivery requirements.

Supports for Home Sharing Providers

Noting the important role that home support providers play in providing care and support for the individuals who live with them, Committee Members asked about assistance for home support providers, including respite services. The CEO of CLBC pointed to a guide for support allocation for home support providers that recognizes that the level of support required depends on the disabilities that an individual in their care may have. Individuals with more comprehensive disabilities require more care and may have a spectrum of needs that

must be met. CLBC seeks to ensure that appropriate supports are in place for home support providers so that they can continue to provide care in a sustained and reliable fashion.

Accreditation Standards for Home Sharing Arrangements

In response to the questions about accreditation of home support providers, the CEO of CLBC explained that the organization recognizes the Commission on Accreditation of Rehabilitation Facilities and the Council on Accreditation for accreditation. Agencies are evaluated for accreditation on a three-year basis as part of a rigorous process encompassing the lived experiences of individuals who receive home support.

Balance for Home Sharing Providers

When asked about the administrative burden on home support providers, the CEO of CLBC noted that CLBC has coordinators who monitor home support providers to confirm that standards are met without undue administrative burdens.

Regional Representation for Audit Samples

Committee Members sought detail on the audit sample and the consideration of regional representation in the preparation of the audit report. OAG staff indicated that regional distribution of home support providers and home-sharing agencies was considered to ensure comparability based on information provided by CLBC. In terms of service delivery standards, standardized monitoring of home support providers was done regionally by CLBC through agencies in the regions they monitored, and a new CLBC online data system incorporated information collected from provincial and regional standpoints.

CLBC's Relationship with the Ministry of Social Development and Poverty Reduction

Committee Members wanted to know more about CLBC's relationship with the Ministry of Social Development and Poverty Reduction. The CEO of CLBC pointed to a Reimagining Community Inclusion consultation that took place in 2018, which led to the development of four priorities for adults with

disabilities: employment; health and wellness; Indigenous services; and housing. To follow up on this development, four working groups involving CLBC and Ministry staff were established and meet regularly to promote continuous improvement and alignment on priorities and service quality standards for people with disabilities. Organizational processes, such as mandate letters and service plans, also reinforced collaboration between CLBC and the Ministry.

UPDATE ON THE CONNECTING BRITISH COLUMBIA PROGRAM (JUNE 2021)

The Committee considered the June 2021 information report titled, *Update on the Connecting British Columbia Program*, at its October 6, 2021 meeting. The report provides information on the Connecting British Columbia program which funds internet infrastructure in rural and remote areas of the province.

Summary of OAG Report

OAG staff reported that high-speed internet was increasingly essential to education, health care, public safety, justice, economic development and daily life. The province faces a digital divide, with urban areas having high-speed internet, but 60 percent of rural and remote communities and 62 percent of Indigenous rural and remote communities lacking adequate internet access. The Connecting British Columbia program was initiated in 2015 with funding from the Ministry of Citizens' Services and administration by Northern Development Initiative Trust. The Ministry has provided \$190 million in funding to this program since 2015. The OAG had planned to prepare a performance audit on the program but shifted its approach to an information report when the government extended the timelines for the program.

The report focused on phase 3 of the program, launched in 2019 with \$50 million in funding, to achieve a goal of providing 58 percent of rural and Indigenous communities with access to high-speed internet by 2025 and phase 4, initiated in 2020 with \$90 million as part of the StrongerBC Economic Plan, to provide service along 140 km of highway. The report indicated that phase 3 had so far committed \$48 million for 85 projects expected to benefit over 29,000 households, while phase 4 had committed almost \$85 million for 55 projects to benefit over 32,000 households in 224

communities and provide 429 km of new cellular coverage on highways. The report also outlined external challenges facing the Ministry and Northern Development Initiative Trust, including complex construction, federal funding timelines and the need for internet service provider participation.

