

RESPONSE
to the
1980 REPORT
of the
AUDITOR GENERAL

November 1981



Province of British Columbia
Ministry of Finance

ERRATA

- p. 20 - reference number should read 'p. 126, 9.107-9.110'.
- p. 21 - second paragraph, 'ben' should read 'been'.
- p. 28 - reference number should read 'p. 132, 9.140-9.143'.

350.11

Response to the Auditor General
Report - 1980 - Ministry of
Finance - Province of B.C.

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Statement by The Honourable Hugh A. Curtis on the Auditor General's 1980 Report

In early April, I made a statement to the House, on the Auditor General's 1980 report, her third report to the Legislature since the *Auditor General Act* was passed in 1976.

In that statement, I described the progress made in implementing the major 1978 and 1979 recommendations of the Auditor General. I also reported that I had instructed the Comptroller General to ensure that appropriate steps be taken to implement her 1980 recommendations wherever possible and to work closely with the Office of the Auditor General and the ministries during the 1981/82 fiscal year to further strengthen financial management practices throughout government.

As promised in my April statement, I am now providing the Legislature with a report, attached, which outlines the actions government has taken in response to the Auditor General's 1980 report. Clearly, a great deal of progress has been made and the Offices of the Auditor General and the Comptroller General, and all the ministries involved, are to be commended for their work. Of course, further progress has to be made and I urge the continuation of the cooperative effort which, I am sure, will lead to British Columbia's pre-eminence in the area of financial management, control and reporting practices.

A handwritten signature in black ink, appearing to read 'H.A. Curtis', with a long horizontal flourish extending to the right.

Hugh A. Curtis
Minister of Finance

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Management Overview

The Auditor General's 1980 report, her third since the *Auditor General Act* was passed in 1976, was tabled in the House in late March 1981. In a statement to the Legislature on April 2, 1981, the Honourable Hugh A. Curtis spoke highly of the role which the Auditor General has played during the past three years both in auditing the financial statements of the province and in identifying areas where improvements are called for in the management of the province's financial affairs. Mr. Curtis stated his intention of continuing to work diligently to upgrade the quality of the government's financial management systems, and to continue to work in close cooperation with the Auditor General "to ensure that British Columbia's accounting and financial control systems are second to none".

This report, prepared by the Ministry of Finance, documents the government's progress in meeting that challenge, and forms the government's response to each point raised by the Auditor General. It is regarded as part of the process of cooperative dialogue between the government and the Auditor General. Prepared in consultation with all ministries affected by the Auditor General's report, it will be circulated to all ministries and will provide a current yardstick against which further improvements can be measured. In fulfillment of a commitment made by the Minister, the report is also being provided to the Legislature so that it may be appraised of the specific actions government has taken in response to the Auditor General's recommendations.

Organized in a similar way to the Auditor General's report, this document highlights the significant progress made by government in implementing the major recommendations contained in her 1978 report and repeated in her 1979 and 1980 reports, namely—the development of new financial legislation; the establishment of new and consistent accounting policies; improved financial statement presentation, and disclosure, especially of guaranteed debt obligations; and improved and strengthened financial internal control systems throughout government.

Also reported on, are the actions taken in response to comments arising out of the Auditor General's 1980 audits of Public Bodies and of the Ministries of Finance; Lands, Parks & Housing; Education, and Human Resources.

Mr. Curtis also reported that he had instructed the Comptroller General to ensure that appropriate steps were taken wherever possible to implement the Auditor General's recommendations and to work closely with the Office of the Auditor General and the ministries during the coming fiscal year to further strengthen financial management practices throughout the government. This report documents the government's progress in meeting the challenges laid down by the Minister, and forms the government's response to the criticisms, observations and recommendations of the Auditor General.

Please note that cross-references to the Auditor General's 1980 report are included in the right-hand margins of this document.

A. NEW FINANCIAL LEGISLATION

Section,
SubsectionAuditor General's
Reference
(1980 Report)**A. NEW FINANCIAL LEGISLATION**p.7
p.28

As noted in her 1980 report, one of the Auditor General's most serious concerns has been the outdated financial legislation of the province. Her report commended "the action initiated during the past year to meet these needs."

The process of developing new legislation is now complete. The *Financial Administration Act* developed to replace the outdated *Revenue Act* and *Financial Control Act* proceeded from draft form in August 1980 to receiving Royal Assent on July 7, 1981. On July 23, 1981 sections 1 to 7, 8(1), 68 and 70 of the Act were proclaimed. The remaining sections of the Act are expected to be proclaimed by the end of December 1981.

Consultation was an outstanding feature of the process which led to the Act. The Task Force on the *Financial Administration Act* appointed in October 1980 by the Honourable Hugh A. Curtis, Minister of Finance, held several meetings and public hearings and received written submissions from more than 200 individuals, organizations and groups. The Auditor General played an important role during the review process by advising the Task Force and the Ministry of Finance on both the structure and content of the proposed legislation.

In February 1981, the Task Force published its report which guided the Act's development. The resulting Act reflects the major functional divisions of government financial management, i.e. revenues, expenditures, assets, and liabilities. Also as a result of the Task Force's recommendations, an important new part (Part 2 Organization) was added to the Act to specify the responsibilities of the Treasury Board, Ministry of Finance, and the Comptroller General.

Preparation of regulations began in March 1981. Existing regulations were reviewed and disposition determined, and regulations, directives and Orders in Council subsequent to the passage of the Act were recommended and passed concurrent with the new *Financial Administration Act*.

The new *Financial Administration Act* provides British Columbia with the most modern financial administration legislation in Canada. It also provides an effective legislative framework for the control and management of the resources administered by government on behalf of the people of British Columbia.

B. NEW ACCOUNTING AND FINANCIAL ADMINISTRATION POLICIES

Section,
SubsectionAuditor General's
Reference
(1980 Report)**B. NEW ACCOUNTING AND FINANCIAL ADMINISTRATION POLICIES**p.9
p.28

Coincident with the drafting of the *Financial Administration Act*, the Ministry of Finance undertook to establish comprehensive descriptions of accounting and financial administrative policies.

**B1. Accounting policies
and practices**

In August 1981, Treasury Board approved new accounting policies to be reflected in the presentation of the 1980/81 Public Accounts. As stated by the Auditor General in her 1980 report, the new policies and practices result from a thorough examination of the government's financial reporting principles and practices. The impetus for this re-evaluation was provided by the Ministry of Finance and given added momentum by the 1979 report of the Auditor General which called for the formulation of a full and clear body of stated accounting policies to be approved by Treasury Board and applied consistently in the government accounting process and in its financial statement presentation. Existing practices were compared with those of other senior governments and the views of outside parties were taken into consideration—in particular those of the Canadian Institute of Chartered Accountants and of the Auditor General of British Columbia, and also the views of Canadian accountants who are recognized experts in government accounting procedures and practices.

Highlights of the new policies include:

- changing from the present mixture of cash and accrual accounting to a modified accrual basis of accounting;
- carrying investments, loans and advances as assets;
- incorporating Special Purpose Funds in addition to General Fund activities in both the Statement of Assets and Liabilities and the Statement of Revenue and Expenditure, and
- introducing supplementary financial statements consolidating the activities of certain Crown corporations and agencies, for which the Legislature is accountable, with the General and Special Purpose Funds.

The new accounting policies and practices, it is believed, will adequately respond to the Auditor General's concerns.

B2. Financial administration policies

In order that ministries may carry out their responsibilities for financial administration in a way which satisfies both legislative requirements and management needs, during the past year the Treasury Board has approved a comprehensive set of financial administration policies. These policies outline the financial practices ministries must follow, and also provide guidelines which ministries should follow in adhering to the policies and to the general requirements of the *Financial Administration Act*.

The Financial Administration Policy Manual contains 13 chapters, and has been given wide circulation; more than 600 government managers now have copies. One chapter summarizes

B. NEW ACCOUNTING AND FINANCIAL ADMINISTRATION POLICIES

Section,
SubsectionAuditor General's
Reference
(1980 Report)

the government's new accounting policies and practices, while others cover policies on the management of the financial function, account classification, financial planning, budgetary control, financial systems, expenditure control, revenue control, asset control, financial reporting and internal audit. Each chapter was subjected to an intensive, consultative development process. Initial drafts were prepared by the policy development branch of the Office of the Comptroller General and reviewed by an advisory group consisting primarily of ministry comptrollers. Each chapter was also reviewed by the Council of Ministry Comptrollers, the Ministry of Finance Executive Committee and finally by the Treasury Board. Drafting of individual chapters was based on research into the work of other government jurisdictions in Canada.

Implementation of the policies and guidelines will require the coordination and cooperation of the ministries and the central agencies. The Office of the Comptroller General, through its financial policy implementation branch, is assisting ministries with implementation of these policies.

Some policies and/or guidelines may require revision after experience is gained in applying them. An advisory group for financial administration policy, has been established to ensure that there is a continuing review of the appropriateness of the financial administration policies, and that there is a mechanism for analyzing and evaluating all proposed changes and additions.

Implementation of the financial administration policies and guidelines will ensure that the financial resources of the province are properly controlled and managed by government.

To be truly effective, accounting and financial control systems need to be under the direction and management of properly qualified staff. The growth of government and the increasing complexities of financial management are resulting in a trend which places more responsibility for financial administration in the ministries. This trend is paralleled by an increasing emphasis on attracting people with training and experience in financial control.

Unfortunately efforts to improve financial administration are being hampered by difficulties in the recruitment of financial personnel. In an effort to overcome this serious problem, the Ministry of Finance has received the cooperation of the other ministries in a government-wide recruitment of financial officers. The recruitment campaign, which is being conducted across Canada, should result in a substantial number of the 80-100 financial officer and auditor vacancies being filled.

C. FINANCIAL STATEMENTS

Section,
SubsectionAuditor General's
Reference
(1980 Report)**C. FINANCIAL STATEMENTS****C 1. Submission of financial statements to the Minister of Finance**

p.28

Financial statements for the 1981 fiscal year were submitted to the Minister of Finance by the September 30, 1981 statutory deadline. The Auditor General noted that the financial statements for the 1980 fiscal year were not received until November 17, 1980.

C 2. Accounting policies and practices

As reported in Section B1, Treasury Board approved new accounting policies to be reflected in the presentation of the 1980/81 Public Accounts and the 1982/83 Estimates.

C 3. Treatment of holdbacks

p.28

The Auditor General, in her 1980 report, noted that holdbacks were treated in a manner inconsistent with the cash basis of accounting. Present practice is now consistent with the new accounting policy on modified accrual accounting. The practice, used especially in regard to construction contracts, involves holding back payments (normally 15% of a billing) but charging goods and services as expenditures of the year in which they are received.

C 4. Deferral of revenue from sale or lease of Crown lands

p.29

In her 1978 report, the Auditor General pointed out that this revenue is recorded only when the Crown grant transferring title or granting a lease is made and not when the funds are received; thus, some deferral of revenue from one fiscal year to the next results. The Office of the Comptroller General has taken a conservative position which it proposes to continue since it does not consider the transaction consummated until the title is transferred or the lease granted as the case may be.

C 5. Stated accounting policy regarding fixed assets

p.30

Government accounting policy now states that "fixed assets shall be recorded and controlled for internal purposes but they shall be reported as expenditures unless they are held for resale". This policy, together with the 1981 Public Accounts balance sheet presentation of fixed assets at the nominal amount of \$1 under the modified accrual basis of accounting and by means of memorandum noting values, should resolve the inconsistencies in the treatment of fixed assets, noted by the Auditor General and elaborated on in her 1978 report.

