AUDITOR GENERAL

1995/96: REPORT 3

COMPLIANCE–WITH–AUTHORITIES AUDITS

Home Support Services

Environmental Tire Levy

Safeguarding Moveable Physical Assets: Public Sector Survey

Consumer Protection Act—Income Tax Refund Discounts

Financial Administration Act Part 4: Follow–up

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Compliance–with–Authorities Audits

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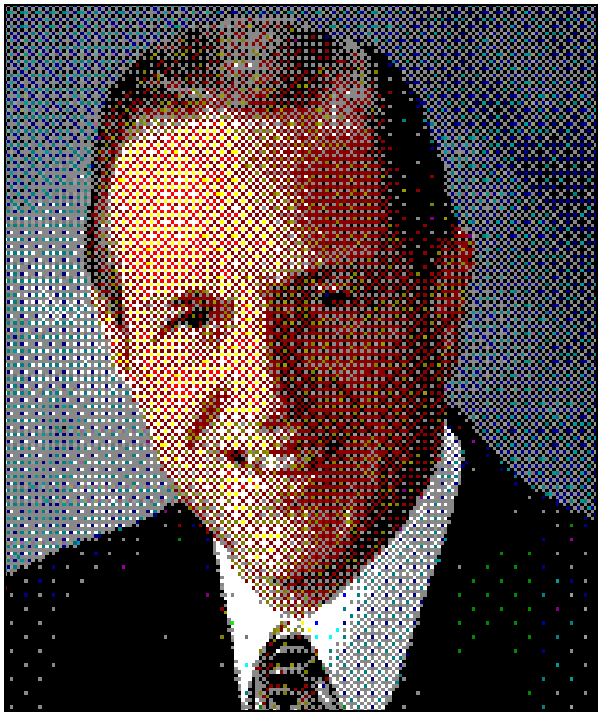


This is my third report to the Legislative Assembly for 1995/96, and is a report on the compliance–with–authorities audit work performed by my staff during the past year.

We conducted five audits and reviews, and we also obtained updated responses from government officials as to action taken by them with respect to prior years' audit recommendations.

Our compliance–with–authorities audits and reviews for 1995/96 dealt with five topics:

- home support services in the Ministries of Health and Social Services;
- the collection and use of the environmental tire levy;
- a survey of the record keeping systems for safeguarding moveable physical assets in the government sector outside of central ministries;
- income tax refund discounts covered by the *Consumer Protection Act*; and
- a follow–up of audits done in 1991 and 1992 on compliance with Part 4 of the *Financial Administration Act.*

We found that the authorities covering the home support program were being satisfactorily complied with, apart from two policy requirements in the Ministry of Health. These requirements were for annual reassessment reviews of clients, and verification that applicants had been resident in the province for one year before receiving home support.

We determined that the environmental tire levy collected had been transferred to the Sustainable Environment Fund in accordance with legislation, but that the legislation does not require this levy to be spent only on tire recycling and disposal programs.

Approximately one-fifth of Crown corporations, hospitals, school districts, colleges, universities and institutes indicated to us that they do not have records for the safeguarding of their moveable physical assets. Of the ministries responsible for these public sector entities, only the Ministry of Health had provided specific

guidance, to hospitals, to maintain records of their moveable physical assets.

We learned that although the *Consumer Protection Act* sets out requirements for income tax refund discounting businesses, because of more extensive federal legislation and other federal involvement with these businesses, federal officials are in a better position than are provincial officials to monitor compliance with the legislative requirements.

In our follow–up of previous audits of Part 4 of the *Financial Administration Act*, we found that the sections in this part of the Act were being complied with, but we noted that our concerns and those of the Select Standing Comittee on Public Accounts, relating to the interpretation and application of section 21 on special warrants, have not been addressed. In addition, no comprehensive review or updating of this Act, which came into force in 1981, has yet been completed.

The detailed report sections that follow on these topics all contain recommendations for improvements, which I trust will be well considered by the officials concerned.

The appendices at the end of this report provide a listing of compliance–with–authorities audits completed from 1990 to date, an outline of the audit objectives and methodology employed in conducting these compliance–with–authorities audits, and a listing of the public reports issued to date by my Office in the current reporting year.

I wish to acknowledge the outstanding work undertaken by my staff, which has resulted in the production of these reports on a timely basis, and to thank them for their professional dedication and application. I also greatly appreciate the cooperation shown to my staff by the officials and staff in the ministries and other government organizations where we conducted our audits and reviews.

George L. Morfitt, FCA
Auditor General

Victoria, British Columbia
February 1996

Home Support Services

Home Support Services

An audit to assess whether the Ministries of Health and Social Services were delivering home support services to their clients in accordance with the relevant legislation, regulations and policies.

Audit Report

Audit Scope

We have made an examination to determine whether the *Continuing Care Act* and the *Guaranteed Available Income for Need Act* and related regulations and policies relevant to the delivery of home support services in the Ministry of Health and the Ministry of Social Services were being complied with, in all significant respects, between January and June 1995; specifically, those authorities relating to:

- eligibility of applicants;
- income assessment;
- authorization of service; and
- payment for service provided.

Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Audit Opinion

In our opinion, the *Continuing Care Act* and the *Guaranteed Available Income for Need Act* and related regulations and policies relevant to the delivery of home support services were being satisfactorily complied with, in all significant respects, between January and June 1995; except that certain policies, requiring an annual reassessment review and verification of the minimum period of residence in the province, were not being satisfactorily complied with in the Ministry of Health during this period.

Introduction

The Ministries of Health and Social Services provide subsidized home support services to eligible people who need help managing their households or caring for their children. Services mainly comprise laundry help, house cleaning, cooking, child care, and grocery shopping, and may also include personal grooming and hygiene depending on the level of care required. Such services are delivered on behalf of the ministries by outside agencies—corporations, non–profit societies and, rarely, individuals.

Home support services are intended to supplement, rather than replace, any existing support that a client may have, through family members, friends, or other resources in the community.

Ministry of Health Home Support

The Ministry of Health provides home support under the authority of the *Continuing Care Act* and related regulations and ministry policies. The services are for people who cannot live independently because of some chronic physical condition, but who still wish to remain at home. At the time of our audit, the ministry had some 40,000 clients receiving these services, at a cost of about $150 million annually.

Eligible for this support are Canadian citizens or permanent residents who are over 19 years of age, have a chronic physical condition, and have been resident in the province for the last 12 months. If an applicant is assessed as needing extended care (the most intensive of the care levels), then the required period for being resident in the province is reduced to three months.

Some individuals apply at the local health unit, although in many cases applicants are referred by their doctors. Case Managers from the health units visit the applicants to assess their ability to cope with the activities of daily living. If the applicant is deemed eligible for home support, the Case Manager determines what tasks need to be done by the home support worker, and how often, and then authorizes a specific number of hours on a monthly basis for a home support agency to provide the service decided on.

Ministry policy restricts to 120 hours the total number of hours that the Case Manager can authorize per month. Only if the client is wait listed for a facility, or is in a short–term emergency relief situation, can the total of 120 hours be exceeded, if approved by the Manager or Director of Long Term Care at the health unit.

Clients who receive home support services may be required to pay a fee for the service. At the time of the assessment, the Case Manager determines the client's "available income." This is the total income of the client, less income tax, medical premiums, and various other deductions, such as an amount based on the size of the family unit. If the client has available income, it is prorated to a daily amount, and the fee is set at half of that daily amount (up to a maximum amount equal to the actual cost of the service provided). The fee is then charged

to the client for each day that he or she receives home support service.

If the client is receiving support under the *Guaranteed Available Income for Need Act (*the *GAIN Act)*, the federal War Veteran's Allowance, or the federal Guaranteed Income Supplement (including the Spouse's Allowance), then she or he is exempted from paying a fee.

After receiving the authorization from the Case Manager, the agency arranges for a home support worker to go to the client's home and provide the service required. At the end of each visit, the client signs a time sheet to indicate the date and number of hours that the worker was there. Monthly, the agency in turn presents the ministry with details of the hours of service provided each client. The ministry then verifies that the hours presented correspond to what was authorized, and calculates the amount owed to that agency according to an approved rate, minus the amount that the client must pay, if any. The agency bills the client directly for any amount that the client must pay.

If a client is not at home when the home support worker arrives, and no cancellation notice has been given, the ministry still pays the agency for the scheduled hours. (In these situations, the agency expects the home support worker to attempt to find out why the client is not answering the door.)

The hourly rate paid to each agency is determined by the ministry. It varies from agency to agency, taking into account such factors as the operation's geographic location, size, estimated hours of work, and whether its employees are union or non–union. The rate is usually changed once a year, but it may be changed more often at the discretion of the ministry. At the time of our audit, it averaged $21 per hour.

Courtesy: Alpha Homecare Services Ltd.

Laundry help

The Case Manager is expected to reassess each client at least annually, although some clients are reassessed more frequently if their needs change.

Ministry of Social Services Home Support

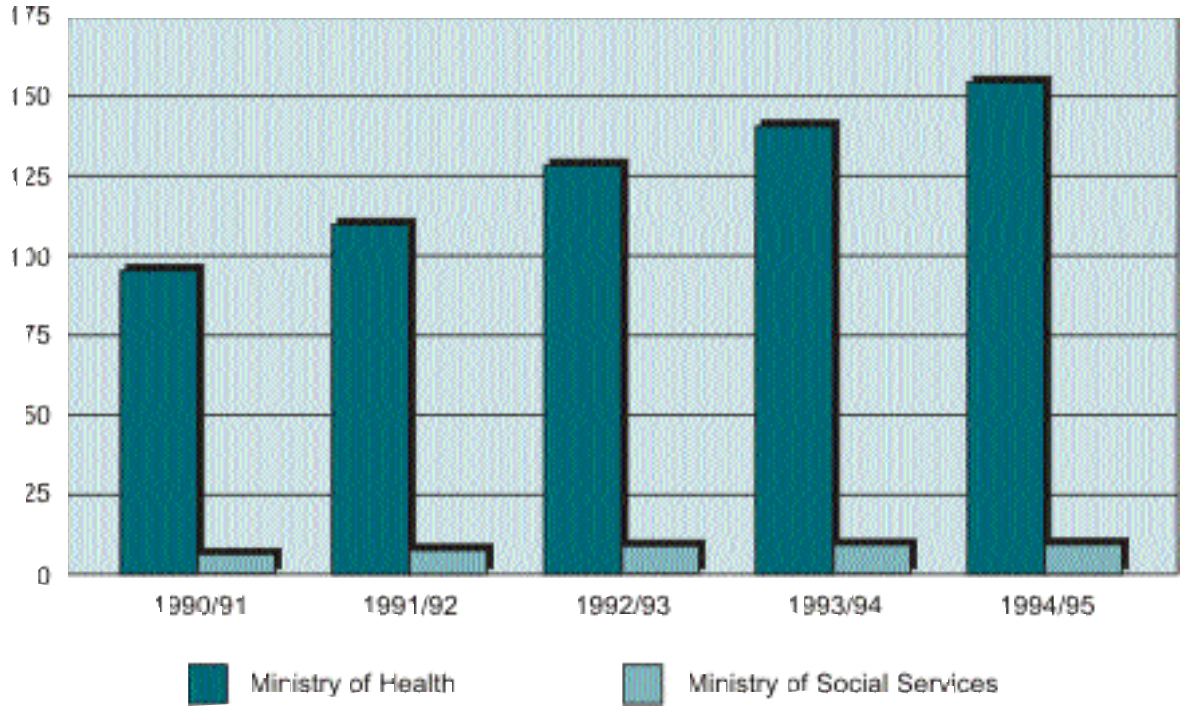
The Ministry of Social Services provides home support under the authority of the *GAIN Act*, regulations, and ministry policy. The services are for adults with mental handicaps who are in financial need, families of children with special needs, and families requiring support to become or remain independent. These services are provided only when families are temporarily unable to care for themselves, except in the case of adults with mental handicaps who receive services on an ongoing basis. At the time of our audit, the ministry had about 2,300 clients receiving home support, at an annual cost of about $10 million. (Exhibit 1.1 shows the expenditures on home support over the last five years.)