Summary of Government Response

Ministry of Citizens' Services officials acknowledged the information report and advised that the government is continuing to improve connectivity for as many British Columbians as possible. Program timelines had been adjusted to align with federal government programs to maximize the leveraging of federal funding for projects in the program. In addition, program timelines had been adjusted to accommodate the ability of internet service providers to deal with supply chain issues brought on by the COVID-19 pandemic and wildfires in the province. To keep Members of the Legislative Assembly and the public informed about the program's progress, Ministry staff will maintain a publicly available list of approved and announced projects organized by phase with a map showing information about project locations and status. Ministry officials were working closely with federal partners to expedite funding decisions as government funding can help improve the business case for internet service providers in rural and remote areas. The government was also exploring options to expedite hydro pole attachments and working with the telecommunications industry to address concerns about infrastructure requirements.

Committee Inquiry

Connectivity Mapping

Committee Members asked about publicly available information on how high-speed connectivity was being implemented and whether online mapping might be used to show areas which have received this technology and which areas are slated for future development. Ministry officials indicated that they are working on a new connectivity map that will enable local governments and interested individuals to see where high-speed internet connectivity is in place.

Funding for Indigenous Communities

When asked about the availability of federal funding for Indigenous communities, Ministry officials noted that Indigenous communities are often located in rural and remote areas which has presented a challenge for ensuring internet connectivity. In terms of federal funding, the province was negotiating with the federal government on a funding ratio where the federal government would match each dollar spent by the provincial government.

Equal Access and Sustainability

Committee Members queried the sustainability of connectivity in rural and remote communities and considerations about equal access for all members of a community. Ministry officials indicated that they were working with BC Hydro to address barriers to equal access for individuals in remote and rural communities.

Internet Service Provider Challenges

In response to questions about the business case challenges for internet service providers to extend service to low density and remote areas, Ministry officials pointed to terrain and geography considerations for some remote and rural areas, the lack of electrification along some rural highways, interruptions to supply chains due to the COVID-19 pandemic and natural disasters such as flooding or forest fires. Federal and provincial grants to internet service providers have been useful for supporting the business case for rural and remote installations and service continuity.

Other Technological Solutions for Small Communities

When asked about the challenges faced by small communities in qualifying for grants to help make it financially feasible for internet service providers to install the necessary infrastructure in smaller communities, Ministry officials noted the potential use of options such as low-earth-orbit satellites to enable internet access and coverage where more traditional technologies may not be financially or geographically feasible.

OVERSIGHT OF DAM SAFETY IN BRITISH COLUMBIA (SEPTEMBER 2021)

The Committee considered the September 2021 OAG audit report titled, *Oversight of Dam Safety in British Columbia*, at its October 13, 2021 meeting. The audit examined whether the Ministry of Forests, Lands, Natural Resource Operations and Rural Development has effectively overseen the safety of regulated dams.

Summary of OAG Report

OAG staff advised that there are approximately 1,900 regulated dams owned by people across the province, which provide electricity, irrigation and flood control. Dam failures can be catastrophic for people, property and the environment and need to be properly maintained to minimize risks. The Ministry of Forests, Lands, Natural Resource Operations and Rural Development is responsible for dam oversight, which includes promoting, verifying, and enforcing dam owners' compliance with regulatory requirements.

The audit of provincial oversight of dam safety found that the Ministry has not effectively overseen the safety of dams. While dam owner compliance with regulatory requirements was promoted, verification and compliance were not handled effectively. Ministry information on dams contained gaps and inaccuracies; 45 percent of dams were not audited on schedule; there were backlogs of reports to be reviewed by dam safety officers, with some reports awaiting review for up to eight years; regulatory requirements were not always enforced; follow up on deficiencies was uneven; and there was room for improvement in information and performance reporting.

Summary of Government Response

Ministry of Forests, Lands, Natural Resource Operations and Rural Development officials reiterated the government's commitment to good dam oversight and minimizing risks such as damage to the environment, property and loss of life. The Ministry accepted the audit findings and outlined work underway to implement all the audit report recommendations, including strengthened policies, processes and procedures, improved performance reporting, the hiring of new dam safety staff, updates to the organizational structure of the dam safety program, action plans to enhance oversight of dam owners, increased outreach, education and training to ensure that dam owners understand and are meeting their obligations, and the use of remote sensing to identify problems at dams more quickly. A program is also being developed to provide targeted financial support to address compliance issues for smaller dam owners.