C 6. Marketable investmentsp.12
3.5-3.6

As recommended by the Auditor General in the 1980 report, the quoted value of marketable investments is now disclosed, at lower of cost and market, in the financial statements of government effective with the 1981 Public Accounts statements.

C. FINANCIAL STATEMENTS

Section, Subsection	Auditor General's Reference (1980 Report)
C 7. Verification of assets	p.12 3.7-3.12
<p>In response to the Auditor General's concerns about accounting deficiencies and control weaknesses, the Ministry of Lands, Parks and Housing has taken the following measures to ensure that the assets, referred to by the Auditor General, and associated revenue are properly controlled and recorded:</p>	
C 7.1 Taxes and other accounts receivable —land leases and sales	
C 7.1.1 Land leases	p.12 3.7-3.9
<p>Procedures were documented and put into use for the March 31, 1981 year-end ensuring proper cut-offs of receipts and ensuring the inclusion of billings in the correct fiscal year. The problem of billings being recorded in the wrong fiscal year was thereby avoided. Also, the practice of netting debit and credit balances, was stopped during the 1980/81 fiscal year. Still under review are procedures which would resolve the problems of delays in processing rental rate increases.</p>	
C 7.1.2 Land sales	p.12 3.7-3.9
<p>Control accounts for land sales receivable were established in early 1981/82 as was a procedure to ensure the double checking of receivable calculations in order to prevent error.</p>	
C 7.2 Crown land fund —real estate account	p.13 3.10-3.12
<p>Asset values are no longer overstated; costs of land sold in previous years have been removed from the records. The account was reconciled to the Central Mortgage and Housing Corporation's records as at March 31, 1981. Adequate subsidiary records now support the account and reconciliations are done on a regular monthly basis.</p>	
C 8. Income tax collection agreement	p.13 3.13-3.17
<p>The government recognizes the limitations preventing the Auditor General from examining income tax data held by the Government of Canada. It will follow, closely, any further work in this area by the task force of legislative auditors.</p>	
C 9. Unexpended balances of appropriations	
C 9.1 Long term disability plan	p.14 3.19-3.21
<p>The Auditor General's 1980 report notes that the treatment of unexpended balances in the Long Term Disability Fund—Public Service—was not supported by legislative authority. Through an amendment to the <i>Public Service Benefit Plan Act</i> effected through Bill 31, 5.93 under the <i>Miscellaneous Statutes Amendment Act (No. 2), 1981</i>, legislative authority now exists.</p>	
C 9.2 Housing Corporation (Elderly Citizens) Act grants	p.15 3.22-3.24
<p>In response to the Auditor General's recommendation, the Ministries of Finance, and Lands, Parks and Housing arranged for the return of funds held in trust with sponsoring societies'</p>	



Province of British Columbia
Legislative Assembly

OPENING SPEECH

of

The Honourable Henry P. Bell-Irving,
Lieutenant Governor,
on Opening the Fourth Session of the Thirty-second Parliament
of the Province of British Columbia
November 23, 1981

Mr. Speaker and Members of the Legislative Assembly:

I extend greetings to you all, on behalf of our Sovereign, on the opening of this Fourth Session of the Thirty-second Parliament of British Columbia. May I express the wish that your goals and aspirations and those of the people you represent will be fulfilled in the course of your service as individual members and, together, as the Legislature of this great Province.

On a personal note, we mourn the loss of our respected colleague, Waldo McTavish Skillings, who was a member of this Assembly for 12 years and served his province in many capacities.

I take great pleasure in informing you today of two recent achievements in the affairs of our nation which, taken together, will contribute greatly to building a stronger and more prosperous Canada.

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I am advised that, in September, my First Minister and the Prime Minister of Canada signed an energy agreement that resolves all outstanding issues between the two Governments on oil and gas pricing. Lengthy and arduous negotiations have put to rest a protracted dispute that was harming our economy and endangering our quest for energy security. Honourable Members will be pleased to learn that the federal government has agreed to remove its tax on the export of natural gas for the life of the agreement, and will bear the costs of its incentive program. I am advised that the people of our Province are assured of a fairer share of revenue from the sale of their resources as a result of this agreement.

Energy Agreement

I also have the great pleasure today to inform this Legislature of an historic Constitutional Accord signed just eighteen days ago by my First Minister.

Constitutional Accord

The Government and people of this Province have always been resolute in their desire for patriation of the Constitution as the final step in our nation's independence.

However, my Government could not support a unilateral process that was divisive, unconstitutional and unfair to the people of British Columbia. For this reason, my Government joined with seven other Provinces in proposing an alternative formula for a made-in-Canada Constitution.

My First Minister was instrumental in convincing all parties to return to dialogue, and for creating a climate of accommodation so essential for compromise. Honourable Members will be pleased to learn that these efforts prevailed, and that the Accord is of special interest to Canadians living in British Columbia.

I am advised that the formula for future Constitutional change elevates to first-class status, equal in all respects to other Provinces, the interests of British Columbians.

Equal Among Equals

This formula ensures that no future Constitutional change can challenge British Columbia's ownership of its natural resources—the source of our lifestyle and livelihood.

Resource Ownership

I am further advised that the Accord enshrines in the Constitution our fundamental freedoms, democratic rights and basic human rights to equality and non-discrimination. These rights and freedoms, to which Canadians have been entitled throughout our history by way of tradition and custom, will be included in the Constitution in a manner that strengthens our Parliamentary democracy.

Rights and Freedoms

While Canadians have successfully met the task of patriation—and mindful of other pressing priorities on the national agenda—much work remains to be done in renewing our federation. As a people, we meet these challenges with a flexible and equitable amending formula, which will make much easier our task of resolving such matters as Senate reform, additional rights and the division of powers.

Future Constitutional Renewal

My Government believes that economically strong provinces are integral to a strong Canadian economy. Economic leadership to promote the well-being of our people is a vital element in establishing the framework of progress and opportunity that must serve us in the years ahead.

Economic Leadership

I am advised that over the course of the past five years the British Columbia economy has contributed greatly to that of our Country, significantly outperforming national rates of real growth and job creation. In fact, the number of people productively employed in this Province has increased by twenty-eight percent since 1974, and in the past year alone it is estimated that over forty thousand new jobs have been created. All Members will be pleased to learn that as of October there were 1,257,000 people gainfully employed in our Province.

Job Creation

I am advised that significant progress has been achieved this year in diversifying our economy and, by so doing, expanding employment opportunities for the people of this Province. A jet engine overhaul plant—employing four hundred people upon completion with total employment to increase to one thousand—has been established in Delta by CP Air, in conjunction with the B.C. Development Corporation. Expansion of coal mining in the southeast of our Province has created fifteen hundred new jobs. I am advised that Ocelot Industries has established a new methanol plant at Kitimat, and that other petrochemical projects are being considered actively as a result of my Government's energy development policy. My Government is firmly committed to maintaining a climate that will attract job-creating investments such as these to our Province.

Job-creating Investments

Unfortunately, as strong as we are, we are not immune from the negative economic influences coming from our major trading partner—the United States of America. Nor are British Columbians sheltered from the punitively high interest rates being maintained by the Federal Government's Bank of Canada.

External Factors

The problems of inflation, high interest rates and unemployment must be faced in a comprehensive way, on a broad national front, and without delay. Decisive actions are essential if these problems are to be overcome. It is with deep regret, however, that I am advised such actions were not forthcoming in the recent Federal budget, much to the detriment to our Provincial economy. Moreover, I am advised that expenditures on the economic development of Western Canada have been shrunk considerably relative to what had been promised in last year's Federal budget. My Government is still hopeful that a significant proportion of these expenditures will be committed to British Columbia—in view of the economic potential of our Province.

Impact of Federal Policies

My Government will continue to press for cohesive national leadership on the economy. In August, the Provincial Premiers meeting in Victoria put forward a nine-point National Economic Recovery Program for discussion with the Prime Minister. I am pleased to advise all Members that a few days ago the Prime Minister agreed to meet with us. My Government strongly supports a return to co-operative economic management as fundamental to improving our economy, and looks forward to an early Conference of First Ministers as an appropriate forum for national economic leadership.

First Ministers' Conference

My Government will continue to demonstrate strong leadership in its own sphere of economic activity and, in this vein, an Economic Development Conference will be convened in the Spring. Through a process of dialogue and consultation, it is hoped that common directions and priorities for the economic development of our Province can be agreed upon.

Economic Development Conference

My Government has consistently maintained that interest rate problems are a Federal responsibility. The recent Federal budget accepts this view, but takes only minimal action in easing the burden on homeowners. On the other hand, the construction of new accommodation in our Province will be set back considerably next year. My Government has and will continue to press for modifications to these measures and, to improve the situation, will bring forward specific initiatives within its areas of responsibility.

Housing

The supply of accommodation must be increased if the needs of our people for affordable housing are to be met. Measures will be taken to promote rehabilitation of existing housing stock and to increase the supply of multiple unit accommodation. The disposition of appropriate

"Rent-to-Own" Program

Crown Land for housing will be accelerated, and a residential land supply strategy for every community in the Province will be put in place. A special emphasis on first-time buyers will be incorporated in these measures by promoting “rent-to-own” programs. My Government expects that these measures—in conjunction with impressive developments now under construction in all regions of our Province—will go a long way towards improving the affordability and availability of housing, and towards increasing employment of our people.

Although all British Columbians are affected by current economic difficulties, those who earn their livelihood from our abundant forest resources have been particularly hard hit from the fall-off in housing starts that is the by-product of excessive interest rates.

Forestry Outlook

My Government is meeting this cyclical downturn with realism, with compassion and with a profound optimism about our medium-term economic prospects.

My Minister of Forests advises me that while our vital forest industry is at present experiencing difficulties, the United States—which normally consumes sixty per cent of our Provincial lumber production—is forecast to experience in the 1980s a decade of near-record housing starts.

The long-term market prospects for kraft pulp and newsprint are also promising, and our industry currently is very competitive in world markets.

I am advised that while real growth will not be as high as in previous years, the people of our Province can still expect positive growth that compares favourably to the Canadian average.

Economic Management

Inflation and high interest rates have affected my Government’s budget as they have the budgets of our people. Recently announced Federal cutbacks for health and educational programs will only worsen the situation. Prudent fiscal management, privatization of select government activities, wage restraint and greater efficiencies are required and will form the central underpinnings of the budgetary measures you will be asked to approve.

My Government believes that now is not the time to retrench into pessimism. We are a strong and vigorous Province. Our continuing vitality despite the pressures of the times is a result of the foresight and stewardship of past years, which have provided the firm economic and

Continuing Vitality

social foundation of the British Columbia of today. We have programs in place to weather our temporary economic difficulties. Building upon this foundation to ensure future growth is the challenge that faces us today as British Columbians.

Continuing investment is necessary to harness fully the bountiful resources that are our common heritage as British Columbians. My Government expects that the development of our vast coal fields in the northeast will continue on schedule. I am advised that this is the largest single project in the Province's history; that during construction directly and indirectly it will create nearly six thousand jobs and five thousand permanent jobs thereafter; and that it will open to development many thousands of square kilometres of our Province.

Northeast Coal

British Columbia's economic future depends to a great extent on its strongest asset—its people. Our educational institutions have put us among the leading jurisdictions in the creation of a highly skilled and educated workforce. A solid base is now in place for the requirements of the 1980s.

Changing Workforce

As we move through this decade, huge new resource developments, tougher international competition, and the development of new technologies will put greater emphasis on the need for a highly skilled and productive workforce. Governments, labour and industry must work together to ensure that British Columbians are in a position to reap a major share of the benefits from the significant expansion in employment expected in the coming years.