Eligible for this assistance are Canadian citizens or permanent residents who are resident in the province at the time of service, and who have a need for the service. Applicants apply at the local Social Services district office, although in many cases a ministry worker may suggest the service as a possible solution to a client need.

Exhibit 1.1

Expenditures on Home Support for the Last Five Years

($ Millions)



Source: Ministry of Health and Ministry of Social Services

The ministry provides home support services through three programs. Under the Income Assistance program, services enable clients to become, or remain, independent. Typically, home support is provided to clients receiving GAIN at times when they have a temporary medical condition (such as when they are at home recovering from surgery). Home support in these situations consists of housework and other duties as are specified by the ministry worker on the authorization that is sent to the agency.

Under the Family and Children's Services program, services are provided to families who are experiencing significant levels of stress or conflict, who have limited access to resources, or who may be isolated from support available in the broader community. Home support is one of the services available under this program. As well as housekeeping tasks, home support may include education of the parent in nutrition and household matters relevant to the care of the family. Service may also include such other activities as child care or taking a child to visit a parent in prison.

The Community Support Services program provides services to adults with mental handicaps, and to families with children with special needs. Home support assists these adults and families in coping with the activities of daily living, and may include training these clients to cope by themselves with some of the activities of daily living.

Home support services provided by the ministry may not exceed 125 hours per month, unless approved by the District Supervisor. The service for clients in the Income Assistance and Family and Child Services programs should be reassessed monthly, may not be extended beyond three months without the approval of the District Supervisor, and may not be extended beyond one year without the approval of the Area Manager. Service for clients with Community Support Services (who, typically, require service on an ongoing basis) can be approved for up to one year at a time, and may not be extended beyond that without the approval of the District Supervisor.

Clients may be required to pay a fee for these services, although clients on GAIN, foster parents, and children in care are exempted. For clients not exempted, the ministry determines their available income, which is their net income, less deductions determined by the ministry, such as an amount based on the size of the family unit. The fee is then calculated as half of the available income, prorated to a daily amount, up to a maximum equal to the actual cost of the service.

The home support agency delivers the service to the client, following instructions from the ministry, and bills the ministry monthly. The district office verifies that the hours billed do not exceed the hours authorized, and that the rate is correct, and forwards the billing to Victoria for payment. If the client is required to pay a fee, the amount of the fee is deducted from the agency billing, and billed to the client directly by the agency.

The client signs a timesheet to signify the date and number of hours that service was provided. If

the client was out when the home support worker called, and had not previously canceled the visit, then the ministry still pays the agency for the visit. (As with Ministry of Health clients, the worker is expected to try to find out why the client is not answering the door.)

The Ministry of Social Services expects district offices to use the same agencies as are used by the Ministry of Health, and requires the agencies to bill at the rates approved by the Ministry of Health. However, the Ministry of Social Services may contract with other organizations or individuals if circumstances warrant.

Scope

Our audit examined for compliance with the authorities contained in the various acts, regulations, and policies pertaining to home support in the Ministry of Health and the Ministry of Social Services.

We examined the information available in ministry files to see if the clients had been assessed for eligibility and whether they met the eligibility requirements for citizenship and residency. In general, we reviewed information on the files to see if it was consistent with what was recorded on the application forms, and we looked for a record in the files that the information had been verified by the ministry. We did not go out to the clients to independently verify the information thus obtained in the ministry.

The Ministry of Health requires its clients to have a chronic physical condition to be eligible for service. We looked at the assessments of physical condition made by the ministry to ensure that they had been completed, but did not reperform them or evaluate whether the described condition amounted to a chronic physical condition. In addition, we did not reperform assessments made by the Ministry of Social Services to ensure all clients had a need for the service. We also did not evaluate the determination of the home support services required or the number of hours that those services would take.

We also reviewed the assessment of income to ensure it had been completed where appropriate, and where the client was exempted from the income assessment, we ensured that the reasons were within those allowed by regulation. However, we did not confirm the validity of these reasons by checking with other government agencies. We also examined any information supporting the validity of the income amount used, and reperformed the calculation to see if it was accurate.

In addition, we also went to the offices of several home support service agencies and reviewed home support worker timesheets signed by ministry clients to indicate they had received the services. We did not, however, review the billings from the agencies to the clients in those situations where the client is required to pay a fee.

The payments we selected to examine were those made to agencies between January and June 1995, which related to service provided to clients between November 1994 and May 1995. We then examined the client files and

other documentation supporting those payments. Our audit was conducted between August and December 1995.

We visited health units and district offices in a number of major regions of the province, centred in Cranbrook, Kamloops, Prince George, Prince Rupert, Terrace, Vancouver and Victoria. (The health units in the Greater Vancouver area and the Greater Victoria area, some of which we visited, are run by the local regional district rather than the Ministry of Health. However, these health units follow the same policies and procedures as the other health units.) We looked at 269 client files in the health units and 119 client files in Social Services district offices, and we also visited 16 home support agencies.

Overall Observations

Ministry of Health

Overall, we found that:

- Clients had been assessed for eligibility, except that, for a significant number of clients, we could not determine if they had been assessed for the requirement to be resident in British Columbia for the specified period of time.
- There was no evidence that clients' declarations of eligibility had been verified by ministry staff.
- As had been stated to us before the audit, the requirement to complete reassessment reviews annually was not being met, and, consequently, the requirement to reperform the income assessment annually was also not being met.
- The stated reasons for exempting clients from the income assessment were as allowed by the regulations, but, again, there was no evidence that those reasons had been verified by ministry staff.
- There was no evidence that the income reported on the assessments by the clients had been verified by ministry staff.
- The home support service given was properly authorized.
- Billings from agencies are accurate and supported by timesheets signed by clients, but the ministry does not visit the agencies to inspect the time sheets.
- The ministry does not require home support agencies to be bonded, or criminal record checks for home support workers.

Ministry of Social Services

Overall, we found that:

- Clients were eligible for receiving home support service.
- The need for service for Income Assistance and Family and Child Service clients was being reassessed every three months, at the time when service must be reapproved, rather than monthly, as policy requires.
- There was not always evidence that the income reported on the assessments by the clients had been verified by ministry staff.
- The home support service given was, in general, properly authorized.

- Billings from agencies are accurate and supported by timesheets signed by clients, but the ministry does not visit the agencies to inspect the timesheets.
- The ministry does not require home support agencies to be bonded, or criminal record checks for home support workers.

Audit Findings

Eligibility of Applicants

Ministry of Health

Eligible applicants are required to be Canadian citizens or otherwise legally resident in Canada, to have been resident in British Columbia for the previous 12 months (or 3 months if assessed at the extended care level), and be 19 or more years old.

In the majority of cases, we found that the applicants for home support under the Ministry of Health met the eligibility criteria for Canadian and provincial residency and, in all cases, the applicants were over 19 years old.

One problem we noted was with the application forms themselves. Before 1992, the forms did not ask whether the applicant was legally resident in Canada, or had been resident in the province for the required length of time. Even after the forms were revised, however, we found that this information was not always filled in, for both new applicants and clients being reassessed. In 51 out of the 269 files we examined, there was no declaration on the form that the applicant was properly resident in Canada, and in 114 out of the 269 files there was no declaration that the applicant had been resident in the province for the required length of time when service was first provided.

Some files did contain other information, such as a British Columbia Health Care number, indicating that the applicants were legally resident in Canada, but such details were not provided consistently.

All the forms are supposed to be signed by the applicant, or a representative of the applicant, to signify that the information given to the Case Manager is correct. The signature also gives permission to the Case Manager to release any necessary information to the home support agency. In five cases, we found that the application had not been signed by the applicant or representative.

We concluded that the ministry was requiring applicants to satisfy two of the eligibility criteria—being legally resident in Canada and over 19 years old; but we were unable to determine if a third—that of being resident in the province for the specified period of time before service is approved—was being enforced.

On the files we examined, we did not find any evidence to indicate that residency in Canada, residency in British Columbia, or age had been verified, except for two instances where there was a note that landed immigrant status had been verified. However, we noted that in many instances the applicant had been referred by a family doctor, or was in need of home support following discharge from

hospital. We therefore presumed that the applicant had already been assessed as eligible for medical treatment, and thus was properly resident in Canada, though not necessarily resident in British Columbia for the time required to be eligible for home support. In addition, we understand that in the course of doing an assessment, the Case Managers can form an opinion as to residency in Canada and in British Columbia based on the case history of the client. We also presumed that, since an assessment requires the Case Manager to visit the applicant, that the age was probably verified as "over 19."

We recommend that the ministry remind Case Managers of the need to determine and record whether home support service applicants meet the provincial residency requirement. We also recommend that the ministry develop and implement policy to verify this and the other eligibility criteria; which might be as simple as recording the provincial care card number, and verifying that it is valid and determining when it was issued.

When the assessment has been completed, the Case Manager must decide if the applicant is eligible, and what form the services should take. (The Case Manager may decide, for example, that Facility Care is required, or that the client is not eligible.) In all the files we examined, we found that the Case Manager had deemed the applicant to be eligible to receive home support service (care at home).

On reviewing files for the required annual reassessment reviews, we found that 62 of the 269 clients in our sample had not been reviewed by the Case Manager within the past year. On average, the last review for these 62 clients had occurred 22 months before the month of service that we selected to audit (which ranged from November 1994 to May 1995). This meant that, on average, reviews were running 10 months overdue. Only 10 of these clients had been visited in the months since the month that we audited and September 1995, which is when we did much of our work. We also found that when the annual reassessment reviews were carried out, the assessment form (or part

Courtesy: Alpha Homecare Services Ltd.

Child care

thereof) was not always used. Sometimes the only documents on file were "contact notes," written up by the Case Manager after a visit.

We knew from the ministry before our audit that Case Managers were not visiting all of their clients annually. We had also commented in 1989, in our Office's Performance Audit of Continuing Care, that the heavy workload of assessors prevents them from visiting every client annually. One health unit informed us that it was part of a pilot project started some years ago, to allow staff to devote their time to the more needy cases. The premise is that while some clients need frequent monitoring to ensure their continued well being, others are fairly stable and can be left unmonitored. Thus, some clients might not be visited for two or three years, it being assumed that either the client or the home support services agency, whose staff see the client on a regular basis, will contact the health unit if the client's condition deteriorated.

We recommend that the ministry either complete development of new criteria concerning the annual reassessment review of clients, or else ensure compliance with existing policy requiring annual reassessment reviews.

Ministry of Social Services

To be eligible to receive services from the ministry, an applicant must be legally resident in Canada, be a resident of the province when service is provided, and be in need of the service.

The home support program in the Ministry of Social Services is just one in a range of services the ministry uses to support clients. If someone is eligible to receive assistance from the ministry, then she or he is automatically eligible for home support if it is needed. For this reason, the application form for home support services is rarely completed for those clients already receiving other forms of ministry support. In addition, the application form is not required for foster parents or children in care.

We found that 89 of the files we examined were clients on GAIN, who should have thus already been assessed as eligible to receive ministry services. A further nine of the files were foster parents or children in care. In these files, there was no application form, as expected, but there was a note as to why service was needed.