Committee Inquiry

Definition of a Dam

Committee Members sought information on the Ministry's definition of a dam and how natural dams created by wildlife and agricultural dams created by farmers or ranchers were handled. Ministry officials indicated that the definition of a dam comes from the dam safety regulation which states that a dam is "a barrier constructed for the purpose of enabling the storage or diversion of water diverted from a stream or aquifer, or both." The regulation stipulates that there are regulated and unregulated dams, with regulated dams falling under a schedule for surveillance, monitoring and reporting. Ministry officials indicated that additional information and

the use of graphics could enhance public understanding of dam requirements under the regulation.

Dams Related to Mining Activities

The Committee noted that dams related to mining activities were not included in the audit and asked if the OAG planned to audit these dams. Ministry officials advised that mining dams can present a higher risk in some cases and that mining inspectors from the Ministry of Mines are responsible for conducting inspections of mining dams. The audit team indicated that there are no plans to conduct a detailed audit of mining dams and suggested that the Ministry of Mining could examine how the recommendations in the audit under discussion could apply to the administration of mining dam safety.

Non-compliance Issues

Pointing to the audit finding that the owners of 25 out of 87 highest risk dams were not actively addressing compliance issues, Committee Members asked about processes for ensuring compliance and enforcement. Ministry staff outlined the dam safety compliance framework and stated that no dams were identified as having a risk of imminent failure due to non-compliance and, were this to be the case, dam safety officers are authorized to take actions to address such situations. Ministry staff noted that the resolution of some safety issues was subject to large capital investments and

long timelines for completion. For high-risk deficiencies such as seismic weaknesses, seepage, or undersized spillways, qualified professionals could help dam owners complete their safety reports and resolve deficiencies. In situations where high-risk dams pose an imminent safety threat, Ministry staff can be authorized to take immediate action and to seek the recovery of costs from the dam owner.

Groundwater Licensing

Committee Members inquired about the connection between groundwater licensing and whether there are many instances of unauthorized use of groundwater by dam owners, and if so, what is being done to rectify this issue. Ministry staff noted that there were very few dams affected by groundwater licensing issues and there were initiatives underway to address groundwater licensing issues and ensure better compliance, including the possibility of enforcement strategies.

Remote Sensing and Unauthorized Dams

Committee Members requested more detail about the use of remote sensing technology to identify unauthorized dams. Ministry officials explained that satellite data and imagery were used for forest management in the province and the Ministry was leveraging this experience to use new technologies to identify new bodies of water and possible new dam construction.

COMMITTEE FOLLOW-UP

The Committee requested additional information regarding regulatory responsibilities, compliance, and measuring dam height. This information was distributed to Committee Members at the Committee's November 25, 2021 meeting and posted on the Committee's website.

PUBLIC SECTOR ACCOUNTING BOARD

PROPOSED REPORTING MODEL

The Committee considered a request for comments from the Public Sector Accounting Board (PSAB) on its proposed financial statement reporting model at its June 24, 2021 meeting.

The Auditor General and OAG staff briefed the Committee on the work of PSAB as the setter of accounting standards for governments and public sector organizations across Canada. To follow up on a 2020 PSAB decision to bring Canadian standards in line with recent changes to international public sector accounting principles, PSAB adjusted its accounting framework to provide a greater emphasis on information for accountability purposes. To follow up on the 2020 decision and the accounting framework adjustment, PSAB is proposing to split liabilities into two categories – financial and non-financial liabilities – and to make a corresponding redefinition of net debt to net financial liabilities or assets. PSAB solicited feedback from the public sector accounting community across the country, including the Committee, on the proposed reporting changes. Overall, the OAG indicated that the new reporting model is an improvement given its consistency with emerging international standards and the enhanced focus on accountability in financial statements.