To meet these and other opportunities, you will be asked to approve legislation to expand the mandate of my Minister of Labour and establish a Ministry of Labour and Employment. The change reflects a steady evolution in the focus of this Ministry, and will permit the consolidation of manpower programs that are today lodged in several Ministries. This improvement in the administration of my Government will strengthen existing links between industry and the job market, on the one hand, and training institutions and apprenticeship programs, on the other.

Employment Mandate

There will be a renewed emphasis on retraining and on upgrading the skills of those already employed, toward the objective of lifetime employment. My Government will work closely with the Government of Canada to ensure the dovetailing of our respective programs. Moreover,

my Government will meet—on a one-to-one basis—with the largest employers and with labour unions to ensure that all British Columbians are afforded an opportunity to gain the skills necessary to ensure a productive and rewarding life.

Perhaps no single change has had as great an impact on the work world and on society in general as the growth in female labour force participation. Today, one of every two women of working age is in the labour force comprising nearly forty-two per cent of workers. Two income families are becoming prevalent in our society.

The rapidity with which this change is occurring is presenting governments everywhere with an obligation to act, to enrich, and to support these developments so as to benefit fully from the skills, energies and productivity of all our people.

My Government will proceed with the appointment of a Deputy Minister responsible for women's opportunities within the Ministry of Labour and Employment. As one of the largest employers in the Province, the Public Service must set an example for others to follow. Honourable Members will be pleased to learn of the recent appointment of Jill Bodkin as the first woman Deputy Minister in British Columbia. Other senior appointments can be expected. The Public Service Commission will treat this matter as a high priority and, in conjunction with the Deputy Minister responsible for women's opportunities, will establish targets for which all Ministries will be responsible in ensuring equal opportunity.

My Government realizes that this is not enough. Government has a part to play, but it is the role of private enterprise to provide the range of choice which our society requires. At the same time, our society must always rely upon the resourcefulness and will of its members. My Government will meet with employers and unions to provide assistance on ways and means to foster equal opportunity. Moreover, my Government will strengthen its counselling, training and other support services for women in an effort to help them acquire necessary skills and encourage them to apply for positions at all levels.

I am advised that many of our industries have come through an exceptional year. Our superb scenery, our hospitality and our attractive lifestyle provide a solid basis for an internationally competitive tourism industry. This sector is expected this year for the first time to top the \$2 billion mark in revenues. All those who have contributed to this accomplishment are to be congratulated.

Women in the Workforce

Women in Government

Private Sector

Tourism at \$2 Billion

My Government plans to pursue programs to expand the contribution of this basic resource in diversifying our economy. The tourism sector is highly labour intensive, and contributes strongly to employment. Great opportunities exist in co-operation with the private sector to increase the length of stay and expenditures of our visitors by developing high spending package tours and specialized forms of tourism, and by marketing British Columbia as a four-season destination.

My Government will continue to promote our Province as a major trade and convention location, and as an ideal centre for feature film production.

The goal of energy security is a vital part of building a secure economic future for all British Columbians. My Government is committed to encouraging exploration for, and the development of, new supplies of natural gas and oil in order to expand our domestic base.

Energy Security

At the same time, my Government is committed to making alternative energy sources—such as solar, wind and biomass—stronger forces in the energy picture. Coal liquefaction and the use of methane are being evaluated as energy sources and as ways to reduce our dependency on foreign oil. The first public compressed natural gas service station is due to open shortly in Vancouver, and other stations are expected to open within the year.

I am advised that British Columbia's available underground pools of water at very high temperature are major untapped resources that are both clean and renewable. You will be asked to approve a *Geothermal Resources Act* to promote the orderly exploitation of this potential major resource for the benefit of all British Columbians.

Geothermal Resources

Though richly endowed in natural gas, the people of British Columbia are dependent on outside sources for their oil. I am advised that an important provision of the recent energy agreement is a commitment by both Governments to resolve expeditiously the question of offshore resources, in full recognition of the uniqueness of British Columbia as a coastal Province. My Government is hopeful that the existence of developable reserves that will create many new jobs will be confirmed, and will put in place the highest environmental standards to govern exploration.

Offshore Resources

In spite of a number of setbacks from adverse weather this year, I am advised that the agriculture and food industry of our Province continues to make substantial progress. The level of self-sufficiency in food production has increased steadily during the past five years, which has been a period of substantial population growth. To stimulate further progress in this area, my Government plans to expand a number of its existing programs.

Food Production

A strong field advisory service to the food and agriculture industry is now taking shape on a regional basis. My Government intends to develop a consultative process with primary producers and agri-businesses so that programs offered will be in accord with industry's needs. The food sciences advisory service will be developed to the benefit of the food processing sector, in particular, and of the industry as a whole.

The mobilization of the savings of our people and institutions is a vital link in the full development of our Province.

Over the past years, British Columbia's financial sector has performed strongly. Vancouver is steadily becoming an important international financial centre, and its stock exchange is growing impressively. However, in an international setting of mobile capital and rapidly changing techniques and circumstances, the need for modernization is ever present. Accordingly, you will be asked to approve a new *Securities Act* that will permit the Vancouver Stock Exchange to develop as a genuine, permanently based, and unique vehicle for the raising of venture capital for resource and development projects. The new *Securities Act* will incorporate innovative measures to protect the investor, particularly the small or average investor, consistent with a climate that encourages the full expression of entrepreneurial initiative.

Investor Initiatives

Competition in the marketplace is a topic of obvious importance to British Columbia consumers and producers. My Government will be undertaking initiatives to promote greater competition in the marketplace, and will maintain a vigorous interest in the new *Competition Act* proposed by the Federal Government.

Competition

Economic growth and technological progress are not sufficient goals in and of themselves. They are, above all, important instruments for financing social progress, improving our quality of life, and enhancing a level of public safety that is highly valued by British Columbians.

My Government views British Columbia's unique environment as a vital natural resource, and efforts toward improving our already high standards of environmental quality will be intensified. In recognition of this priority, all Members will be pleased to learn of the recent appointment of my Minister of Environment, the Honourable Stephen Rogers, to the central decision-making Committee of my Executive Council—the Planning and Priorities Committee.

Environmental Management

You will be asked to approve new legislation to protect and preserve our wildlife and waterfowl. In addition, a new *Waste Management Act* will be introduced to modernize the issuance of pollution permits and ensure stricter compliance with, and enforcement of, our pollution standards.

Safe, adequate and efficient transportation systems are vital to the quality of life in our Province. Public transit systems are especially valuable in an energy-short world and, since 1974, my Government has committed a thirty-fold increase to this area—from \$2.4 million to \$72 million per year.

Public Transit

During the same period, the number of public transit buses in operation, purchased with the assistance of my Government, has increased by more than thirty per cent. The population served by transit has doubled as has the amount of Government subsidy per ride. I am advised that an additional four communities—bringing the total outside major metropolitan areas to twenty-four compared to only seven in 1974—now enjoy a regular transit service. Moreover, in the past year, two additional communities have been added to the Custom Transit program for the physically disabled. My Government will continue to assess the need for transit in additional communities in the Province.

I am advised that the Advanced Light Rapid Transit Project is progressing on schedule in the Lower Mainland. This system features state-of-the-art technology and will make British Columbia a showcase for transit developments. The inauguration of this system will provide a firm transportation foundation for the social and economic life of the community. Moreover, it will contribute greatly to employment growth in the vital high-technology sector. I am advised that this extremely quiet system is particularly compatible with residential and commercial

A.L.R.T. Project

development. To ease the burden on the taxpayer, and to make best use of the transit system's alignment and stations, negotiations with the private sector are underway to link the system with other developments.

I am further advised that locomotives have been purchased, passenger cars ordered and stations designed for the Commuter Rail Project on the north side of the Fraser River. The system is expected to be transporting commuters to downtown Vancouver by early 1983.

Commuter Rail

For the foreseeable future, private automobiles and trucks will continue to be the primary forms of transportation for most British Columbians. My Government will continue with the Annacis Crossing and the Coquihalla Highway, and will proceed with major road improvements to secure fully our coal and other resources in both northern and southern areas of our Province. Full efforts will be devoted to maintaining the existing system through the timely replacement of pavement on main highways and the paving of road shoulders on rural gravel road surfaces. Where appropriate, existing two-lane highways will be converted to four-lanes.

Highway Improvement

My Government views with increasing concern the number of accidents on our highways. Highest priority will be given to dealing with the errant driver—through increased vehicle and driver inspection. Increased traffic law enforcement, including more refined computer processing, will be pursued. You will be asked to approve additional measures to reduce accidents on the highways of our Province.

Safety Programs

Our life as British Columbians is well served by a wide range of first class institutions that are the envy of most other jurisdictions. The challenge before us—made more difficult by recent Federal cutbacks—is to ensure, through planning and foresight, that we are able to adapt to the changing needs of the future in a way that enriches our quality of life.

Significant improvements to our health system are nearing completion. The new Grace Hospital on the grounds of the Shaughnessy Hospital will provide the people of our Province with exemplary maternal and infant care, and will serve as the Provincial referral centre for at-risk mothers and their infants.

Health Care Improvements

My Government will participate in the opening of the new Children's Hospital, also on the Shaughnessy site in Vancouver. Funded by provincial and regional governments, along with the Variety Club and the Children's Hospital Foundation, the children of British Columbia soon will have a facility that will enhance our already enviable reputation for diagnostic and treatment services.

I am advised that health services consume the largest percentage of the Provincial budget, and that prudent management, realistic demands and efficient delivery are essential. My Government is placing increased emphasis on preventive services, whether they are institutional or community based.

I am pleased to note that my Government has made arrangements for capitalizing the Terry Fox Medical Research Foundation. That Foundation is financing a newly-formed Crown Corporation—Pacific Isotopes and Pharmaceuticals Limited—which is in the process of building a plant to purify interferon and supply all Canadians with this experimental cancer-fighting drug.

Terry Fox Foundation

The role of the family as the basic foundation of our society cannot be over-emphasized. This has been a consistent view of my Government, and one which underlies and gives focus to its many programs. You will be asked to approve amendments to the *Family Relations Act* to strengthen this area of society.

Role of the Family

My Government recently has developed a new approach for the care of the mentally handicapped. This involves a shift in emphasis from care in large institutions to a range of community-based options. It builds upon the progress that has been made in developing a co-ordinated Government approach to social service delivery. All Members will be pleased to learn that the President of the B.C. Association for the Mentally Retarded has called this shift "the strongest statement of support for the human rights of mentally handicapped persons coming from any political official in Canada today".

Community Care

British Columbians can justifiably be proud of the wide range of services provided to our senior citizens. In 1982, my Government will participate in the World Assembly on Aging. A Task Force has been established to prepare the groundwork for this Conference and to review all programs offered to the aged so as to ensure that Government programs reach those who are most in need, and that our people are aware of the programs offered by my Government.

Task Force on Aging

The improvement of our public and private pension systems is a matter of high priority. My Government will work closely with the Government of Canada and other provincial governments in achieving pension reform. You will be asked to consider a report on pensions during this current session.

Pension Reform

An information service for senior citizens is to be developed. One feature of this service will be a special telephone number, to assist our senior citizens in gaining access to the full range of services available to them.

Information for Seniors

British Columbia's educational system is among the finest in the world and is an achievement for which we can all take great pride. The financing of this system places a great burden on taxpayers at all levels.

My Government is aware of the considerable consternation that arose in 1981 around the issue of school taxation. It has received a report, setting out both short-term and long-term recommendations, which are now being considered.

Education Financing

The equalization of educational and cultural opportunities is an important objective of my Government. Grants are now being made available to rural and isolated communities to make possible the reception of Knowledge Network of the West satellite television programming.