In three files, however, we found nothing on file to indicate that the client was a GAIN recipient, or a foster parent, or a child in care. We therefore could not determine if it was appropriate for there to be no application form on file.

In the remaining 18 of our samples, in which an application form was required, we did find a properly completed form. In only two cases had the form not been completed within the required time period prior to the month of service that we were auditing. In both cases, the form should have been completed not more than 12 months beforehand, and one had been completed 14 months earlier, and one 19 months earlier.

We concluded that the clients receiving home support were eligible for the service.

Although clients receiving home support services through the

Income Assistance and Family and Children's Services programs can be approved for service of up to three months at a time, ministry policy requires that the need be reassessed each month. We found that this monthly reassessment was rarely done; instead, clients were reassessed every three months at the time when a new authorization was required.

We recommend that the ministry consider revising its policy of monthly reassessment of need to coincide with the length of time for which an authorization can be given.

Although we did not reperform the assessments of need, we found adequate and plausible explanations on the files as to why home support service was being authorized. However, we noted that the ministry does not provide specific written guidance on when home support might be the appropriate response to the client's need.

We recommend that the ministry develop guidance, perhaps by way of examples, of when home support is the appropriate response to a client's need.

Income Assessment

Ministry of Health

Clients receiving home support may be required to pay a fee for each day that they receive service. This is determined by an income assessment.

In the income assessment to determine their ability to pay, clients, by regulation, are exempted if they receive the Guaranteed Income Supplement or Spouse's Allowance, the War Veteran's Allowance, or GAIN support. Of the 269 files we examined in the ministry, 159 had been exempted from the income assessment for one of these reasons. However, in only seven cases was there some indication on file to indicate that this exemption had been verified. We understand that the ministry is currently in discussions with the federal government to share information so that it can be more easily determined when an applicant is exempt from the income assessment.

From information in the files, we also deduced that a further eight clients were not assessed for their income when they should have been. In the case of another client, the income assessment form had been given to a family member to be completed, but had not been returned after one year. Notes on the file indicated that the client had sufficient income for a fee to be assessed, although none had been.

We concluded that the stated reasons for exempting clients from the income assessment were as allowed by regulation, but we could not determine if they were valid.

We recommend that the ministry develop and implement policy concerning the verification of the reason for being exempt from income assessment. This might be done most easily by sharing information with other government departments, after ensuring that appropriate safeguards and approvals have been obtained.

The ministry had charged a fee for the remaining 101 clients in our sample, but in 4 cases there was no assessment form on file so we could not determine if the fee had been correctly calculated. In 10 files we found errors in the income

assessment. The wrong exemption was used, or there was an arithmetic error on the form. Nine of these errors were small, amounting to a net undercharging of fees of $15 per month. However, the other error resulted in a net undercharging of $56 per month, and amounted to $952 for the period until the next income assessment was done (which was done correctly).

Out of the 97 forms that were on file, 4 were not signed by the client. In addition, in none of the 97 files was there any proof that the income reported had been verified by agreement to some form of documentation. We were told that the Case Managers usually ask for information off the most recent personal income tax return. The fact that the incomes recorded were not round sum amounts indicates to us that some documentation must have been reviewed, but there was nothing on file to indicate what that documentation was.

Although the income assessment is supposed to be updated annually as part of the annual reassessment review, we found that in 44 of the 97 cases it had not been done in the past year. On average these assessments were 15 months overdue, but the range was from 1 to 68 months.

In general, we concluded that the income assessments were being properly completed, but not updated often enough.

We recommend that the ministry ensure compliance with existing policy requirements to update income assessments on an annual basis. The ministry should also have clerical staff periodically check the calculation of the fees to be charged to clients.

Ministry of Social Services

The income assessment is part of the home support application form in this ministry. As noted above, in only 18 files of our total sample of 119 files was the form required to be completed.

In one case the income assessment was waived due to the high needs of the client. We were later told by the ministry that this is not an appropriate reason for waiving the assessment. In the remaining 17 cases, all the assessments appeared to show that no fee was required. For two clients, however, we found an error in the calculation. In one case, an incorrect deduction was used, resulting in the ministry not assessing a fee of $120 over the period that service was provided. In the second instance, the client had been income tested for a separate program and, based on that assessment, should have been charged a fee of $35 per month for the home support service, but was not.

We noted two other problems as well. One was the lack of proof of income. In 15 cases, we found no evidence on file that the reported income had been verified by appropriate documents. The other problem was the lack of compliance with the requirement (for these clients) to reassess the fee annually. In three cases, the income assessment had been done 14 months, 15 months, and 20 months before the date the service was provided.

Courtesy: Alpha Homecare Services Ltd.

Personal grooming

We concluded that, in general, the income assessments had been properly completed, although documentation was not always adequate.

We recommend that the ministry remind line workers that documentation needs to be inspected to verify income, as is routinely done in most other programs of the ministry.

Authorization of Service

Ministry of Health

The maximum number of hours that may be authorized on a monthly basis varies according to the level of care that is assessed. If a client has been wait–listed for a facility, or there is a short–term emergency or family relief situation, this maximum can be exceeded with the approval of the Director or Manager of Long Term Care in the health unit.

We found that the majority of the authorizations that we reviewed were within the maximum hours set. In 11 cases out of the 269 files we reviewed, the maximum hours had been exceeded, but in each case the necessary approval had been obtained. We concluded that service was appropriately authorized.

Ministry of Social Services

We found 2 instances out of 119 files we reviewed where the ministry's 125 hours per month limit had been exceeded without authorization of the District Supervisor. As well, we found five cases where the length of service for Income Assistance and Family and Child Services clients exceeded the three month limit without the required District Supervisor approval. In three cases the approval was given retroactively.

We concluded that service was, in general, being appropriately authorized.

We recommend that the ministry remind staff of the policy requirement to obtain approval for service extensions over three months for Income Assistance and Family and Child Service clients.

Payment for Service Provided

Ministry of Health

Most monthly billings in the files we checked had been signed by a home support agency. We found only two that were not, but these appeared to be isolated errors.

Monthly billings are processed by computer which matches the hours billed to the hours authorized. When preparing the original authorization for service, the Case Managers are required to calculate the approved number of hours per month based on a four week month. The computer will process billings of up to 25% more than the approved number of hours to allow for those months that extend into five weeks. The computer prints a warning code on the statement in these cases, but the ministry does not require this to be followed up. We found nine instances where the hours billed exceeded the hours authorized by up to 25% and it did not appear to us that it was due to the month extending into five weeks.

The computer prints an additional warning if the hours have been up to 25% over four or more times in the year. This is supposed to be followed up by the health units, but there is no requirement to document the follow up, nor is there anything in the system that would stop further billings in following months (which would force a follow up). Billings where the hours exceed 25% over for any month are not paid.

In all instances, we found that the rate billed was correct and the extension of the billing was accurate.

We also visited seven different agencies and reviewed the time sheets relating to one month's billing for 56 different clients. We found time sheets on file to support these billings.

However, in two cases, the time sheet was not signed; in another case it was signed in such a way that additional entries could be made after the client had signed; and in two more cases, a note stated that the client was incapable of signing. We found one agency that only required the clients to initial the time sheets, which we believe is a less effective proof of service than a signature.

We also noted that the ministry does not usually visit the agencies to verify these time sheets, but instead relies on the clients to notify them if the service is not provided.

We concluded that, based in part on the work we performed at the agencies, in general the ministry is paying for service that has been authorized and provided. However, the ministry does not itself obtain ongoing assurance that service is provided.

We recommend that the ministry scrutinize the instances where the hours billed exceed the authorization. We recommend that the ministry consider stopping payment on those billings where the hours have exceeded the

authorization by up to 25% more than four times in the year, until a new authorization is received. We also recommend that the ministry consider verifying the delivery of service, by inspecting time sheets or checking with clients, on a random or test basis.

Ministry of Social Services

Billings for services provided are approved in the ministry's district offices. In most cases, we were able to agree the rates to those approved by the Ministry of Health. In one case, the district office had made a separate agreement with the agency, as it is allowed to do by policy. In two other cases, we agreed the rates to contracts that had been made with individuals, again as allowed by ministry policy. In another case, an agency had been employed without a contract, but the billing was approved as an exception to policy, with the appropriate authorizations.

We also visited nine different agencies, and reviewed the time sheets relating to one month's billing for 16 different clients. We found time sheets on file to support these billings. Only in two cases was the time sheet not signed, and one agency only required the clients to initial the time sheets, which we believe is a less effective proof of service than a signature. Clients who are adults with mental handicaps are not required to sign the time sheets, and we did not examine any time sheets relating to such clients.

We also noted that the ministry does not usually visit the agencies to verify these time sheets, but instead relies on the clients to notify them if the service is not provided.

We concluded that, based in part on the work we performed at the agencies, in general the ministry is paying for service that has been authorized and provided. However, the ministry does not itself obtain ongoing assurance that service is provided.

We recommend that the ministry consider verifying the delivery of service, by inspecting time sheets or checking with the clients, on a random or test basis. This might usefully be coordinated with the Ministry of Health.

Other Matters

Two other matters came to our attention. First, we noted that, by policy, the Ministry of Social Services prefers to use home support agencies that are already contracted by the Ministry of Health. The latter sets standards for home support workers, and the agencies are visited from time to time by the ministry's quality assurance program staff. While the services may sometimes be the same, as may be the case with housekeeping services, often, as we have described above, the services provided to clients of the Ministry of Social Services are quite different from those provided to clients of the Ministry of Health. We noted examples in the files we reviewed where home support workers provided child care or other forms of child supervision services for the Ministry of Social Services. In addition, where these services are provided to clients in crisis, additional people skills may be needed.

Where the Ministry of Social Services uses agencies contracted by the Ministry of Health, which is the case for the majority of the agencies used by the Ministry of Social Services, there is no separate contract between the agency and the Ministry of Social Services. Consequently, the usual contract management procedures that would involve assessing whether the agency can deliver the required services are not performed in the Ministry of Social Services for these agencies. However, on a periodic basis, the Ministry of Social Services reviews its clients to assess their progress towards independent living, and we did not find anything in the files that would suggest that the home support agency staff were not delivering the type of services required (and thus hindering the client's progress).

We recommend that the Ministry of Social Services develop and implement policy concerning the assessment of the home support agencies from which it purchases services.

Second, we noted that neither of the Ministries of Health nor Social Services currently has a requirement for home support agencies to be bonded, or for there to be criminal record checks of the home support workers. We did not come across any complaints during the course of our audit, but we believe it would be prudent to consider taking these steps since some clients receiving home support are more easily taken advantage of than others. The new *Criminal Records Review Act* requires employers to have criminal record checks done on employees who work with children, but the Act does not require checks on employees who work with vulnerable adults. This new Act will therefore apply to many home support workers assisting clients of the Ministry of Social Services, but it will not apply to any home support workers assisting clients of the Ministry of Health. The Act came into force on January 1, 1996 for new employees, and comes into force on October 1, 1996 for existing employees.

We recommend that the Ministry of Health and the Ministry of Social Services consider the bonding of home support agencies, and criminal record checks of home support workers providing services to vulnerable adults.

Summary of Recommendations

Recommendations made in the Office of the Auditor General of British Columbia report titled Home Support Services are listed below for ease of reference. These recommendations should be regarded in the context of the full report.

