

BACKGROUND

For Immediate Release
August 25, 2010

AUDITOR GENERAL RELEASES COMPENDIUM ON FINANCIAL MANAGEMENT

The Auditor General's latest report, *Aspects of Financial Management*, contains the findings and recommendations of four separate projects. Of these, three relate to the effective management of working capital. The final project examines the topic of fraud prevention in central government.

Managing working capital includes monitoring when cash will be available and required to meet obligations. Good financial management aims to maintain adequate working capital to meet day-to-day operational needs and minimizes the costs and risks associated with holding more working capital than is needed at any one time. By keeping working capital levels within a reasonable range of what is required to operate, government could invest surplus funds to maximize their investment return or use it to reduce its debt.

Management of Working Capital by Colleges and School Districts

Colleges and school districts were chosen for this project because it had been noted, through the Office's financial statement work, that their cash and short-term investment levels were high relative to their annual expenditures and other government sectors.

Overall, the majority of school districts were found to be holding more cash and short-term investments than needed, with government providing funds in excess of their cash flow requirements. In general, government needs to either strengthen the working capital requirements of these entities, or centralize some aspects of cash management in these sectors.

Year-end Government Transfer Expenditures

This audit explored government's management and control over public money with specific focus on the fiscal year-end (March). In particular, the project examined whether the push to make use of any unspent budgeted funds might lead to a lapse in effective money management. To do so, the audit team focused on government transfers made in March as they make up a significant portion of government expenditures and demonstrate the sharpest spending increase.

In general, funds were spent with appropriate approval and in accordance with formal agreements and eligibility criteria. However, there were some spending decisions motivated by budget availability instead of by immediate need. The audit provides three recommendations regarding year-end financial management.

Infrastructure Grants

This audit examined the ministries of Transportation and Community and Rural Development's administration of several community infrastructure programs. Since 2001, these ministries have allocated more than \$900 million in federal and provincial funding and, since the Province does not directly receive goods or services in return for this funding, it is essential that these programs be properly managed to ensure appropriate and accountable spending. The audit found numerous good management practices in place, such as programs designed to ensure that projects provide value, potential applicants being well-informed, and applications being consistently appraised.

However, there were also areas for improvement. In the planning phase, success factors for the programs are not being quantified and the risk management strategy is undocumented. Some projects that were not recommended for funding still received funding, and accountability for funding was weakened in March 2009 in some provincial programs. Finally, monitoring procedures are inadequate, and the program and project results are not being reviewed or publicly reported.

Managing Fraud Risks in Government

Sound fraud risk management is critical if government is to protect public assets. This project set out to look at the quality of fraud risk management guidance being used by the public sector in British Columbia. However, when no such generally accepted guidance was available or in use across the province, the focus shifted to developing good practice principles around fraud risk management in the public sector.

The issuance of these principles is the first phase of planned work in this area. The next phases will include comparing the government's performance to the five good practice principles, or against future guidelines government may develop and implement.