During this past year, my Government's multi-dimensional program of grants, information and technical services has furthered the development of cultural, recreational and sports opportunities for all British Columbians. In addition, a well-rounded system of individual awards has encouraged the pursuit of excellence in athletics and the arts.

Sports and Recreation

The highly successful B.C. Games, initiated by my Government in 1978, now involve at various stages of competition almost 200,000 athletes from all parts of the Province. The importance of these Games goes well beyond the search for excellence. Harnessing the energies of our people, enhancing the spirit of our communities, and bringing people together from all parts of our Province, the B.C. Games are a tribute to the achievements of our youth and to the sense of community of our people.

B.C. Games

The first-ever British Columbia Festival of the Arts, to be held in Kamloops, will bring together musicians, actors, dancers and artists from all over our Province in competition, in workshops and, above all, in celebration. It is hoped that this unique showcase will do for the arts what the B.C. Games have done for amateur athletics.

First Festival of the Arts

My Government will sponsor a number of innovative programs to encourage British Columbia's many athletic achievers. The B.C. Winter Games will be held in Trail in March. The Summer Games will be held in Vernon in August. My Government will introduce a Road to Olympics program, designed to encourage Canada's national sports teams to train and compete in this Province in preparation for the 1984 Los Angeles Olympics.

Olympic Training

My Government is delighted, as I am sure are all British Columbians, that Anthony Island Provincial Park has recently been declared a world heritage site by the United Nations. Located at the southern tip of the Queen Charlottes, Anthony Island is the site of a former Haida Village and contains the most significant collection of totem poles in the Pacific Northwest.

World Heritage Site

All Members of this House can take pride that earlier this year our Parliament Buildings restoration program was given an Award of Honour by the Heritage Canada Foundation.

No single element in our democratic system of government is as important as our electoral process. Honourable Members will be asked to consider legislation to improve the accuracy and timeliness of our voters list and streamline other aspects of election administration.

Election Legislation

Honourable Members, this Assembly now begins an important and demanding session. I pray that in the discharge of your duties, you remain mindful of the effect of your decisions on the future course of British Columbia and Canada. The difficulties our Province faces today,

while legitimate cause for concern, need not and must not obscure the basic strength of our economy, the tremendous potential of our human and natural resources, the exciting prospects for our future.

Through the leadership and efforts of my Ministers, and through the work of this Assembly, you must strive to build a stronger Province. Through the spirit of our people, together we must achieve progress to sustain our Province and nation. This is the challenge we face today.

May Divine Providence attend your deliberations.

Victoria, British Columbia
November 23, 1981

Queen's Printer for British Columbia ©
Victoria, 1981



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lawyers. Of the \$2.8 million transferred to the lawyers, \$1.1 million has been disbursed to the societies, and the balance of \$1.7 million, plus interest, has been returned to the Consolidated Revenue Fund.

C 10. Write-offs of non-recoverable expendituresp.15
3.25-3.27

The Auditor General in her 1980 report noted that the write-offs of non-recoverable expenditures, though not specifically covered by legislation, should receive Order in Council approval. Under the terms of the new *Financial Administration Act*, Order in Council approval will no longer be required for this type of write-off; instead, such approvals can now be provided by Treasury Board. For certain write-offs pertaining to the 1980/81 fiscal year prior to proclamation of the Act, Order in Council approval is being obtained as recommended by the Auditor General.

C 11. Reconciliation and clearing of suspense accounts

p.29

The Auditor General first noted in her 1978 report that suspense accounts under the control of ministries were not being regularly reconciled or cleared. Regular reconciliations and clearings are now made for those accounts which ministries have primary responsibility for maintaining. Of the ministries involved in the suspense accounts unreconciled at March 31, 1979, Lands, Parks and Housing, Forests, and Finance, are reconciling on a monthly basis; Energy, Mines and Petroleum Resources, however, is finding regular monthly reconciliation difficult because of staff shortages.

C 12. Securities held as guarantee

p.29

Following up a point first made in her 1978 report, the Auditor General noted that most ministries receiving performance deposits were still not maintaining adequate control records. Such records, together with the records of the securities branch of the Ministry of Finance, would provide the desired total accounting control. As part of the implementation of the Treasury Board financial administration policy on assets held in trust, ministries will be taking steps to ensure that they maintain adequate records to control the receipt of performance deposits.

C 13. Unbilled timber royalties and stumpage fees

p.29

The Auditor General acknowledged that considerable improvement has been made regarding delays in billing for these fees. The amount of unbilled royalties and fees had declined to \$9 million as of March 31, 1981 from an amount of \$118 million at March 31, 1979 and \$23 million at March 31, 1980.

This improvement was made possible because the Ministry of Forests has established a policy requiring that price be established *before* cutting licences are issued thus limiting the time period for price negotiations. Enhancement of the ministry's computerized billing system has also contributed to the improvement.

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C 14. Presentation of timber road offset credits	p.29
<p>In her 1979 report the Auditor General recommended that financial statement presentation be changed so that the amount of timber road offset credits could be identified. The government will continue the practice, begun in 1980, of disclosing the basis of the net amount of royalties and stumpage fees in the Public Accounts through separate disclosure in the schedule of general fund revenue.</p>	
C 15. Ministry of Economic Development Act advance	p.29
<p>The Auditor General, in her 1978 report, recommended that either repayment terms of this loan be enforced or authorization for deferral be obtained. Arrangements, including a revised repayment schedule, are now being made for repayment of a \$2.5 million loan made under the authority of the <i>Ministry of Economic Development Act</i>. Repayment would follow the finalizing of the possible sale of the debtor's main fixed asset (a fishing boat) to a third party, now being negotiated. If the sale takes place, terms for repayment, upon agreement between the Ministry of Attorney General and the debtor, would be submitted to Cabinet for approval.</p>	
C 16. Provincial Home Acquisition Fund— provision for doubtful mortgages	p.30
<p>In her 1978 report, the Auditor General recommended that provision for doubtful mortgages based on estimates from the director of the fund be made in the accounts of the province. The Ministry of Finance now receives this information from the Ministry of Lands, Parks and Housing and the 1981 Public Accounts will make such a provision.</p>	
C 17. University Endowment Lands accounts	p.30
<p>In her 1979 report the Auditor General recommended that the University Endowment Lands repay the \$4,184,887 advance made over a 30 to 40 year period which ended in 1958. Repayment would be made to the general fund of the province as monies became available to the University Endowment Lands. The Ministry of Finance is currently reviewing this issue with the aim of either recovering the advance or of writing it off.</p>	
C 18. Guaranteed debt	
C 18.1 British Columbia Railway Company net debt	p.31
<p>The debt of the railway which is guaranteed by the province is not recorded as direct debt of the province since the government has stated its intention to provide for the debt service charges of the railway on an ongoing basis. This should satisfy the recommendation of the Auditor General first raised in 1978 that either the province recognize the net debt of the B.C. Railway as direct debt or make financial arrangements to service the debt.</p>	

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C 18.2 Treatment of accrued interest

p.31

Accrued interest on gross guaranteed debt is now treated in the same way as accrued interest on sinking funds effective with the 1981 Public Accounts. This treatment will remove the inconsistency first noted by the Auditor General in 1978.

C 18.3 Schedule of guaranteed debt

p.31

In her 1979 report, the Auditor General recommended that the schedule of guaranteed debt include maturity dates, interest rates and redemption features. The Ministry of Finance achieves this by a schedule footnote in the Public Accounts which refers the reader to the financial statements of the Crown agencies contained in another section of that publication. The Auditor General stated that this falls short of disclosure in the accounts of the province. The ministry plans to continue the practice, however, in order to avoid duplication.

In response to another recommendation of the Auditor General, the schedule will, effective with the 1982 Public Accounts, report the fair market value of investments held by sinking funds.

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(1980 Report)**D. INTERNAL CONTROL**

The Auditor General makes both general and specific comments on internal control.

D 1. General comments

The general comments of the Auditor General conclude with the following statement:

"I am pleased to note that efforts continue to be made to bring revenue and expenditure controls to an acceptable level and I strongly urge completion of the current projects as soon as possible."

The efforts referred to include major policy and financial systems initiatives of the Office of the Comptroller General which, in large measure, were a direct response to recommendations made by the Auditor General in her 1978 and 1979 reports. These initiatives should resolve the concerns which the Auditor General expressed in reaching her conclusion.

As previously noted, a significant achievement of the Ministry of Finance has been the development of a comprehensive set of financial administration policies issued under the authority of Treasury Board. These policies include, for the guidance of every ministry, policies and standards for the control of revenue and expenditure thus meeting the Auditor General's concerns about the absence of generally recognized standards.

These policies, which will be subjected to ongoing review and updating, provide the foundation and reference point for the correction of deficiencies in revenue and expenditure activities. To ensure that the policies and guidelines are met, ministries have prepared plans showing how each applicable policy will be satisfied. The Office of the Comptroller General has assisted the ministries in the preparation of these plans and will assist in the implementation of new procedures or the adaptation of existing ones to meet the policies. This large undertaking will result in procedures for the control of revenue and expenditures satisfactory to the Auditor General, being in place no later than April 1984 with many procedures being in place before that. For example, the financial signing authorities policy which establishes policies and procedures for controlling the commitment and expenditure of public funds, is scheduled to be implemented by December 31, 1981. Its implementation should meet the Auditor General's concerns about the lack of definition, documentation and control over the delegation of authority for disbursements and also her concern about the duties of individuals not always being segregated adequately for control purposes.

In the area of systems initiatives, batch processing of all vouchers is now scheduled to be in place in all ministries in early 1982/83. The Ministry of Transportation and Highways, in fact, began submitting batches in April 1981 directly from its own computerized accounting system to a new central control system. This new system was implemented to improve control over certain transactions going to and from the central accounts system. A second version of this central control system, which is to be introduced in early 1982/83, will handle all transactions, thus providing optimum control. As the system which interfaces between various ministries' systems and the central accounts system, it will also provide the base for rational financial systems network evolution. In a related initiative, a pilot project is being conducted in one ministry to test the feasibility of direct data entry to the central control system. Through another initiative, central financial reports to the ministries were improved and significant improvement of their contents' timeliness is planned in order to make them a more meaningful control tool.

p.17
4.1-4.10
p.32

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The payroll system development has now reached a major review point. The very close review of the detailed requirements specification for the proposed system which is being conducted also includes a reappraisal of costs versus benefits. If development proceeds, implementation is expected to be phased over a period extending to 1984. In the meantime, to the extent the existing system's capacity permits, controls are being improved through a tightly managed changes control procedure.

D 2. Specific topics**D 2.1 Unrecorded cash and bank accounts**p.18
4.11-4.14

In response to the Auditor General's comments and recommendations in her 1979 and 1980 reports concerning control deficiencies in this area, the Ministry of Finance has taken steps to ensure that all bank accounts have been authorized by, and registered with, the Minister of Finance. Additionally, all existing provincial bank accounts have been reviewed in cooperation with the chartered banks. This action together with a 1981 treasury branch directive on revenue control and ministries' bank accounts, as well as adherence to the Treasury Board financial administration policies on expenditure control and revenue control, should largely eliminate any problems of monies not being included in the financial statements of government and cash transactions not being recorded. A procedure also has been established to ensure the constant monitoring of practices followed in the administration of bank accounts and funds so that any inappropriate practices can be quickly identified and rectified.

**D 2.2 Ministry of Finance—
securities section accounting**p.19
4.15-4.17

The revised securities accounting system, referred to and supported by the Auditor General, was implemented January 1, 1981 thereby making available a support system appropriate to the security section's mandate as investment manager, trustee and agent for more than \$6 billion in assets. Greatly enhanced levels of accounting and reporting practice have resulted, and will ensure protection of assets and proper recording of transactions. Despite these advancements, the ministry continues to seek further system enhancements to improve integration with the central accounting system and to further improve control and accounting procedures.