Recommendations for the Ministry of Health

We recommend that the Ministry of Health:

- *Remind Case Managers of the need to determine and record whether home support service applicants meet the provincial residency requirement. We also recommend that the ministry develop and implement policy to verify this and the other eligibility criteria; which might be as simple as recording the provincial care card number, and verifying that it is valid and determining when it was issued.*
- *Either complete development of new criteria concerning the annual reassessment review of clients, or else ensure compliance with existing policy requiring annual reassessment reviews.*
- *Develop and implement policy concerning the verification of the reason for being exempt from income assessment. This might be done most easily by sharing information with other government departments, after ensuring that appropriate safeguards and approvals have been obtained.*
- *Ensure compliance with existing policy requirements to update income assessments on an annual basis. The ministry should also have clerical staff periodically check the calculation of the fees to be charged to clients.*
- *Scrutinize the instances where the hours billed exceed the authorization. We recommend that the ministry consider stopping payment on those billings where the hours have exceeded the authorization by up to 25% more than four times in the year, until a new authorization is received. We also recommend that the ministry consider verifying the delivery of service, by inspecting time sheets or checking with clients, on a random or test basis.*
- *Consider the bonding of home support agencies, and criminal record checks of home support workers providing services to vulnerable adults.*

Recommendations for the Ministry of Social Services

We recommend that the Ministry of Social Services:

- *Consider revising its policy of monthly reassessment of need to coincide with the length of time for which an authorization can be given.*
- *Develop guidance, perhaps by way of examples, of when home support is the appropriate response to a client's need.*
- *Remind line workers that documentation needs to be inspected to verify income, as is routinely done in most other programs of the ministry.*

- *Remind staff of the policy requirement to obtain approval for service extensions over three months for Income Assistance and Family and Child Service clients.*
- *Consider verifying the delivery of service, by inspecting time sheets or checking with the clients, on a random or test basis. This might usefully be coordinated with the Ministry of Health.*
- *Develop and implement policy concerning the assessment of the home support agencies from which it purchases services.*
- *Consider the bonding of home support agencies, and criminal record checks of home support workers providing services to vulnerable adults.*

Response of the Ministry of Health

We welcome your scrutiny of this Ministry program and the suggestions that you have made. As you will see from our response, the Continuing Care Division has already begun taking steps to address the concerns you have raised. While we consider that this program already has a system of well–established controls, we believe the various initiatives described in our response will help us to ensure and demonstrate that the services we fund comply fully with legislation and policy.

The six recommendations made in the Summary of Recommendations for the Ministry of Health are addressed here in the order in which they were made.

1. Residency Requirements

The assessment form completed for all applicants does include a section for this information, but we agree this section is not always completed. In practice, case managers do spend a considerable amount of time interviewing all applicants during the intake process and in their own homes when an assessment is first undertaken. A wide range of questions is asked regarding each applicant's needs, circumstances, family support, etc. If applicants have recently arrived in British Columbia, case mangers are alerted to this possibility in the course of the interview and in those cases they do seek confirmation of the length of residency. Nevertheless, a reminder will be issued to case managers to record the date of residency of all applicants for home support service. We will also explore ways of making the completion of the information mandatory.

Staff will review options that may exist to confirm the stated length of residency using other sources. It may be possible to use information retained by the Medical Services Plan to establish or confirm length of residency.

2. Annual Review / Reassessment

The Continuing Care Division's policy on the frequency of review of clients' services and needs is currently being revised. The revised policy will not include a requirement for annual reviews of all clients. Clients will be seen by case managers based on care needs. It is not an efficient use of limited case manager time to review such clients annually if there is no other indication that the case manager's attention is required. As described in the next section, annual reassessments of income will soon be conducted automatically be electronic means. A revised ranking of the priorities for undertaking reviews will be clarified in the revised policies which are expected to be issued in the summer of 1996.

3&4. Verification of Reason for Exemption from Income Assessment; Verification of Income and Annual Recalculation of User Fees

The Continuing Care Division has been working for

more than a year on the development of a new system to set user fees for all home support and residential care clients. The new system will standardize the calculations used for both services; confirm automatically whether a client is exempt from income assessment (in receipt of the Guaranteed Income Supplement (GIS), etc.); obtain information on clients' incomes directly from Revenue Canada; and automatically recalculate user fees once a year.

Under the old system, clients are exempted from or charged user fees based on manual self–declarations of income made at irregular intervals. Under the new system, automated information will be used to determine whether the client is in receipt of other income–tested benefits (most frequently, GIS) that exempt them from paying user fees for home support. If not exempted in this manner, details of their income will be obtained automatically directly from Revenue Canada and user fees will be set, where warranted, by computerized calculation. Fees will be recalculated annually on receipt of information from the most recent income tax return.

This is a very extensive project involving development of new regulations, policies, computer systems, agreements with the Federal Government, collection of consent from all clients, and many other complex logistical issues. It is anticipated that all user fees will be set using the new system beginning in January, 1997.

5. Hours Billed Over the Authorized Maximum / Service Delivery

   Staff are reviewing this issue with a view to making necessary changes to the relevant computer programs in the near future. Staff will also review the issue of verifying service delivery.

6. Bonding and Criminal Record Checks

   The Continuing Care Division has recently informed all home support service providers that they are required to comply with the new *Criminal Records Review Act* effective January 1, 1996. Under this Act, which is intended to identify people who should not be allowed to have unsupervised access to children, a government agency has been set up to review the criminal records of all people who may have unsupervised contact with children in the course of their employment.

   Although all home support agency employees will be subject to this process, the search conducted under this legislation is limited to offences indicating possible risk to children. Some offences that could indicate possible risks of abuse of adults, including theft or fraud, would not be detected using this process. Many home support agencies already conduct a complete criminal record check for all employees (under which conviction of any criminal offence is reported), but this is not currently a program requirement. Ministry staff,

however, are currently reviewing the possibility of requiring all agencies to conduct a completed criminal record check for all employees. A decision on this issue will be made by the summer of 1996.

Response of the Ministry of Social Services

The ministry appreciates the opportunity to respond to the recommendations contained in your report. The ministry is pleased to note that your audit opinion states that the requirements of the *Guaranteed Available Income for Need Act* and related regulations and policies were being satisfactorily complied with in all significant respects.

You did, however, have a number of recommendations for the Ministry of Social Services and we would like to respond to those recommendations.

The ministry agrees with your recommendation that it is more practical to have the requirements of the reassessment of the client's need for services matched with the period of time for which services can be approved, and we will therefore amend our program policies to have the client's need for services reassessed every three months to coincide with the approval of the following three months' services. As part of that process, the ministry will also explore the use of examples of when home support service is the appropriate response for the client's need in the policy.

The ministry will also ensure that supervisors and line staff are reminded of the importance of inspecting documentation to verify income, and of the requirements to obtain appropriate approval for service extensions beyond three months.

The Ministry of Social Services will also work with the Ministry of Health to explore the opportunities for a cooperative and coordinated approach to a method of verifying the delivery of service using appropriate random sample or audit techniques for the verification.

As you noted in your report, the Ministry of Social Services purchases home support services from agencies that are contracted through the Ministry of Health. You also commented that the ministry's efforts to date on the assessment of services have focused on whether or not our clients are being adequately and appropriately served. However, we are prepared to follow up on your recommendation regarding the assessment of the agencies providing home support services, and we believe that this work must be achieved through a cooperative approach with the Ministry of Health. We will approach the Ministry of Health to explore the opportunity for the Ministry of Social Services to work cooperatively with them in their assessment process.

Your final recommendation deals with requiring criminal record checks and the bonding of employees of the agencies providing

services. The provisions of the new *Criminal Records Review Act,* which came into force on January 1, 1996, will apply to agencies providing home support services to children. It is considered likely that all employees of Home Support Service agencies will be screened because they are all likely to be called upon to work with children. As a result, agency staff working with vulnerable adults will be screened even though there is not a legal requirement for it to be done. The ministry has contacted staff in the Ministry of Health and is working with them to monitor and track this issue. The recommendation that the employees of all agencies to be bonded is being explored jointly with the Ministry of Health. The bonding requirement will be reviewed further since there are likely to be cost implications which need to be considered in the context of the available budget. On completion of that review, the ministry's contracting and program delivery policies will be amended as appropriate to address the issue.

Environmental Tire Levy

Environmental Tire Levy

A review of the $3 tire levy to determine how much of this revenue has been collected and how much has been spent on related tire recycling and disposal programs.

Project Scope

We conducted this review to determine how much tire levy had been collected, and how much had been spent on tire recycling and disposal programs over the five years July 1990 to July 1995.

This review did not constitute an audit, and consequently no audit opinion is expressed concerning the results of this review.

Overall Findings

We learned that although there was a legislated objective to dedicate the tire levy as a source of revenue for environment protection and renewal programs, there was no legislated requirement to spend the tire levy revenue only on tire recycling or disposal programs.

We found that for the five years to July 1995, the province had collected $46 million from the tire levy. These funds were revenue of the Sustainable Environment Fund. In turn, a total of $18 million has been spent on various tire recycling and disposal programs.

We also found that there were no published summary reports disclosing both the tire levy revenue and the tire recycling and disposal expenditures, and the fact that the excess tire levy revenues are available for other Sustainable Environment Fund program expenditures.

Introduction

In response to growing public concern over municipal waste management, slash burning of tires, and major environmental incidents such as the Hagersville, Ontario tire fire, the government enacted the *Sustainable Environment Fund Act* in 1990. It established a special account in the government's general fund, called the Sustainable Environment Fund, to support a number of environmental initiatives, including waste disposal and other environmental protection measures. The government also established a number of social service tax levies to provide revenues for this special account to support these initiatives.

In addition to the tire levies, revenue for the Sustainable Environment Fund is also derived from levies on lead–acid batteries and disposable diapers, as well as revenue from government operating funds, the Lottery Fund, fees under the *Waste Management Act* and contributions from the federal government.

A levy charged on new pneumatic tires took effect on July 1, 1990. This levy was introduced by an amendment to the *Social Service Tax Act*. It applies to each new pneumatic tire purchased in British Columbia for $30 or more. This includes both inflatable tires and solid spare tires used for passenger cars, buses, trucks, trailers or motorcycles. The levy does not apply to bicycle or wheelchair tires or tires used for vehicles designed for disabled persons.

The tire levies are collected from customers by vendors who sell new pneumatic tires. These same vendors also become the initial depot for used tires. If a

Courtesy: D&D Recycling & Hauling Ltd.

Used tires awaiting recycling

customer wishes to dispose of used tires, the vendor accepts one used tire for each new tire purchased.

A used tire recycle and disposal program, known as the Financial Incentives for Recycling Scrap Tires (FIRST), was implemented on June 1, 1991. The aim of this program is to encourage the collection and recycle of used tires. It provides financial incentives to businesses involved in the tire recycling industry including businesses that haul tires, produce products derived from used tires, or use tires as fuel.

Scope

We performed this review to determine:

- what the requirements were for using tire levy revenue in tire recycling and disposal programs;
- how much tire levy revenue was collected between July 1990 and July 1995;
- whether all this revenue was transferred to the Sustainable Environment Fund;
- how much was spent on tire recycling and disposal programs pursuant to section 5 of the *Sustainable Environment Fund Act* between July 1990 and July 1995;
- how much was unspent as of July 31, 1995; and
- the extent of public disclosure of the revenue, expenditure and unspent balance of the tire levies.

We reviewed legislation, ministry program policy and participant instructions, program related documents and reports, and conducted interviews.

We also reviewed the procedures for depositing the tire levy collected to the Sustainable Environment Fund, and we examined a sample of expenditures to determine that tire related expenditures fall within the intent of the legislation.