The Comptroller General echoed the OAG's perspective on the proposed PSAB reporting model and advised that the proposal reflects the government's advocacy for better representation of non-financial assets and liabilities in public sector financial statements.

Committee Members discussed the PSAB proposal with OAG staff and the Comptroller General, including the strengthened accountability features and the clearer presentation of financial and non-financial information in public sector financial statements. Members shared the view of OAG staff

and the Comptroller General that PSAB's initiative to engage public accounts committees on the proposed reporting model was a positive development given the importance of the Committee's ongoing role in considering the provincial summary financial statements.

Committee Members concluded the discussion by asking the Chair and Deputy Chair to respond to PSAB on behalf of the Committee by stating their appreciation for the opportunity to provide input, highlighting the interest of Members in the increased reporting on financial and non-financial transactions, and expressing support for the proposed reporting model.

FOLLOW-UP PROCESS

The Committee has established a robust follow-up process which requires audited organizations to submit an annual status report to the Committee outlining progress made on implementing OAG report recommendations. The follow-up process supports the Committee's work in promoting ongoing accountability and improvement of public sector administration. In 2015, the Committee, in collaboration with the OAG and the Comptroller General enhanced the follow-up process by introducing annual "Action Plan Progress Assessments" (APPAs). These self-assessments would be provided by audited government organizations with details and timelines on how the audited organization plans to implement audit report recommendations. In spring 2021, the Committee received 35 APPAs, with a further two APPAs provided by the Ministry of Health later in the year.

On June 7, 2021, the Committee had an initial discussion about the 2021 APPAs. The Comptroller General and the Auditor General observed that the number of APPAs had grown considerably in recent years. The Auditor General suggested the development of a "streamlined cleanup process," particularly for audits prepared before 2020. Drawing on his experience supporting the Nova Scotia Public Accounts Committee, the Auditor General suggested a structured cleanup process could include an assessment from his office of fully implemented audits and the preparation of "one-pagers" from audited government organizations on APPAs with uncompleted recommendations that were more than three years old, which his office could review and advise the Committee as to whether further requests for APPAs are required. The Committee agreed to refer the 2021 APPAs to the Subcommittee on Agenda and Procedure to review and provide recommendations on next steps.

The Subcommittee met on June 14, 2021 and developed a proposed process outline involving more information and

advice on the APPAs from the OAG and audited government organizations to assist Members with their evaluation of the 2021 APPAs.

On November 25, 2021, the Committee considered the Subcommittee's proposed process along with additional information provided by the OAG and audited government organizations. The OAG advised that of the 14 APPAs reported by audited government organizations as fully implemented, seven have a low risk of not being fully implemented and could be removed from future requests for APPAs; the other seven APPAs may have specific audit recommendations requiring outstanding actions or not meeting expectations. The Auditor General provided more detail on the model he developed as Auditor General of Nova Scotia, involving an annual report to the Legislative Assembly with review-level assurance on the recommendations that are indicated as being fully implemented, which would provide the Committee with greater confidence that recommendations have been implemented.

On March 7, 2022, the Committee had a more detailed discussion about the 2021 APPAs. Committee Members agreed that the seven APPAs reported as self-assessed by audited government organizations and which the OAG also considers to be fully implemented should be removed from the 2022 APPAs process. The Committee also agreed to send correspondence to the OAG expressing interest in the Nova Scotia model.

The Committee met on March 31, 2022 with the Auditor General and the Comptroller General to discuss the Nova Scotia model. The Auditor General outlined an approach based on the Nova Scotia model whereby the OAG would provide the Committee with enhanced follow-up information beginning in fall 2023. The additional information would

take the form of an annual report with assurance on the implementation of completed recommendations for audit reports prepared in 2020 and thereafter (coinciding with the Auditor General's 2020 appointment). The OAG would request that audited government organizations provide annual updates on the implementation of audit report recommendations by March 31 of each year to assist in the preparation of the annual report. In response to questions from Committee Members, the Auditor General confirmed that follow-up on older audit reports would not be covered by the new annual reporting model.