**D 2.3 Ministry of Energy,
Mines and Petroleum Resources—
revenue controls**p.19
4.18-4.20

The ministry has taken a number of actions in response to the Auditor General's criticisms of the tendering process which governs the disposition of petroleum rights. As acknowledged by the Auditor General, the ministry improved its procedures by recording the time submitted bids are received, and by establishing numerical control over the bids. Since then, and in response to another suggestion, the ministry has also documented policies and procedures which govern the receiving, reviewing and acceptance of bids.

In response to the Auditor General's point about the participation of additional senior staff in the process of accepting or rejecting bids, the ministry has established the following procedure: the Petroleum Titles Commissioner, or his designate, may review bids, and make acceptance or

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rejection decisions, only when bidding falls within certain predetermined limitations. Beyond these limitations, a committee of senior members of the petroleum resources division must make the acceptance or rejection decisions. Documented evidence, as advised by the Auditor General, is provided by a form which records the activities of each bid/sale, the staff present and the signature(s) of the adjudicator(s).

The ministry has undertaken to review the above procedures periodically to ensure the adequacy of controls over the process.

D 2.4 Ministry of Health**D 2.4.1 Revenue control**

p.34

In 1979 the Auditor General concluded that in general, controls were inadequate to ensure the collection and recording of all revenues. In particular, concern existed over the inadequate segregation of responsibilities and the lack of normal controls such as pre-numbered invoices, sub-ledgers and control accounts. In addition to addressing these problems, the ministry has prepared plans for implementing the requirements of the Treasury Board financial administration policy on revenue control.

D 2.4.1.1 Patients' maintenance accountsp.20
4.21-4.26

The ministry has examined the Riverview Hospital accounts receivable which had increased to \$13.1 million by March 31, 1981, and is preparing a recommendation to write off \$9.9 million as uncollectable. The ministry expects to do this during 1981/82.

In order to prevent the hospital's accounts receivable from containing a large proportion of uncollectable amounts, the role of the hospital assessment committee has been changed to provide for review of the status of each patient upon admittance to determine whether the patient should receive no bill, a reduced bill or a regular bill. Patients still retain the right to apply for relief to the assessment committee during their stay and up to 60 days after discharge from the hospital.

The results of these initiatives will lead to lower accounts receivable balances and to fewer uncollectable accounts at Riverview Hospital.

The recent hiring of a director of policy and procedures is expected to improve the handling of hospital charges receivable. One of the director's major roles will be to develop and coordinate standard policies for the adjustment, collection and write-offs of hospital charges receivable. These policies, to be developed in conjunction with the Treasury Board revenue control policy implementation, are expected to encompass the question of hospital assessment committees' reviews of applications for adjustment of maintenance charges.

The Ministry of Finance has recorded the accounts receivable of Riverview Hospital along with an appropriate allowance for loss, in the 1980/81 financial statements of the province.

D 2.4.1.2 Billings and receivables controls

p.34

The ministry's recently established financial organization now provides for a manager of revenue. This position will be at the centre of most initiatives to improve revenue control. Active recruitment will take place during the fall of 1981.

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<p>The manager will address a number of the points raised by the Auditor General in her 1979 report including the need for prenumbered or controlled invoices (already introduced into certain programs), accounts receivable sub-ledgers and control accounts, and preparation of annual budgets (now introduced into certain programs).</p>	
<p>D 2.4.2 Expenditure controls</p> <p>The ministry is now in the process of implementing the Treasury Board financial signing authorities policy. This will increase expenditure control. Other Treasury Board policies on expenditure control have been reviewed and plans for implementing them have been prepared.</p> <p>In response to payroll weaknesses noted by the Auditor General in 1979, the ministry's internal audit branch has increased its activity in the payroll area including the carrying out of surprise audits.</p> <p>The ministry is in the midst of an extensive reorganization which will have the effect of centralizing certain administrative functions which are now performed in a variety of program locations. Payroll is one function that will be consolidated. The several offices in the Victoria area administering payrolls will be combined within the headquarters administrative branch. This will lead to improved financial control by increasing the opportunities for separation of duties, and by permitting the introduction and maintenance of standard procedures.</p>	<p>p.34</p>
<p>D 2.4.3 Patients' trust accounts</p> <p>The reconciliation of patients' trust accounts criticized by the Auditor General has now been adjusted to meet acceptable standards. Since April 1981 reconciliation of trust accounts has been carried out and reviewed monthly by the managers of the hospitals involved.</p>	<p>p.34</p>
<p>D 2.4.4 Control accounts</p> <p>In her 1979 report, the Auditor General pointed out that federal funding of \$142,000 received in 1971 had not been transferred to revenue. This relates to an agreement which was in effect prior to 1971 through which the province and the federal government shared costs for hospital and health unit construction. In 1971 the balance of federal funds was transferred to the province and a substantial balance of \$142,000, was still outstanding at the beginning of the 1981/82 fiscal year. The ministry has indicated it plans to spend the balance of this fund in the 1981/82 fiscal year on health unit fixtures; however, if any funds remain uncommitted at year-end they will be transferred to revenue.</p>	<p>p.34</p>
<p>D 2.4.5 Hospital insurance fund</p> <p>The Ministries of Health, Finance and Attorney General are currently reviewing the mechanisms for funding the hospital insurance program. As pointed out by the Auditor General, there is a conflict between legislation and accounting practices concerning the Hospital Insurance Fund. The <i>Hospital Insurance Act</i> requires that a Hospital Insurance Fund be established from which grants are made to hospitals for operating expenses and capital costs. No such fund has existed since 1955 when the balance of the fund was credited to the General Fund Revenue. As the Auditor General pointed out, there was no legislative authority for the discontinuance of the</p>	<p>p.35</p>

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operation of the Hospital Insurance Fund. Although this anomaly has not, in itself, created danger of misappropriation or loss, the Ministry of Health will decide, before the end of 1981/82 fiscal year, to amend either the *Hospital Insurance Act* or current accounting practices.

**D 2.4.6 Emergency Health
Services Commission**

p.35

The *Emergency Health Services Act* (Section 8) has been amended by Bill 24, *Miscellaneous Statutes Amendment Act (No. 1), 1981* to reflect the current practice whereby since March 1977 financial statements on the financial operation of the Commission have not been submitted annually to the Minister of Health. Full details of the Commission's financial operations since March 1977 have appeared in the Public Accounts.

In regard to billings and accounts receivable, the Commission has received a better response when patients with outstanding accounts are telephoned and reminded of their responsibility. Collections have increased to 80% of total receivables from 70% a year or two ago.

Reconciliation procedures in regard to controls over advances and reimbursements to the operating units of the Commission are now considered adequate. During 1981/82 an imprest method of reconciliation was put into place in the operating units. This, combined with a reduction from 110 to 60 in the number of units receiving advances; has led to considerable improvement. It is planned to further reduce the number of units receiving advances during the 1981/82 fiscal year.

D 2.5 Ministry of Agriculture and Food

p.32

The field audit capacity of the ministry has been strengthened with the addition of three auxiliary auditors who are checking the 1979 and 1980 claims made under the Agricultural Credit and Farm Income Assurance Programs. The ministry is also exploring new ways of improving controls which can be applied before the claims are paid.

D 2.6 Ministry of Attorney General

D 2.6.1 Investigative teams

p.33

Wherever possible, the ministry uses a team of at least two investigators to inventory trust assets. To date, however, there has been insufficient staff to allow full compliance with the Auditor General's recommendation that individual investigators be avoided. Additional staff have been requested but approval has not yet been obtained. Efforts will continue to meet this control requirement.

**D 2.6.2 Fee collection
by the Public Trustee**

p.33

As noted in the Auditor General's 1980 report, revised procedures are planned for implementation in 1982. These will be considered in the light of the Treasury Board financial administration policy on revenue control. Consistency in the definition of hardship should be achieved and uniform guidelines and improved procedures for fee collection will be established.

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D 2.6.3 Purchase and expenditures procedures documentation	p.33
<p>The ministry intends to implement the Treasury Board financial administration policy on financial signing authorities by December 31, 1981. This will require the ministry to formally document spending and payment authorities thereby improving controls over expenditures. In addition, the ministry is addressing the Treasury Board financial administration policy on appropriation and commitment control. The ministry's plans for meeting its requirements were submitted to the Office of the Comptroller General in October 1981.</p>	
D 2.7 Ministry of Consumer and Corporate Affairs— internal audit coverage	p.33
<p>The ministry, the management of the liquor distribution branch and the Office of the Comptroller General will be resolving this concern by means of a mutually agreed plan drawn up in accordance with the recently approved Treasury Board financial administration policy on internal audit. The plan will be implemented commencing in the 1982/83 fiscal year.</p>	
D 2.8 Ministry of Lands, Parks and Housing —reporting requirements for housing cooperatives and non-profit societies	p.36
<p>The cooperatives and societies now comply with the requirement to submit operating budgets, audited financial statements and declarations of resident families' income and rental charges. Enforcement of the requirements has, in some cases, caused grants to be temporarily withheld. Timeliness of reporting is still a problem, but every effort is being made by the ministry, the B.C. Housing Management Commission and the Central Mortgage and Housing Corporation to make improvements in this area.</p>	
D 2.9 Ministry of Provincial Secretary and Government Services	
D 2.9.1 Certification of Queen's Printer accounts	p.36
<p>Amendments to the <i>Public Printing Act</i>* are being recommended to remove the requirement for the Comptroller General to certify the Queen's Printer accounts. It is considered more appropriate for the Auditor General to certify them as a part of the Public Accounts of the province.</p>	
D 2.9.2 Queen's Printer inventory accounting system	p.36
<p>In response to comments of the Auditor General in her 1978 report, the Queen's Printer has now established operating instructions to guide the completeness and accuracy of the year-end physical stock count. Copies of these instructions were made available to the ministry comptroller's office prior to the stock taking.</p>	

* Changed to *Queen's Printer Act* in 1979.

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The Queen's Printer also proposes to computerize its accounting system by use of a business application software package which will support the maintenance of perpetual inventory records as suggested by the Auditor General.

Inventory for the fiscal year ending March 31, 1981 was valued at the lower of either cost or replacement cost, a step which is consistent with the Treasury Board financial administration policy on asset control.

D 2.9.3 Lottery Fund

p.36

During 1981 the lotteries branch completed revision of its accounting records and procedures. Increased control has been effected through a system of separation of functions: the Canadian Imperial Bank of Commerce sells tickets to distributors and maintains custody over ticket inventories; the Western Canada Lottery Foundation performs reconciliations of tickets purchased, sold and returned; and the lotteries branch maintains records, based on information provided by the banks and the Western Canada Lottery Foundation, of sales and amounts received and owing to the branch. The branch expects that over the next year improvements will reduce the amount of time required by the Western Canada Lottery Foundation to complete its reconciliation.

D 2.9.4 First Citizens' Fund investment

p.37

As acknowledged by the Auditor General, the investment in 1975 of \$350,000 was recorded as an asset of the General Fund. An adjustment has been made so that this investment will appear as an asset of the Special Purpose Fund as recommended.

E. PUBLIC BODIES

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(1980 Report)**E. PUBLIC BODIES****E 1. Reporting of public bodies
in Public Accounts**p.22
5.1-5.2

As recommended by the Auditor General, it will be government policy to include in the Public Accounts the financial statements of all public bodies for which she is the auditor.