Overall Observations

We found that:

- Legislation has not required the tire levy to be spent on tire recycling and disposal programs. The tire levies are available for any expenditures made within the Sustainable Environment Fund, which is administered by the Ministry of Environment, Lands and Parks.
- Between July 1990 to July 1995, $46 million of tire levies were transferred into the Sustainable Environment Fund. The amounts transferred were based on written estimates of tire levy collections approved by the Minister of Finance and Corporate Relations.
- Amounts transferred to the Sustainable Environment Fund were in accordance with the estimates, with one exception. Due to an administrative oversight, $250,000 of tire levy collected in 1994/95 was not transferred to the Fund, and the oversight had not been corrected by January 1996.
- A total of $18 million was spent on various tire recycling and disposal programs from July 1990 to July 1995.
- Tire levy revenue exceeded tire recycling and disposal program expenditures by approximately $28 million. These remaining

monies were either spent on other resource and environmental protection and renewal programs, or remained unspent in the Sustainable Environment Fund, available for future Fund expenditures.

- Financial information about the tire levy revenue and expenditure is available to the public from the Ministry of Environment, Lands and Parks. However, information about tire levy revenue not spent on tire recycling and disposal programs, which is available for spending on other Sustainable Environment Fund programs, is not published by the ministry.

Review Findings

Purpose of the Levy

Between July 1990 and July 1995, the government collected $46 million from tire levies for the Sustainable Environment Fund, and used $18 million of it on the "FIRST" program. The remaining $28 million of the tire levies were either spent on other environmental protection and renewal programs or remained in the fund. We believe there is an expectation by the tire industry and the general public that the tire levy revenue would be spent on used tire programs. This becomes more evident at times when used tires start to pile up, and the issue of tire recycling and disposal is discussed in the news media. However, we did not find that the requirements of legislation reflected this public expectation.

The tire levy was introduced on July 1, 1990 when the Sustainable Environment Fund was created. To determine the purpose of the tire levy, we reviewed the *Sustainable Environment Fund Act*, and amendments adding the tire levy to the *Social Service Tax Act*.

We found that these Acts create dedicated sources of revenue for environment protection and renewal programs, but do not express an intent to match the tire levy to only tire related recycling or disposal programs.

Section 3 of the *Sustainable Environment Fund Act* states that "the object of the fund is to provide for programs to protect and enhance the environment." Section 5 allows the Minister of Environment, Lands and Parks to "pay money out of the fund for initiatives to reduce and manage solid, liquid, hazardous and atmospheric waste and for other environment protection and environment renewal initiatives."

We also reviewed the Hansard record of the Legislative Assembly discussion about the purpose of the $3 pneumatic tire levy, for information about the intended uses to which the tire levy revenue could be put. We could not find any references that indicated that the entire tire levy was specifically dedicated to tire recycling and disposal programs.

Tire Levies Collected

The tire levy was introduced under section 2.4 of the *Social Service Tax Act*, and is administered by the Minister of Finance and Corporate Relations. Vendors who sell new pneumatic tires collect the tire levies from their customers at the time the tire sales take place.

The tire levies collected on tire sales, or payable on tires taken out of stock for use by the vendors, are

added to other sales taxes collected and are included in the amount of social service tax remitted to the Minister of Finance and Corporate Relations. The exact amount of tire levy collected is, therefore, not separately identified. The reasons for using this form of remittance are to avoid putting additional reporting requirements on the vendors and to avoid the cost of making changes to the sales tax system.

Since the actual tire levy collected is not separately identified, the *Sustainable Environment Fund Act* requires the Minister of Finance and Corporate Relations to make a quarterly written estimate of all tire levies collected, and to transfer the estimated amount to the Fund. Early each fiscal year, staff at the Ministry of Finance and Corporate Relations perform the estimate calculations.

The estimates are based on a number of data sources. These include new tire manufacturing shipment statistics, vehicle sales and tire sales survey statistics, vehicle registration statistics and industry experts' opinions. At the end of each quarter, the Minister of Finance and Corporate Relations provides a tire levy collection estimate, which is a quarter of an annually estimated amount, and initiates the transfer of the amount from the social service tax account to the Sustainable Environment Fund account.

These procedures are, therefore, in accordance with the requirement of the legislation. We verified that the amounts used in the estimates agreed to information from the identified sources. The calculations were done accurately, and we believe the estimates were a reasonable method of estimating tire sales and the related tire levy.

Since July 1, 1990, $46 million of tire levies were deposited into the Sustainable Environment Fund. Exhibit 2.1 shows the approved transfers to the Fund.

Exhibit 2.1

Approved Transfers of Tire Levy Revenues to the Sustainable Environment Fund, from July 1990 to July 1995

($ Millions)

Fiscal Year	Approved Transfers
1995/96 (3 months)	2.50
1994/95	10.00
1993/94	9.00
1992/93	9.00
1991/92	9.00
1990/91 (9 months)	6.75
Total	46.25

Source: Ministry of Environment, Lands and Parks records

We found that the funds were transferred on a quarterly basis, as required by legislation, with one exception. Due to an administrative oversight, an under–transfer of $250,000 occurred in the first quarter of the 1994/95 fiscal year. This error was found by our audit staff in October, 1995, during the course of our review of the quarterly transfers from the Social Service Tax account to the Sustainable Environment Fund special account.

We recommend that an additional $250,000 of tire levies be transferred from the Social Service Tax account to the Sustainable Environment Fund account to correct the administrative error made in the 1994/95 fiscal year.

Used Tire Expenditure

There were few used tire processors or end–users in the province at the time the tire levy was introduced. The recycling capacity was limited. The government therefore introduced the "FIRST" program to encourage new processors and users. However, it is the government's objective to let market forces guide the industry and to minimize government involvement. This program currently

Courtesy: Dinoflex Manufacturing Ltd., Salmon Arm, B.C.

Safety tiles produced from recycled tires

provides two types of financial incentives:

- a transportation assistance credit based on weight and distance of used tire shipments, which averages up to 50 cents per tire, to help offset shipping and handling costs; and
- an end–user credit of up to $1.50 per tire for end–users who produce a tire–derived product (i.e. a product produced mainly from used tires) or a credit of up to 90 cents per tire for end–users who use tires as tire–derived fuel (i.e. clean burning of tires as an energy substitute).

A third incentive that supported commercially viable recycling technology or new product research was discontinued two years ago. This research program, known as "R2D2" (Recycling Research Demonstration and Development) was administered by the Science Council of B.C.

Participants in the program must register with the Environmental Protection Department, Ministry of Environment, Lands and Parks. They may register for one or more of the program activities, that include: hauling, processing, marshaling or burning or producing tire–derived products. A Scrap Tire Advisory Committee has been formed to provide regular consultation between the government and the industry. Initially the program applied only to passenger and light truck tires but, in the fall of 1993, it was extended to include medium truck tires.

The government has spent a total of $18 million since the start of the "FIRST" program. Exhibit 2.2 provides a breakdown of the major

Exhibit 2.2

Tire Recycling and Disposal Program Expenditures: Summary as at July 1995

($ Thousands)

Fiscal Year	1995/96 (4 months)	1994/95	1993/94	1992/93	1991/92	1990/91	Total
Transportation assistance	487	1,427	1,511	1,686	1,157	0	6,268
Tire–derived product	628	1,278	1,030	462	250	0	3,648
Tire–derived fuel	252	1,174	1,395	1,144	330	0	4,295
Research	0	0	0	740	1,000	0	1,740
Administration	110	337	367	451	656	113	2,034
Total expenditure	1,477	4,216	4,303	4,483	3,393	113	17,985
Revenue	2,500	9,750	9,000	9,000	9,000	6,750	46,000
Percentage of total expenditure to revenue	59.10%	43.30%	47.80%	49.80%	37.70%	1.70%	39.10%

Source: Ministry of Environment, Lands and Parks records

types of these expenditures. We examined a sample of these expenditures and found that they were correctly classified and recorded.

Public Disclosure

There is no requirement for public disclosure, nor did we find any summary public reports which disclose both the tire levy revenue and expenditures for tire recycling and disposal programs. However, information packages are available on request from the Ministry of Environment, Lands and Parks.

These packages provide detailed operational or financial information about the tire levy programs, and each provides a partial picture of these programs. Ministry officials indicate they make the packages readily available to persons who request them.

The information provided, does not, however, compare tire levy revenue to expenditures for tire recycling and disposal programs. It also does not make it clear that tire levy revenue is available for all Sustainable Environment Fund expenditures and not just exclusively for tire recycling and disposal program expenditures.

We recommend that the Ministry of Environment, Lands and Parks consolidate its tire program information and clarify the intended purpose for the tire levy collections, in its public information packages.

Summary of Recommendations

Recommendations made in the Office of the Auditor General of British Columbia report titled Environmental Tire Levy are listed below for ease of reference. These recommendations should be regarded in the context of the full report.

We recommend that

- *an additional $250,000 of tire levies be transferred from the Social Service Tax account to the Sustainable Environment Fund account to correct the administrative error made in the 1994/95 fiscal year.*
- *the Ministry of Environment, Lands and Parks consolidate its tire program information and clarify the intended purpose for the tire levy collections, in its public information packages.*

Response of the Ministry of Environment, Lands and Parks

The ministry would be pleased to receive the adjustment of $250,000 into the Sustainable Environment Fund, as recommended. On the issue of clear public information on the use of the tire levy revenues, we can reference both a public brochure and a program newsletter, issued in late 1991, that provide explicit explanation of the revenue, program costs and the function of the Sustainable Environment Fund. The newsletter still forms part of the current public information package supplied by the ministry in response to individual requests.

More recently, the ministry also prepared a report on the Sustainable Environment Fund which is available to the public. It describes the fund in general terms and includes a detailed accounting of the Sustainable Environment Fund revenues and expenditures from 1990–1994. In addition, a Sustainable Environment Fund fact sheet provides information to the general public on revenue and the different programs this revenue funded.

Consultation with stakeholders has already taken place with a view to some program re–designs and we anticipate that there will be a need for new informational material to be prepared later in the year.

We appreciate the opportunity to provide you with these comments.

Safeguarding Moveable Physical Assets: Public Sector Survey

Safeguarding Moveable Physical Assets: Public Sector Survey

A survey of four public service sectors (Crown corporations; hospitals; school districts; colleges, universities, and institutes) to identify the extent of legislative and policy requirements as well as related systems and procedures in place to help safeguard moveable physical assets.

Project Scope

The objective of this project was to ascertain whether Crown corporations, hospitals, school districts, and colleges, universities, and institutes in British Columbia are subject to legislative or policy requirements and have record keeping systems and related procedures in place to help safeguard their moveable physical assets.

We surveyed 248 public sector entities concerning their systems of record keeping for safeguarding moveable physical assets as of September 1995. This survey is an extension of our work on the safeguarding of moveable physical assets in government ministries, the results of which were published in our 1993/94 Public Report 4 (May 1994). All Crown corporations, hospitals, school districts, colleges, universities, and institutes in the province were included in the survey.

This survey does not constitute an audit, and consequently no audit opinion is expressed concerning the results of the survey.

Overall Findings

The ministries responsible for Crown corporations, school districts, colleges, universities, and institutes have not provided any authoritative guidance as to how these entities are expected to safeguard their moveable physical assets. The Ministry of Health has provided specific guidance to hospitals concerning the requirement to maintain records identifying individual assets, a key element in an asset safeguarding system.

The systems that are in place vary considerably from one entity to another within each of the four sectors surveyed. Approximately 20% of all entities indicated that they did not have records for the safeguarding of moveable physical assets. For those that did, there were significant dissimilarities in both the extent to which similar types of assets are recorded and the detailed information recorded.