E 2. Qualification of audit opinions

The Auditor General qualified her opinion on the financial statements of two of the public bodies:

**E 2.1 Workers' Compensation
Board statements**p.22
5.5

The qualification in regard to these statements concerned the adequacy of assessments to fund future liabilities expected to arise from present claims not finalized. The Workers' Compensation Board is confident that a nine-year plan ending December 31, 1986 will result in a major portion of the unfunded liabilities being adequately funded. In addition the Board predicts that unfunded liabilities will not likely exist at the end of 1987.

The Workers' Compensation Board believes, based on the projected number of new claims over the remaining five to six year period, that the planned series of adjustments to the basic assessment rate will result in the necessary reduction in unfunded liabilities.

**E 2.2 Pacific Vocational
Institute statements**p.22
5.5

This qualification concerned the collectibility of approximately \$97,000 recorded as due to the Institute. The amount has now been collected.

**E 3. Security for loans made by
B.C. Educational Institutions
Capital Financing Authority**p.23
5.6-5.10

Loans totalling \$59,831,000 made to educational institutions are not yet fully secured by debentures as required by the *Education Institution Capital Finance Act*.

Delays in receiving the debentures from the educational institutions are due to problems in wording of the debentures. Rewording the debentures was necessary to give them an equal claim with existing mortgages on the properties. Major items regarding format and content have been resolved. Items outstanding are being resolved through negotiation between the Authority and the institutions. The Authority expects to have the required debentures by December 31, 1981.

F. MINISTRY AUDITS

Section,
SubsectionAuditor General's
Reference
(1980 Report)**F. MINISTRY AUDITS**

The following comments relate to the financial management and control audits performed by the Auditor General in the Ministries of Education, Finance and Lands, Parks and Housing. The section on the Ministry of Human Resources addresses points made in both the comprehensive audit and the financial management and control audit.

F. MINISTRY AUDITS

Section, Subsection	Auditor General's Reference (1980 Report)
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F 1. MINISTRY AUDITS—MINISTRY OF HUMAN RESOURCES**F 1.1 Reporting on performance
and accountability information**

p.91
8.113–8.114

The ministry has established a strategic planning branch which will provide management with key indicators of efficiency, effectiveness and economy. However, this service and related input to the ministry's annual report depends on the ministry's success in staffing the branch. The director's position has been classified and posted.

F 1.2 Financial management and control**F 1.2.1 Organization and management
of the financial function**

p.123
9.90–9.93

Organization and staffing: A review of the organization of the comptroller's office has been completed. The comptroller will no longer be responsible for the GAIN for Seniors division, the Bus Pass Program, SAFER, the audit team or the research division; and the comptroller will, therefore, have more time for his primary role. Upon completion of this process, descriptions of the comptroller's responsibilities will be circulated within the ministry.

The financial management and control function of the ministry has been strengthened recently with the addition of two accounting officers to the comptroller's office. They will be primarily involved in addressing the financial aspects of all computer systems being developed in the ministry (i.e. controls, procedure manuals, etc.) and in directing the development of financial systems of the ministry.

p.91
8.132

Increased establishment requirements are expected in order to implement the Treasury Board financial administration policies. The decentralized structure of the ministry will have a significant impact on these requirements.

It should be noted that the ministry is experiencing difficulty in staffing its financial positions. At the date of this report there were 11 vacant financial management positions in the comptroller's office. This limits the ministry's ability to address the issues raised by the Auditor General's report in a timely manner.

p.123
9.94–9.100

Financial operations. The ministry is continuing to address its sign-off procedures in regard to new systems and procedures in order to ensure continual improvement. Responsibility areas do participate now in the design and development of all systems that affect them. Control standards and guidance are available for ministry staff involved in computer systems development. A project administration manual is in the planning stage.

A formal review of the income assistance on-line computer system has been carried out by consultants whose report was to be completed by October 1981.

A headquarters accounting procedures manual is in the process of being printed.

F. MINISTRY AUDITS

Section, Subsection	Auditor General's Reference (1980 Report)
F 1.2.2 Planning, budgeting and budgetary control	p.125 9.101-9.106
<p>The strategic planning branch, which will coordinate and provide technical support for the development of strategic and long term plans for the ministry, has been established. Staffing of the branch is still in process.</p> <p>During the preparation of the 1982/83 budget, the ministry has refined its budgetary process to the point where the majority of the issues raised by the Auditor General have been addressed.</p> <p>The ministry still intends to develop revised policies and procedures relating to variance analysis and financial reporting.</p> <p>The budgetary process has been documented in a manual and has been made available to all personnel involved in the budgetary activity.</p>	
F 1.2.3 Accounting and financial reporting systems	p.126 9.1107-9.110
<p>The ministry is working in cooperation with the Office of the Comptroller General in developing improved financial management reports. However, technical difficulties have delayed production of these reports.</p> <p>The development of policy and related procedures, concerning cost benefit analysis for all major accounting and operating systems, is at present hindered by the number of accounting staff vacancies.</p>	
F 1.2.4 Financial control of revenue and expenditure	p.127 9.111-9.115
<p>The ministry expects to implement a financial signing procedure which will generally conform to the Treasury Board financial signing authorities policy. However, the ministry expects to experience some practical difficulties in its implementation, one of which is the number of staff in small outlying offices.</p> <p>Revenue control is a high priority of the ministry and this is reflected in the ministry's planning for implementation of the Treasury Board financial administration policies. In this connection, the ministry expects to develop a new accounts receivable system.</p>	
F 1.2.5 Accounting controls over assets	p.128 9.116
<p>The ministry has addressed this issue as part of its planning for the implementation of the Treasury Board financial administration policy on asset control.</p>	
F 1.3 Controls in the income assistance system	p.92 8.153-8.181
<p>The overall design of a five-week training program for supervisors has been completed and details of the first three weeks of the course are complete. The program will be delivered to the supervisors between November 1981 and March 1982.</p>	

E. MINISTRY AUDITS

Section,
SubsectionAuditor General's
Reference
(1980 Report)

Currently, the management reports which are prepared in the field and relate to staff training activities, have been expanded to show how the priorities of the ministry are being addressed by the training program. Statistics are being compiled centrally to provide information on staff in training, courses being taken and on their time and location. Field staff have been asked to ensure accuracy in reporting cost of training so that the centrally produced financial management reports are meaningful.

The per capita cost of training in relation to the priorities of the ministry will be reported when the revised management reports from the field have been adequately prepared.

In regard to the Auditor General's comments on physical security, the ministry considers this to be an essential part of the development of any new system. The ministry is placing particular emphasis on security in regard to the on-line component of the computerized income assistance system.

Staffing problems and high case volumes are hindering the ability of the ministry to give guidance to staff in identifying cases of possible fraud or abuse which should be referred to the inspection group.

**F 1.4 Identified overpayment
and errors—
control and collection**
p.93
8.196–8.197

The ministry's planning for the implementation of the Treasury Board's revenue control policy, as stated before, is being given a high priority. It is thus reflected in the ministry's proposed plan for the development of an accounts receivable system which will address control over and collection of overpayments and errors. Funds are being set aside for this project; staffing, however, remains a problem.

F 1.5 Cost sharing
p.94
8.210

The ministry has circulated, to other ministries, guidelines which will assist those ministries in determining whether expenditures made by them are cost shareable. The ministry is continuing to address the questions of refining assessment criteria for ensuring that all operating systems support optimum cost sharing.

F 1.6 Electronic data processing
p.94
8.231

The ministry has engaged consultants to ensure that all necessary control criteria have been met before fully implementing the enhanced computerized system which produces income assistance cheques for claimants. The improved system, referred to as "On-line Version II", is interactive and allows the district and regional offices of the ministry to maintain and access current information on claimants through the use of computer terminals.

The ministry plans to document control standards for the guidance of ministry staff involved in computer systems development that will incorporate the guidelines provided by the Office of the Comptroller General and the Treasury Board financial administration policy on financial systems and controls. Staffing problems have delayed this project.

F. MINISTRY AUDITS

Section, Subsection	Auditor General's Reference (1980 Report)
F 1.7 Internal audit	p.95 8.247-8.252
<p>The ministry is still experiencing difficulty in recruiting an audit manager; the position has been vacant for one year. This has delayed the development of a long range audit plan. At the time of this report, four out of nine audit positions are vacant in the internal audit group.</p>	
F 2. MINISTRY AUDITS—MINISTRY OF EDUCATION	
F 2.1 Role function and reporting relationships of the senior financial officer	p.106 9.19-9.21
<p>The ministry has communicated the role of financial management and control to all personnel through training sessions in the ministry's financial management reporting system and through the introduction of zero base budgeting for the 1982/83 budget cycle. As part of the reorganization process which the ministry underwent during 1981, all personnel received an explanation of the new organizational structure.</p> <p>Further to the ministry's comment in the 1980 report, the senior financial officer is now involved in all decisions having significant financial impact or involving financial systems and procedures.</p> <p>Financial management and control roles are now being reviewed in the light of the Treasury Board financial administration policy on management of the financial function.</p>	
F 2.2 Functional and direct relationships	p.107 9.22-9.23
<p>The senior financial officer's staff now monitor monthly financial reports for each responsibility centre, including commitment accounting.</p> <p>Quarterly variance reports, now filed by each responsibility centre manager, are being used and are filed with the senior financial officer. The educational finance department staff will follow-up these reports to ensure corrective action is taken.</p>	
F 2.3 Staffing and training	p.107 9.24-9.26
<p>Training sessions in areas of financial procedures have been an integral part of the implementation of the ministry's new organization. Position descriptions in support of the new organization reflect changed reporting relationships and job functions including financial management and control functions.</p>	
F 2.4 Communications	p.108 9.27
<p>Initial chapters of a comprehensive financial and accounting manual encouraged by the Auditor General are expected to be distributed during the 1981/82 fiscal year.</p>	
F 2.5 Ministry budgetary procedures	p.108 9.28-9.33
<p>Through the implementation of zero base budgeting, the ministry has documented and issued procedures which define the specific duties of responsibility centre managers for preparing</p>	

F. MINISTRY AUDITS

Section,
SubsectionAuditor General's
Reference
(1980 Report)

budgets. Furthermore, guidelines for the extent to which the educational finance department participates in budgetary control and the evaluation of budgets are being developed and will be documented.

A formal re-allocation procedure is now implemented which provides clear documentation of all re-allocations and related dissemination to all senior management. The educational finance department reviews and approves allocations which are subsequently reflected in revised budget figures on the ministry's financial management reports.

The ministry implemented a documented policy for dealing with variances which became effective March 31, 1981.

The ministry's new commitment system became operational April 1, 1981. Training sessions were given to all staff affected by the system. The system is to be reviewed in light of the appropriation and commitment control policy recently approved by Treasury Board.

**F 2.6 Budgets submitted
by school districts**
p.110
9.34-9.37

The project to revise, on a program basis, school district budget reports to the ministry is now in the design phase and a pilot project should be operating in 1982.

A full review of the control and use of special program funds is beginning with efforts to improve the data available for analysis and a re-examination of the basic principles of such funding. The senior financial officer is involved.

The senior financial officer will also be involved in the ministry's review of budgets submitted by the school districts. The review process will be amended when the budget format has been altered on completion of the aforementioned project.

**F 2.7 Budgets submitted by
post-secondary institutions**
p.110
9.38-9.41

The staff of the educational finance department is involved in the review of all budgets for post-secondary institutions for the 1982/83 fiscal year. The senior financial officer will be involved in the review of all budgets submitted and incorporated in the ministry's estimates.

F 2.8 Financial management reporting
p.111
9.42-9.44

The basic implementation of the ministry's financial management reporting system is complete. The expected further extensions of the system will be formally considered in the spring of 1982.

The periodic review of subsidiary accounting systems to ensure adequate controls is still pending the posting and subsequent filling of the directors of accounting and internal audit positions.

**F 2.9 Documentation of revenue
and expenditure systems**
p.112
9.45

This documentation and applicable internal controls review also depends on the hiring of the directors of accounting and internal audit. If recruitment difficulties persist, the ministry may seek to have the work undertaken by contracted accountants.

F. MINISTRY AUDITS

Section, Subsection	Auditor General's Reference (1980 Report)
F 2.10 Accounting controls	p.112 9.46-9.49
Control over sums charged to grants to reduce local school taxes, and amounts credited to the recovery of rural district taxes vote has been reviewed by Ministry of Education and Ministry of Finance officials. As a result of this review, responsibility and accountability for expenditures and recoveries has been resolved.	
The form of the annual statement from the Superannuation Commissioner in regard to the teacher's pension fund vote is under review.	
F 2.11 Revenue controls	p.113 9.50-9.51
The ministry's revenue control procedures have been reviewed in light of the Treasury Board financial administration policy on revenue control. Plans for implementing the policy were submitted to the Office of the Comptroller General in October 1981.	
F 2.12 Responsibilities for control over assets and liabilities	p.113 9.52
These were reviewed in conjunction with the Treasury Board financial administration policy implementation planning process. Implementation plans for assets control and liabilities control were expected to be submitted to the Office of the Comptroller General in October 1981.	
F 2.13 Accounting and physical controls in asset management systems	p.114 9.53-9.55
The comments under F 2.12 apply.	
F 2.14 Ministry internal audit	p.114 9.56-9.57
As noted above, the director of internal audit is not yet appointed and it is he/she who will have the responsibility for reviewing all the ministry's internal audit requirements.	
F 2.15 Operational reviews of school districts, colleges and institutions	p.114 9.58-9.59
Further to the ministry's comment in the Auditor General's 1980 report, action on this subject will be addressed by the director of internal audit when he/she is appointed.	

F. MINISTRY AUDITS

Section,
SubsectionAuditor General's
Reference
(1980 Report)**F 3. MINISTRY AUDITS—MINISTRY OF FINANCE****F 3.1 Role of financial management****F 3.1.1 Management of the financial function**p.116
9.67

The organizational structure, developed for the financial function, is expected to be implemented by the end of March 1982. Knowledge of the respective roles and responsibilities of managers and the controller will continue to increase through the effective implementation of the Treasury Board financial administration policy on management of the financial function.

F 3.1.2 Functional directionp.117
9.68

Strong financial direction is now being provided to all personnel with financial responsibilities, the main medium being a comprehensive procedures manual. Evidence of the controller's leadership role, in the area of expenditure control, has been the introduction of a commitment control system across the ministry.

In 1982/83, the controller's office expects to provide similar direction in regard to revenue control; part of this initiative will involve the establishment of a new revenue administration branch.

F 3.1.3 The senior financial officerp.117
9.69

The senior financial officer now has the responsibility for signing, communicating and maintaining all financial administration systems within the ministry. The SFO now has enough functional authority to be seen throughout the ministry as a source of leadership and direction in all matters concerning the systems of financial administration.

F 3.2 Staffing of the financial function**F 3.2.1 Position classifications**p.117
9.70

The financial management and supervisory positions review is expected to be completed by mid 1982.

F 3.2.2 Training and professional developmentp.117
9.71

A staff training and career development policy is to be developed by the end of 1981/82. During this fiscal year, briefings have been held with line branches as financial policies of the ministry have been released.

F 3.2.3 Financial function staff requirementsp.118
9.72

In light of the ministry's own initiatives and the Treasury Board financial administration policies, the ministry expects to hire at least one additional person to assist in the implementation of policies and guidelines.

F. MINISTRY AUDITS

Section,
SubsectionAuditor General's
Reference
(1980 Report)**F 3.3 Communication and documentation**p.118
9.73

In regard to the Auditor General's recommendation that the ministry document all financial policies, responsibilities, systems, etc. the aforementioned policy and procedures manual was started and now includes the following sections: budgets, expenditure control, revenue control, financial reporting, internal audit and evaluation. Coincident with the examination of the manual's sections, certain policies and procedures documented in the manual have been put into place including commitment control, signing authorities, and expenditure review reporting.

**F 3.4 Accounting and
financial reporting system**p.118
9.75

By January 1982, the ministry's financial reporting system will be capable of generating non-financial data including efficiency and effectiveness measures.

F 3.5 Controls over expenditures**F 3.5.1 Preparation of
expenditure vouchers**p.119
9.76

Documentation of sample authorizing signatures has been completed as part of the ministry's implementation of its signing authority policy.

**F 3.5.2 Approval of claims against
the contingencies
(all ministries) vote**p.119
9.77

A procedure for claims against the salary contingencies vote will be put in place in 1982/83.

**F 3.5.3 Expenditure controls
in securities section**p.119
9.78

The division of duties between purchasing investments and arranging bank transfers is still under review. Vouchers and supporting information are now subjected to accounting scrutiny before central processing and this has been incorporated into branch procedures. The section's temporary accounting position has been changed into a permanent position.

**F 3.6 Revenue control and
collection policies**p.120
9.79**F 3.6.1 Revenue control and
collection procedures**p.120
9.79

A revenue control policy, for implementation across government, has been approved by Treasury Board. The ministry intends to implement the requirements of the policy by the end of 1982.

F. MINISTRY AUDITS

Section, Subsection	Auditor General's Reference (1980 Report)
F 3.6.2 Treasury section cash and banking procedures	p.120 9.80
The recommendations of a consultant's report on the ministry's organization are expected to be implemented by April 1982.	
F 3.6.3 Consumer taxation branch cash handling procedures	p.120 9.81
Provision is being made in the revenue branch organization plan for a control clerk to list and control receipts of cash and cheques. This new clerk will perform the same duties for real property branch revenues when these functions are consolidated into the new revenue administration branch.	
Vancouver cash and cheques are now listed as soon as they are received and are subsequently cleared against a copy of the "Receipt—Tax Transmittal Form", received by the Government Agent.	
F 3.6.4 Income taxation branch collection and accounting procedures	p.121 9.82
The duties of the cash handling and accounts receivable functions in this branch have now been separated.	
F 3.6.5 Real property taxation branch billing & accounting systems	p.121 9.83
Present reorganization efforts will result in billings and accounts receivable being handled by the new revenue administration branch previously mentioned. The systems of the real property taxation branch are currently being studied for reliability and capacity by the British Columbia Systems Corporation.	
F 3.7 Controls over assets	
F 3.7.1 Asset policy statement	p.121 9.84
An asset control policy and procedure statement consistent with the Treasury Board financial administration policy on asset control is now in draft form with implementation planned by the end of 1981/82.	
F 3.7.2 Inventory count of securities	p.121 9.85
The securities inventory will be subject to cyclical counting by investment account throughout the year. In addition, at least one complete count will be conducted during the year.	
F 3.7.3 Fixed assets inventory	p.121 9.86
As acknowledged in the Auditor General's report, the ministry is planning to have an assets registry in place by June 1982 which will provide protection over and accountability for ministry	

F. MINISTRY AUDITS

Section,
SubsectionAuditor General's
Reference
(1980 Report)

assets that are not subject to ongoing accounting control. These assets will also be subject to verification by periodic physical counts. The ministry is considering an automated system for fixed asset control.

F 3.8 Internal auditp.122
9.87-9.88

The audit plan for the ministry has been developed and its implementation in the 1982/83 fiscal year will be in accordance with the policy on internal audit recently issued by Treasury Board.

F 4. MINISTRY AUDITS—MINISTRY OF LANDS, PARKS AND HOUSING

Like the other ministries, the Ministry of Lands, Parks and Housing has been planning for the implementation of Treasury Board financial administration policies in cooperation with the Office of the Comptroller General. Planned activities have taken into account all of the Auditor General's recommendations and, in fact, have been organized into categories which parallel those used by the Auditor General in her financial management and control report on the ministry.

F 4.1 Organization of the financial functionp.129
9.125-9.134

The ministry has responded to the Auditor General's recommendations, in this category, as follows:

- the executive financial officer now reports to the Deputy Minister and the EFO's role "encompassing all components of financial management and control" has been formally endorsed by the Deputy Minister. In addition, the recommended comprehensive plan providing for "adequate financial management and control within the ministry" has been prepared and approved by senior management.

Still in progress is the organization, staffing and training needs analysis review referred to by the Auditor General. The recommended systems and controls framework is expected to be developed over the next two fiscal years as financial administration policies and procedures are documented and implemented.

F 4.2 Planning, budgeting and budgetary controlp.131
9.135-9.139

Effective budget development systems are now in place, but the ministry plans to place additional emphasis on evaluation and measurement of programs.

F 4.3 Accounting and financial reporting systemsp.132
9.140-9.1143

The ministry's recently completed financial management improvement plan provides for the review and rationalization of all accounting and financial reporting systems. Resulting design work is expected to be completed by the end of 1982/83.

F. MINISTRY AUDITS

Section, Subsection	Auditor General's Reference (1980 Report)
F 4.4 Financial control of expenditure and revenue	p.133 9.144-9.153
<p>To improve control in these areas, the ministry has initiated a number of actions which include consideration of the Auditor General's recommendations. In the process of being implemented by December 31, 1981 is the Treasury Board policy on financial signing authorities. Other actions to be completed by the end of 1982/83 include the development of a complete set of accounting manuals; the establishment of a training program for financial staff and the institution of additional on-site field reviews; the completion of a review of payroll procedures for auxiliary staff; the completion of a manual incorporating all pertinent accounting information for parks revenue, and decisions on the division of responsibility for monitoring revenue.</p> <p>The Crown land revenue system is under review and by the end of 1982/83, the implementation of the recommendations is expected to be completed, resulting in the establishment of proper accounting systems for both land sales and receivables.</p>	
F 4.5 Asset controls	p.134 9.154-9.155
<p>The ministry expects to have an asset control policy developed, documented and communicated by the end of 1982/83. During this process the responsibility for systems that control assets will be reviewed and resolved.</p>	
F 4.6 Crown land fund	p.134 9.156-9.158
<p>The ministry expects to clearly establish and communicate responsibilities for recording, monitoring and controlling transactions in the Crown land fund by the end of 1982/83.</p> <p>As part of an overall review, the existing Crown land fund reporting and accounting systems will be evaluated to ensure they meet management needs. Revisions are expected to be completed by the end of 1982/83.</p>	
F 4.7 British Columbia Housing Management Commission (BCHMC)	p.135 9.159-9.162
<p>The ministry is compiling terms of reference for a study which would establish monitoring responsibilities and reporting requirements for all programs administered by BCHMC and which are subsidized by the ministry's vote. Articulation of the ministry's role relative to BCHMC's role is expected by April 1982. The central financial group will work closely with BCHMC in this matter and also to ensure that accounting controls are adequate. Agreement will be signified in writing.</p>	
F 4.8 Internal audit	p.135 9.163
<p>The ministry expects to implement a comprehensive audit program during April 1983. It has already reviewed its internal audit requirements and passed them to the internal audit division of the Office of the Comptroller General for its review and input.</p>	