A large number of entities are not conducting periodic counts of moveable physical assets and reconciling the counts to the asset recording systems.

Introduction

This project is an extension of our work on the safeguarding of moveable physical assets in government ministries, the results of which were published in our 1993/94 Public Report 4 (May 1994).

For the purposes of this survey, we defined moveable physical assets as non–financial assets having a useful life of more than one year, not for resale in the normal course of business, with a purchase cost above a pre–established threshold, and that are moveable. Generally, these assets include, but are not limited to, computers and associated equipment, computer software, technical equipment, vehicles, office equipment, and furniture.

We focused on moveable physical assets because these items bear a more significant risk of loss or misappropriation than do non–moveable assets.

We estimated the cost of moveable physical assets currently held by Crown corporations, hospitals, school districts, colleges, universities, and institutes, to be approximately $4.5 billion. This amount is based on information provided in the most recently published financial statements available for these entities (that is, generally for their 1994 or 1995 fiscal years). For a variety of reasons this is not an exact amount. Although the level of detail in the financial statements examined was sufficient to allow us to exclude land and buildings from this amount, we were unable to ensure that only physical assets that are readily moveable were included. Nonetheless, the value of moveable physical assets in these entities is obviously significant, and represents

Courtesy: Risk Management Branch

Damage from fire at Seaview Elementary School, Lantzville, October 6, 1994

a substantial investment by the taxpayers of the province.

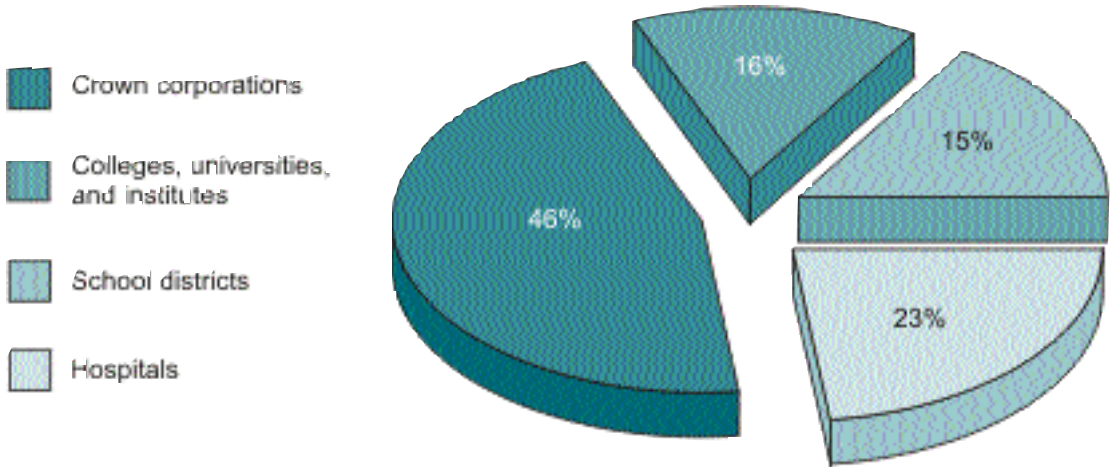
Exhibit 3.1 shows how the value of these assets is distributed among the four main categories of entity.

In addition to the significant monetary value they represent, assets have a significant operational value. The unavailability of key assets could jeopardize the effective operations of an entity. This could be as a result of natural or other disasters, or the result of theft or vandalism. Also, the inability to locate assets can have the same effect as their loss. Thus record keeping systems are important to confirm not only the existence and value of assets for purposes of their replacement, but also the identity, location, and status of individual assets for operational purposes.

We did not expect entities to have in place record keeping systems designed solely to safeguard moveable physical assets. Instead, we expected the safeguarding of assets to be part of larger asset management systems serving a number of management and accounting purposes, including safeguarding. Specifically excluded from our survey were those accounting systems that recorded only assets aggregated into classes for the purposes of depreciation or recording expenditures. However, we considered an accounting asset ledger that identified specific assets to be serving a safeguarding purpose.

Exhibit 3.1

Distribution of Moveable Physical Assets for Four Categories of Entity, by Estimated Cost



Source: 1994 or 1995 financial statements of Crown corporations, hospitals, school districts, colleges, universities, and institutes

Project Scope

The purpose of this survey was to ascertain the existence of asset safeguarding systems in public sector entities.

Asset safeguarding systems can take many forms. They can be computerized or manual, and can be centralized or delegated to branches or departments. In some cases they are solely dedicated to safeguarding assets; in others they are offshoots of systems that serve other primary purposes but which also support asset management. Our survey did not differentiate between these different types of systems.

We designed a survey and sent it to 29 Crown corporations, 120 hospitals, 75 school districts, and 24 colleges, universities, and institutes. These numbers represent all such entities whose financial information is disclosed in the Public Accounts of the province, excluding those owning no significant non–financial assets or using only assets owned and controlled by another similar entity. Exhibit 3.9 provides a complete listing of those entities that were included in the survey.

In the survey, we asked each entity first whether it has a record keeping system to assist it in the safeguarding of all or some of its moveable physical assets. If it reported that it does, we then asked about the way it treated specific categories of assets. These questions were intended to allow for different treatments of varying asset types.

We also asked whether specific individuals or groups are assigned responsibility for assets; the type of information about each asset that is recorded in their systems; whether assets are marked for individual identification; and whether they periodically count their assets and reconcile the count results to their asset records.

As well as conducting our survey, we reviewed legislation and government policies to identify requirements relevant to asset safeguarding. We also asked the Senior Financial Officers of the ministries responsible for the entities included in our survey (Health, Education, and Skills, Training and Labour) as well as the Comptroller General, to identify any pertinent legislative or policy requirements they were aware of, or had provided to the entities for which they were responsible. Our survey also asked the entities themselves to identify applicable legislation and policy requirements, or their own entity's policy requirements. We did not review policies established by individual entities.

The purpose of the survey was not to audit the adequacy of the safeguarding systems in place for moveable physical assets, nor to study the physical security of the premises in which the assets are kept. However, we may undertake an audit of these aspects in the future.

In light of recent announcements of changes in the organizational structures of hospitals and school districts, we believe that the recommendations we have made in this report will apply equally well to any revised structures as they do to existing organizational structures. In fact, the importance of having accurate records of physical assets is

accentuated during times of organizational change that could involve transfers of assets.

Survey Responses

In addition to mailing a survey to each entity, we followed up late responses with reminders by facsimile and telephone. Where we required clarification of survey responses, we contacted the person at the entity who had completed the survey. We appreciate the cooperation we received from all those entities that responded to our survey, and from those individuals we contacted during our follow–up work.

Over 97% of the surveys we sent out were completed and returned to our Office. Only one Crown corporation, four hospitals, and one school district did not respond. The results included in this report are based on the information in those surveys that were completed and returned to us. Due to the very high overall response rate to this survey, there would be no appreciable difference between the results reported here, and the results if all the surveys had been returned.

Important Notice

All results in this report are derived from the survey responses. The information presented here is as reported to us by the Crown corporations, hospitals, school districts, colleges, universities, and institutes throughout the province. We have not verified the accuracy of the representations made to us in the survey responses but believe that the good faith of the public sector entities involved, and the close to 100% response rate we received, underpin the validity of the information that follows.

Overall Findings

Requirements

With the exception of the Ministry of Health, which has provided hospitals with specific guidance on maintaining records of individual assets, the ministries responsible for Crown corporations, school districts, colleges, universities, and institutes have developed no guidance. Our review of legislation and government policies did not identify any requirements relevant to asset safeguarding. Furthermore, the Senior Financial Officers of the Ministries of Health, Education, and Skills, Training and Labour, as well as the Comptroller General, were also unaware of any legislative or policy requirements relating to asset safeguarding at public sector entities outside of government ministries. In response to our survey, several entities referred to certain legislative authorities which, on our further review, addressed issues not really relevant to asset safeguarding.

Safeguarding Systems

Just over one–half of Crown corporations and colleges, universities, and institutes, and approximately one–third of hospitals and school districts, reported having their own policies for safeguarding moveable physical assets. However, a few entities reported that, even though they had their own policies, they were not being followed.

The existence of record keeping systems for moveable physical assets is illustrated in Exhibit 3.2.

In the absence of clear ministry guidance, 11% of Crown corporations (3) and 12% of school districts (9), and 8% of colleges, universities, and institutes (2) indicated that they do not maintain record keeping systems for their moveable physical assets. As well, 26% of hospitals (30) indicated that they do not maintain such systems, even though the Ministry of Health has provided them with guidance for this purpose.

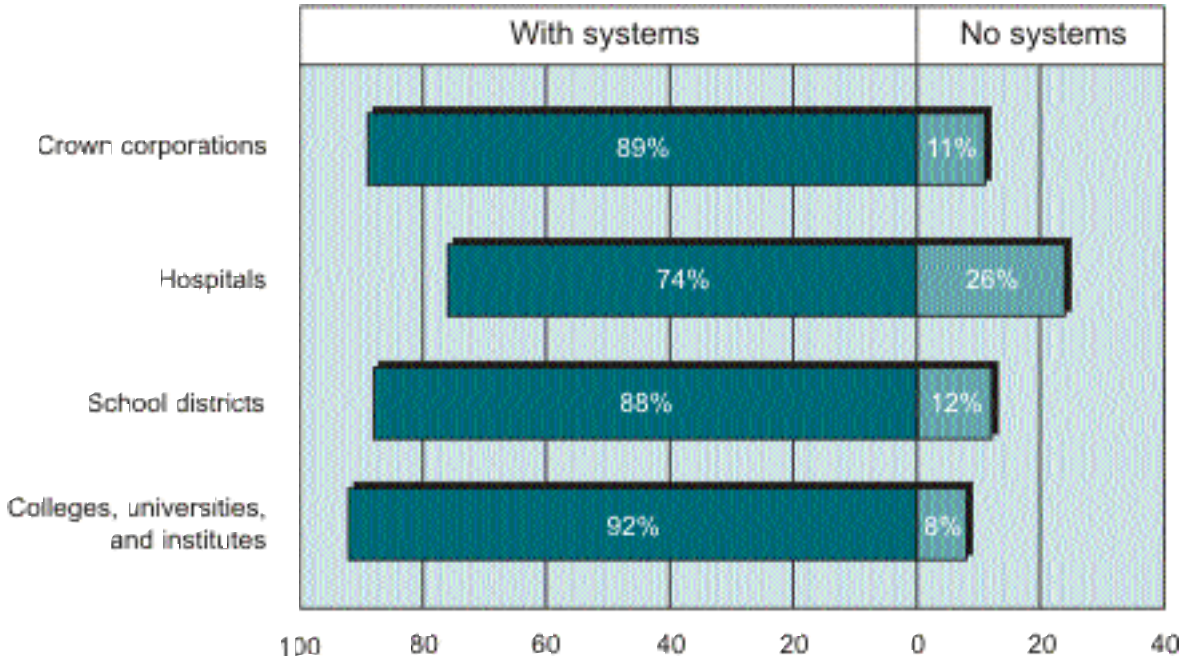
Criteria for Including Assets

Survey responses indicated that, for those entities having asset recording systems, there are significant dissimilarities in the extent to which similar types of assets are kept track of, as is illustrated in Exhibit 3.3.

Some entities reported that they record every item for which they are responsible, while others indicated that their systems include only large dollar value items. In addition, the nature of information recorded for each asset varies significantly. For example, all categories of entities reported differences in how computer hardware and software are treated.