G. PROGRESS INDEX

Issue	Auditor General 1980 Report Reference		Status
	Paragraph	Page	
A NEW FINANCIAL LEGISLATION	1.1–1.7	7	Resolved.
B NEW ACCOUNTING AND FINANCIAL ADMINISTRATION POLICIES	2.1–2.6	9	Resolved.
C FINANCIAL STATEMENTS			
C 1. Submission of Financial Statements to the Minister of Finance by September 30 deadline		28	Resolved.
C 2. Accounting Policies and Practices		28	Resolved.
C 3. Treatment of Holdbacks		28	Resolved.
C 4. Deferral of Revenue From Sale or Lease of Crown Lands		29	Action being taken.
C 5. Stated Accounting Policy Regarding Fixed Assets		30	Resolved.
C 6. Marketable Investments — Quoted Values	3.5–3.6	12	Resolved.
C 7. Verification of Assets			
C 7.1.1 Land Leases Accounting Procedures	3.7–3.9	12	Partially resolved — Action being taken on outstanding issues.
C 7.1.2 Land Sales — Control Accounts and Interest Calculation	3.7–3.9	12	Resolved.
C 7.2 Crown Land Fund — Real Estate Account	3.10–3.12	13	Resolved
C 8. Income Tax Collection Agreement	3.13–3.17	13	Limitations are set by the Government of Canada — resolved.
C 9. Unexpended Balances of Appropriations			
C 9.1 Long Term Disability Plan	3.19–3.21	14	Resolved.
C 9.2 Housing Corporation (Elderly Citizens) Act grants	3.22–3.24	15	Resolved.
C 10. Write-offs of Non-Recoverable Expenditures	3.25–3.27	15	Order in Council approval is being obtained for write-offs made in fiscal 1980/81, and fiscal 1981/82 where applicable.
C 11. Reconciliation and Clearing of Suspense Accounts not regularly performed		29	Resolved.
C 12. Securities Held as Guarantee — Most ministries not maintaining adequate control records		29	Action being taken.
C 13. Unbilled Timber Royalties and Stumpage Fees		29	Resolved.
C 14. Presentation of Timber Road Offset Credits		29	Disclosure through a footnote to the Schedule of General Fund Revenue. Considered resolved.
C 15. Ministry of Economic Development Act — Advance of \$2.5 million — terms of agreement not being met		29	Action under way which could result in loan being repaid.
C 16. Provincial Home Acquisition Fund — Provision for Doubtful Mortgage		30	Resolved.

G. PROGRESS INDEX

Issue	Auditor General 1980 Report Reference		Status
	Paragraph	Page	
C 17. University Endowment Lands accounts — \$4,184,887 advance by Province			30 Action being taken to resolve whether advance should be repaid or written off.
C 18. Guaranteed Debt			
C 18.1 British Columbia Railway Net Debt			31 Government to provide for the debt service charges of the Railway on an ongoing basis. Considered resolved.
C 18.2 Treatment of Accrued Interest			31 Resolved.
C 18.3 Schedule of Guaranteed Debt			31 Government to continue practice of referring to financial statements of Crown Agencies through a footnote. Considered resolved.
D INTERNAL CONTROL			
D 1. General Comments	4.1–4.10		17 Action being taken. 32
D 2. Specific Topics			
D 2.1 Unrecorded Cash and Bank Accounts	4.11–4.14		18 Resolved.
D 2.2 Ministry of Finance — Securities Section Accounting	4.15–4.17		19 Resolved.
D 2.3 Ministry of Energy, Mines and Petroleum Resources — Revenue Control	4.18–4.20		19 Resolved.
D 2.4 Ministry of Health			
D 2.4.1 Revenue Control			34 Action being taken.
D 2.4.1.1 Patients' Maintenance Accounts Receivable	4.21–4.26		20 Action being taken to write-off uncollectable accounts and to increase the rate of collections.
D 2.4.1.2 Billings and Receivable Controls			34 Action being taken.
D 2.4.2 Expenditure Control — lacking			34 Action being taken.
D 2.4.3 Patients' Trust Accounts — control lacking			34 Resolved.
D 2.4.4 Control Accounts — \$142,000 either spend appropriately or transfer to revenue			34 Action being taken.
D 2.4.5 Hospital Insurance Fund — legislation in conflict with accounting practice			35 Action being taken.
D 2.4.6 Emergency Health Services Commission—			
● conflict with legislation			Resolved.
● accounts receivable collection			Action taken; collections improved.
● reconciliation procedures			Resolved.

G. PROGRESS INDEX

Issue	Auditor General 1980 Report Reference		Status
	Paragraph	Page	
D 2.5 Ministry of Agriculture and Food — control over claims		32	Action being taken.
D 2.6 Ministry of Attorney General			
D 2.6.1 Investigative Teams — Public Trustee — teams should be greater than one person		33	Action being taken.
D 2.6.2 Fee Collection by Public Trustee		33	Action being taken.
D 2.6.3 Purchase and Expenditure Procedures — documentation lacking		33	Action being taken.
D 2.7 Ministry of Consumer and Corporate Affairs — Liquor Distribution Branch — internal audit		33	Action being taken.
D 2.8 Ministry of Lands, Parks and Housing — reporting requirements for Housing Cooperatives and Non-Profit Societies		36	Resolved.
D 2.9 Ministry of Provincial Secretary			
D 2.9.1 Certification of Queen's Printer Accounts		36	Amendments to the <i>Queen's Printer Act</i> are being recommended.
D 2.9.2 Queen's Printer Inventory Accounting System		36	Improvements continuing to be made.
D 2.9.3 Lottery Fund — accounting controls		36	Improvements continuing to be made.
D 2.9.4 First Citizens' Fund Investment — improperly recorded		37	Resolved.
E PUBLIC BODIES			
E 1. Reporting of Public Bodies in Public Accounts	5.1–5.2	22	Resolved.
E 2. Qualification of Audit Opinions			
E 2.1 Workers' Compensation Board statements	5.5	22	Action being taken.
E 2.2 Pacific Vocational Institute statements	5.5	22	Resolved.
E 3. Security for Loans Made by B.C. Educational Institutions Financing Authority	5.6–5.10	23	Action being taken.
F MINISTRY AUDITS			
F 1. Ministry Audits — <i>Ministry of Human Resources</i>			
F 1.1 Reporting on performance and accountability information	8.113–8.114	91	Action being taken.
F 1.2 Financial Management and Control			
F 1.2.1 Organization and Management of the Financial Function	9.90–9.93	123	A review of the organization has been completed.
—Organization and Staffing	8.132	91	Recent addition of two Accounting Officers but still express difficulties in staffing.
—Financial Operations	9.94–9.100	123	Action being taken.
F 1.2.2 Planning, Budgeting and Budgetary Control	9.101–9.106	125	Action being taken.

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Issue	Auditor General 1980 Report Reference		Status
	Paragraph	Page	
F 1.2.3 Accounting and Financial Reporting Systems	9.107–9.110	126	Action being taken is hindered by the number of accounting staff vacancies.
F 1.2.4 Financial Control of Revenue and Expenditure	9.111–9.115	127	Action being taken.
F 1.2.5 Accounting Control over Assets	9.116	128	Action being taken.
F 1.3 Controls in the Income Assistance System	8.153–8.181	92	Action being taken.
F 1.4 Identified Overpayment and Errors — Control and Collection	8.196–8.197	93	Action being taken.
F 1.5 Cost Sharing	8.210	94	Action being taken.
F 1.6 Electronic Data Processing	8.231	94	Action being taken.
F 1.7 Internal Audit	8.247–8.252	95	Still experiencing difficulties in recruiting.
F 2. Ministry Audits — <i>Ministry of Education</i>			
F 2.1 Role Function and Reporting Relationship of the Senior Financial Officer	9.19–9.21	106	Action being taken.
F 2.2 Functional and Direct Relationships	9.22–9.23	107	Resolved.
F 2.3 Staffing and Training	9.24–9.26	107	Resolved.
F 2.4 Communications	9.27	108	Action being taken.
F 2.5 Ministry Budgetary Procedures	9.28–9.33	108	Resolved.
F 2.6 Budgets Submitted by School Districts	9.34–9.37	110	Action being taken.
F 2.7 Budgets Submitted by Post-Secondary Institutions	9.38–9.41	110	Action being taken.
F 2.8 Financial Management Reporting	9.42–9.44	111	Action being taken.
F 2.9 Documentation of Revenue and Expenditure Systems	9.45	112	Experiencing difficulties in recruiting.
F 2.10 Accounting Controls Over Grants to Reduce Local School Taxes Form of Annual Statement from Superannuation Commissioner <i>re</i> : teacher's pension fund vote	9.46–9.49	112	Grants to Reduce Local Taxes — resolved. Under review.
F 2.11 Revenue Controls	9.50–9.51	113	Action being taken.
F 2.12 Responsibilities for Control Over Assets and Liabilities	9.52	113	Action being taken.
F 2.13 Accounting and Physical Controls in Asset Management Systems	9.53–9.55	114	Action being taken.
F 2.14 Ministry Internal Audit	9.56–9.57	114	Director of Internal Audit is not yet appointed.
F 2.15 Operational Reviews of School Districts, Colleges and Institutions	9.58–9.59	114	Action will be taken once the Director of Internal Audit is appointed.
F 3. Ministry Audits — <i>Ministry of Finance</i>			
F 3.1 Role of Financial Management			
F 3.1.1 Management of the Financial Function	9.67	116	Action being taken.
F 3.1.2 Functional Direction	9.68	117	Action being taken.
F 3.1.3 The Senior Financial Officer's Responsibilities	9.69	117	Resolved.

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F 3.2 Staffing of the Financial Function			
F 3.2.1 Position Classifications	9.70	117	Action being taken.
F 3.2.2 Training and Professional Development	9.71	117	Action being taken.
F 3.2.3 Financial Function Staff Requirements	9.72	118	Action being taken.
F 3.3 Communication and Documentation	9.73	118	Action being taken.
F 3.4 Accounting and Financial Reporting System	9.75	118	Action being taken.
F 3.5 Controls Over Expenditures			
F 3.5.1 Preparation of Expenditure Vouchers	9.76	119	Action being taken.
F 3.5.2 Approval of Claims Against the "Contingencies (all ministries)" Vote	9.77	119	Action being taken.
F 3.5.3 Expenditure Controls in Securities Section	9.78	119	Action being taken.
F 3.6 Revenue Control and Collection Policies			
F 3.6.1 Revenue Control and Collection Procedures	9.79	120	Action being taken.
F 3.6.2 Treasury Section Cash and Banking Procedures	9.80	120	Action being taken.
F 3.6.3 Consumer Taxation Branch Cash Handling Procedures	9.81	120	Action being taken.
F 3.6.4 Income Taxation Branch Collection and Accounting Procedures — separation of duties	9.82	121	Resolved.
F 3.6.5 Real Property Taxation Branch Billings and Accounting Systems	9.83	121	Action being taken.
F 3.7 Control Over Assets			
F 3.7.1 Asset Policy Statement	9.84	121	Action being taken.
F 3.7.2 Inventory Count of Securities	9.85	121	Action being taken.
F 3.7.3 Fixed Assets Inventory	9.86	121	Action being taken.
F 3.8 Internal Audit	9.87-9.88	122	Action being taken.
F 4. Ministry Audits — <i>Lands, Parks and Housing</i>			
F 4.1 Organization of the Financial Function	9.125-9.134	129	Action being taken.
F 4.2 Planning, Budgeting and Budgetary Control	9.135-9.139	131	Considered resolved.
F 4.3 Accounting and Financial Reporting Systems	9.140-9.143	132	Action being taken.
F 4.4 Financial Control of Expenditures and Revenue	9.144-9.153	133	Action being taken.
F 4.5 Asset Controls	9.154-9.155	134	Action being taken.
F 4.6 Crown Land Fund	9.156-9.158	134	Action being taken.
F 4.7 British Columbia Housing Management Commission (BCHMC) — responsibilities and reporting requirements	9.159-9.162	135	Action being taken.
F 4.8 Internal Audit	9.163	135	Action being taken.