Exhibit 3.2

Existence of Record Keeping Systems for Moveable Physical Assets, by Category of Entity



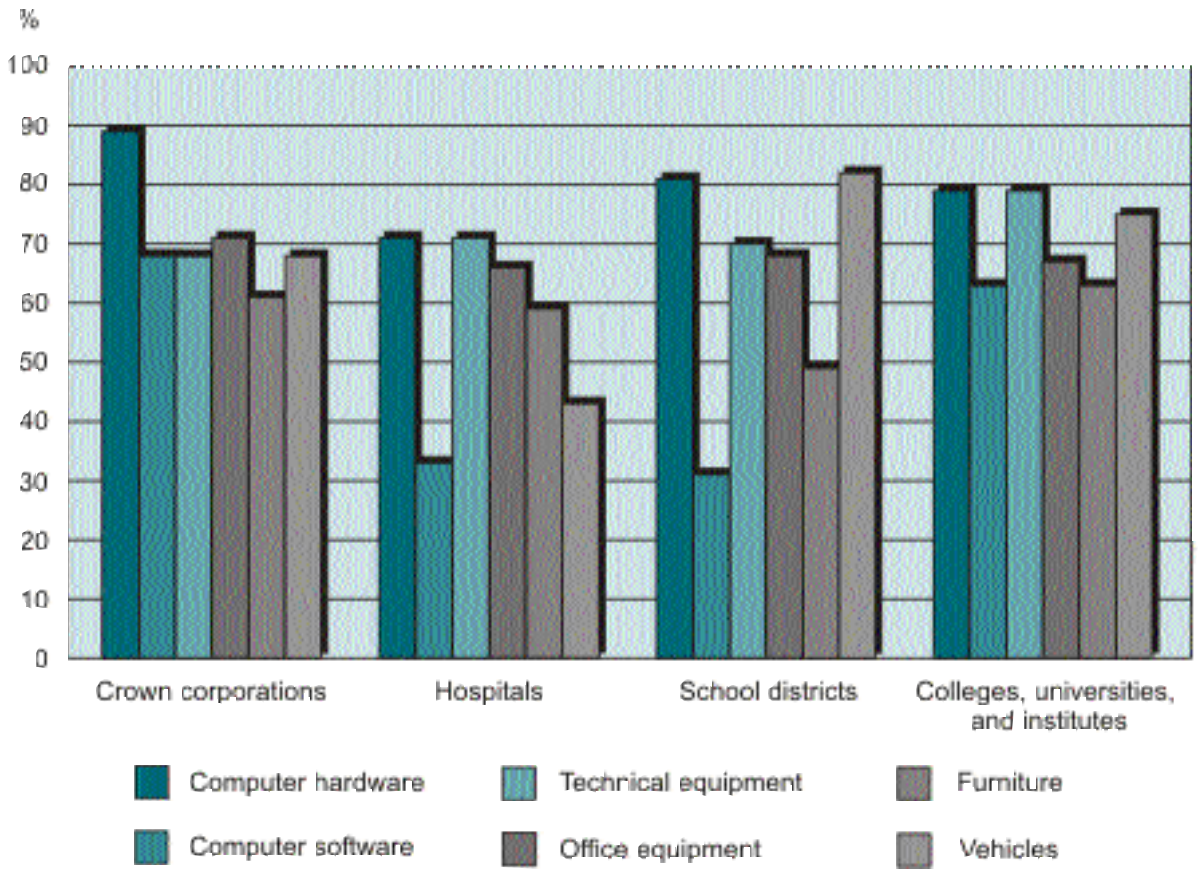
While most entities track computer hardware in their systems, significantly fewer record software.

Survey responses showed a lack of consistency in the maintenance of safeguarding systems, in the type of assets included in systems, and in the information recorded about them. We believe there should be reasonable, practical and consistent standards for information recorded in these systems. We consider government ministries responsible for public sector entities to be in the best position to provide such standards in a practical and cost effective manner.

These and other details are discussed for each category of entity in the following sections of this report. Each section contains much the same information. This structure may appear repetitive but is presented in this fashion to benefit each sector by presenting the survey findings on a uniform and comparable basis.

Exhibit 3.3

Types of Moveable Physical Assets Recorded by Entities



Periodic Counts and Reconciliation

A key element of an effective moveable physical asset safeguarding system is the periodic count of assets and the reconciliation of the count results to the asset records.

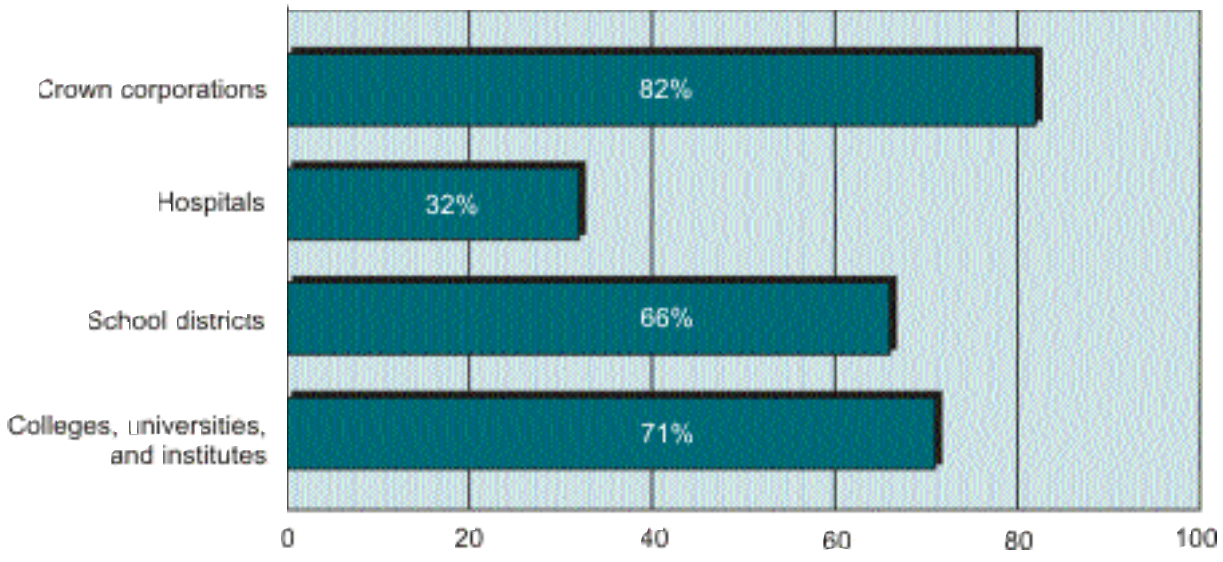
As Exhibit 3.4 shows, while periodic counts of at least one category of asset are performed by 82% of Crown corporations, 66% of school districts, and 71% of colleges, universities, and institutes, they are done by only 32% of hospitals.

The reported amount of time between periodic counts varied considerably from six months at some entities to up to five years at others. A few smaller entities reported that periodic counts were not necessary since they are responsible for only a small number of assets, and if any asset was to go missing it would immediately be noticed.

The importance of maintaining up–to–date asset records was reinforced during the course of our work. The offices of one hospital were destroyed by fire before the hospital had replied to our survey. Fortunately, the senior financial officer had ensured that up–to–date records of the hospital's assets were maintained. A count and reconciliation to the records had

Exhibit 3.4

Periodic Counts and Reconciliation to Records, by Category of Entity



been performed less than six months before the fire. Records of this count were held off–site, and thus were available to support an insurance claim filed the day after the fire.

In another instance, we were told by a school district that its lack of detailed asset records had once prevented it from substantiating significant losses resulting from a fire. It now maintains detailed records for all its assets.

Crown Corporations

Requirements

While a significant number of these entities are governed by either the *Society Act* or the *Company Act*, many others are governed by their own legislation. Our review of applicable legislation and regulations did not find any specific statutory requirement to safeguard moveable physical assets beyond a general duty of care.

The *Society Act* and the *Company Act* include the requirement that the entity "shall keep records of every asset." While this could imply applicability to safeguarding, and not just for accounting purposes, no further guidance in this regard has been provided from central government agencies or ministries. In any event, most of the entities to which these Acts apply do maintain record keeping systems to safeguard their moveable physical assets.

Safeguarding Systems

Even in the absence of statutory or other requirements, 89% of Crown corporations indicated that they maintain record keeping systems for safeguarding some or all of their moveable physical assets. The 11% that do not represent only 1% of the total estimated cost of Crown corporation moveable physical assets. This reflects the fact that it is mainly the smaller entities that do not maintain systems.

Fifty–seven percent of Crown corporations reported that they have developed their own safeguarding policies. One Crown

Victoria Bus Depot

corporation told us that its asset safeguards stem from its major asset maintenance system. In this particular case, the highly technical nature of the assets requires sophisticated and expensive tools. Recognizing that these assets are attractive, easily misplaced, and also essential to the corporation's maintenance work, all tools in each of their maintenance kits are specifically identified and tracked in their records.

Two Crown corporations indicated that the nature of their operations required that significant quantities of large and expensive spare parts be kept on hand. They added that the effective operation of their entities relies on accurate records for these items.

Systems for recording computer hardware were reported by 89% of Crown corporations, for computer software and technical equipment by 68%, for office equipment by 71%, and for furniture by 61%. Vehicles are tracked by 68% of corporations, but, it should be noted that an additional 18% indicated that they do not own any vehicles. Overall, 36% of Crown corporations stated that they track all categories of their moveable physical assets.

Courtesy: BC Transit

Skytrain

Criteria for Including Assets

Crown corporations disclosed they use various criteria for the inclusion of assets in their asset record keeping systems. Just over one–half reported they use a minimum purchase cost for recording some or all of their assets. Although these minimum dollar thresholds range from $200 up to $10,000, 32% of corporations used a limit of $1,000 or less. For at least one category of asset, 32% said that all assets in that category are included in their systems.

Crown corporations specified that their asset record keeping systems record a variety of information, which typically varies according to the type of asset. Information recorded in the systems of Crown corporations is summarized in Exhibit 3.5.

Survey responses showed a lack of consistency in the maintenance of safeguarding systems, in the type of assets included in systems, and in the information recorded about them. We believe this demonstrates the need for a central authority or agency to issue guidance setting out minimum standards for the assets and information to be recorded in systems for safeguarding moveable physical assets.

Periodic Counts and Reconciliation

A key element in any asset safeguarding system is a periodic count of the assets, and a reconciliation of the count to the asset records. Eighty–two percent of Crown corporations indicated that they perform periodic counts and reconciliations for at least one category of physical asset, but only 54% said they had performed a count within the last year.

Exhibit 3.5

Crown Corporations: Information Recorded in Asset Record Keeping Systems

	Computer Equipment	Computer Software	Technical Equipment	Office Equipment	Furniture	Vehicles
Custodian name	64%	50%	29%	36%	32%	46%
Purchase date, price, supplier	71%	57%	57%	57%	43%	57%
Serial number, manufacturer, colour	89%	54%	68%	61%	43%	64%
Asset ID number	54%	32%	43%	50%	46%	46%
Location	82%	68%	57%	57%	50%	61%
Date of disposal or loss	50%	32%	46%	54%	50%	61%
Individual assets marked with ID number	82%	39%	54%	57%	46%	54%

Recommendation

We recommend that the Comptroller General issue guidelines for moveable physical asset safeguarding systems for all Crown corporations whose financial information is published in the Public Accounts of the province. Essential to the guidelines would be the establishment of minimum and uniform standards for information and procedures to be included in the systems, and in particular, the requirement to periodically count moveable physical assets and reconcile the counts to the Crown corporation asset records.

Hospitals

Requirements

The Ministry of Health required hospitals, under its Hospital Accounting Policy #6, to institute by April 1, 1991, a fixed asset subledger identifying individual fixed assets with a value in excess of $20,000. The $20,000 threshold was established as a convenience to those hospitals that did not already maintain fixed asset records before the effective date of this policy. As outlined in the ministry's Institutional Services Circular Letter 90/22, dated January 4, 1991, all asset purchases after April 1, 1991, and in excess of $1,000, were required to be added to the fixed asset ledger.

In their survey responses to us, 44% of hospitals stated that they were not aware of any policy or directive from the ministry requiring them to maintain systems for their moveable physical assets.

Safeguarding Systems

While only 41% of hospitals told us that they had their own asset safeguarding policies, in fact 74% said that they did maintain systems for the safeguarding of some or all of their moveable physical assets.

It is interesting to note that while 26% of hospitals do not maintain record–keeping systems for their assets, this represents only 12% of the total estimated cost of hospital moveable physical assets. This reflects the fact that it is mainly the smaller hospitals that do not maintain systems.

Eight percent of hospitals revealed that, although they were aware of ministry directions, they still did not have a record keeping

Exhibit 3.6

Hospitals: Information Recorded in Asset Record Keeping Systems

	Computer Equipment	Computer Software	Technical Equipment	Office Equipment	Furniture	Vehicles
Custodian name	35%	18%	35%	33%	30%	22%
Purchase date, price, supplier	68%	33%	69%	66%	59%	42%
Serial number, manufacturer, colour	63%	30%	62%	56%	49%	39%
Asset ID number	55%	23%	56%	53%	46%	34%
Location	66%	33%	66%	62%	54%	39%
Date of disposal or loss	53%	26%	56%	51%	47%	34%
Individual assets marked with ID number	60%	26%	58%	53%	45%	35%

system in place. This finding was discussed with some of the survey respondents. They told us that while they were aware of the ministry policy requirements, they did not have the resources to institute or maintain such systems.

Except for computer software, which only 33% of hospitals record, hospitals tend to treat the other types of assets in a consistent manner. Computer equipment and technical equipment are recorded by 71%, office equipment by 66%, and furniture by 59% of hospitals. Vehicles are tracked by 43%; however, it should be noted that an additional 21% reported that they do not own any vehicles. Overall, 26% of hospitals said they track all categories of their assets.

Criteria for Including Assets

Hospitals indicated they use various criteria for determining which assets to include in their asset record keeping systems. Sixty–one percent reported using a minimum purchase cost for recording some or all of their assets. Although these minimum dollar thresholds range from $100 up to $20,000, over one–half of these hospitals told us they use $1,000 as their limit. For at least one category of asset, 9% said that all assets in that category are included in their systems. A small number of hospitals disclosed that they either include only attractive assets or have no consistent criteria for including assets in their systems.

Hospitals indicated that their asset safeguarding systems record a variety of information, which typically varies according to the type of asset. Information recorded in the systems of hospitals is summarized in Exhibit 3.6.

Portable X–ray machine at Royal Jubilee Hospital, Victoria

Survey responses showed a lack of consistency in the maintenance of safeguarding systems, in the type of assets included in systems, and in the information recorded about them. We believe this demonstrates the need for the ministry to issue guidance setting out minimum standards for the assets and information to be recorded in systems for safeguarding moveable physical assets.

Periodic Counts and Reconciliation

A key element in any asset safeguarding system is a periodic count of the assets, and a reconciliation of the count to the asset records. However, only 32% of hospitals reported that they perform a periodic count and reconciliation of their assets, and only 24% had performed a count within the last year.

Some hospitals pointed out that much of their equipment was in use 24 hours a day and this meant it was being kept track of. We believe, however, that extensive sharing between hospital areas and regular movement of equipment make it even more important to have a good system of keeping track of where assets are located.

Recommendation

We recommend that the Ministry of Health remind hospitals of the requirement to maintain fixed asset subledgers for all assets costing in excess of $1,000; and we further recommend that the ministry conduct follow–up procedures to ensure that hospitals maintain such records, and use them to help safeguard their moveable physical assets. This would be achieved by the establishment of minimum and uniform standards for information and procedures to be included in the systems, and in particular, the requirement to periodically count moveable physical assets and reconcile the counts to the hospital asset records.

School Districts

Requirements

Our review of applicable legislation and regulations pertaining to school districts did not reveal any specific statutory requirement to safeguard moveable physical assets, beyond a general duty of care. Officials at the Ministry of Education told us that there were no directives or other instructions provided to school districts in this regard.

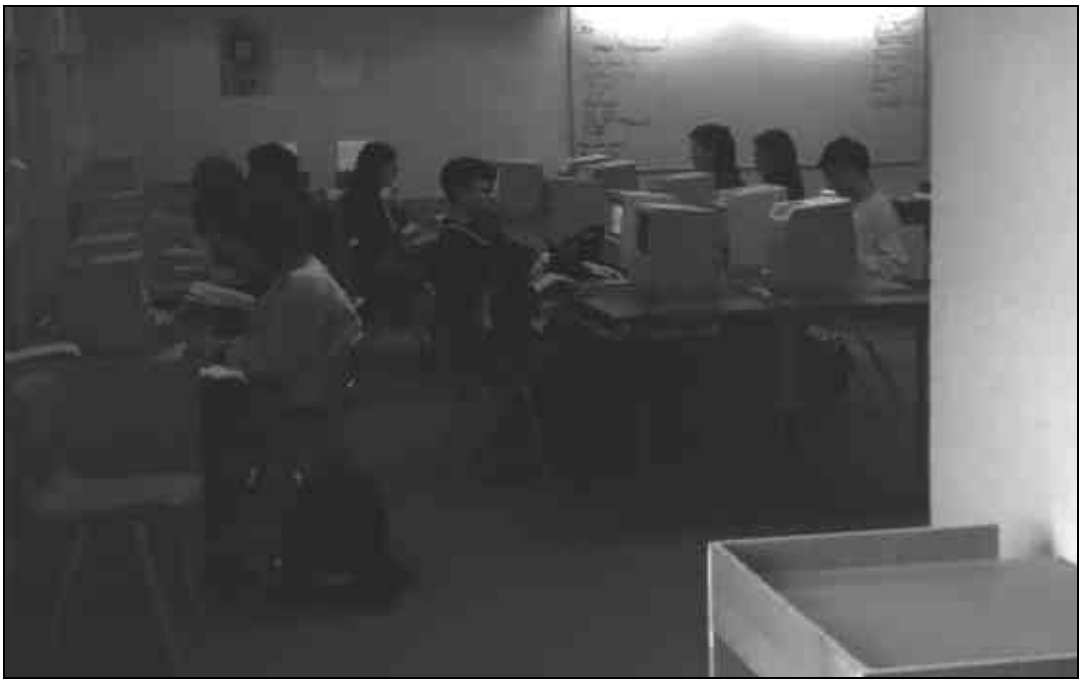
Even in the absence of statutory or other requirements, 88% of school districts indicated that they maintain record keeping systems for safeguarding some or all of their moveable physical assets. However, only 28% reported that they have developed their own safeguarding policies.

The 12% of school districts that do not maintain record keeping systems for their assets represent only 5% of the total estimated cost of school district moveable physical assets. This reflects the fact that it is mainly the smaller school districts that do not maintain systems.

Safeguarding Systems

Systems for recording computer hardware were reported by 81% of school districts; however, only 31% stated that they maintain systems to safeguard their software.

Systems for technical and office equipment exist for 70% and 68% of school districts, respectively. While only 49% indicated that furniture is tracked in an asset safeguarding system, 82% of school



MacIntosh computer lab, Claremont Secondary School, Saanich School District

districts told us that they have systems to safeguard their vehicles.

Overall, only 15% of school districts reported that they record all categories of their moveable physical assets. Among these was one school district that reported it had instituted a comprehensive asset record keeping system only after it had sustained significant losses in a fire. It found that the records that had been maintained prior to the fire were insufficient to substantiate the losses.

Criteria for Including Assets

School districts indicated they use various criteria for the inclusion of assets in their asset record–keeping systems. Thirty–nine percent reported they use a minimum purchase value for recording some or all of their assets. Although these minimum dollar thresholds range from $50 up to $1,000, many school districts use a limit of between $100 and $500. For at least one category of asset, 38% stated that all assets in that category are included in their systems.

School districts indicated that their asset safeguarding systems record a variety of information, which typically varies according to the type of asset. Information recorded in the systems of school districts is summarized in Exhibit 3.7.

Survey responses showed a lack of consistency in the maintenance of safeguarding systems, in the type of assets included in systems, and in the information recorded about them. We believe this demonstrates the need for the ministry to issue guidance setting out minimum standards for the assets and information to be recorded in systems for safeguarding moveable physical assets.

Exhibit 3.7

School Districts: Information Recorded in Asset Record Keeping Systems

	Computer Equipment	Computer Software	Technical Equipment	Office Equipment	Furniture	Vehicles
Custodian name	28%	8%	24%	22%	18%	32%
Purchase date, price, supplier	61%	18%	54%	47%	34%	66%
Serial number, manufacturer, colour	80%	23%	65%	61%	38%	81%
Asset ID number	36%	5%	30%	26%	15%	47%
Location	78%	28%	68%	65%	47%	74%
Date of disposal or loss	43%	14%	35%	31%	20%	54%
Individual assets marked with ID number	70%	18%	57%	47%	23%	66%

School bus, School District #63

Periodic Counts and Reconciliation

A key element in any asset safeguarding system is a periodic count of the assets, and a reconciliation of the count to the asset records. Sixty–six percent of school districts disclosed that they do perform a periodic count and reconciliation for some of their assets, with 59% having performed a count of at least one category within the last year.

Recommendation

We recommend that the Ministry of Education require school districts to establish moveable physical asset safeguarding systems. The requirement should establish minimum and uniform standards for information and procedures to be included in the systems, and in particular, require periodic counts of moveable physical assets and their reconciliation to the school district asset records.

Colleges, Universities, and Institutes

Requirements

Our review of applicable legislation and regulations pertaining to colleges, universities, and institutes did not reveal any specific statutory requirement to safeguard moveable physical assets, beyond a general duty of care. Officials at the Ministry of Skills, Training and Labour told us that there were no directives or other instructions provided to post secondary educational institutions in this regard.

Even in the absence of statutory or other requirements, 92% of these institutions stated that they maintain record–keeping systems for safeguarding some or all of their moveable physical assets. However, only 58% reported that they have developed their own safeguarding policies.

The 8% of colleges, universities, and institutes that do not maintain record keeping systems for their assets represent 18% of the total estimated cost of the college, university and institute moveable physical assets. Unlike the other sectors we surveyed, this indicates that a lack of record keeping systems for safeguarding assets is not restricted to the smaller institutions.

Safeguarding Systems

In general, there is little difference in the manner in which different types of moveable

Library books represent a significant investment in assets (University of Victoria library)

physical assets are treated at these institutions. Systems for recording computer hardware and technical equipment were reported by 79% of colleges, universities, and institutes, vehicles by 75%, computer software by 63%, office equipment by 67%, and furniture by 63%.

Overall, 42% of colleges, universities, and institutes told us that they track all categories of their moveable physical assets.

Criteria for Including Assets

Colleges, universities, and institutes indicated they use various criteria for determining which assets to include in their record keeping systems. Seventy–one percent said they use a minimum purchase cost for recording some or all of their assets. Although these minimum dollar thresholds range from $50 up to $4,000, one–half of these institutions use a limit of between $100 and $500.

Colleges, universities, and institutes indicated that their asset safeguarding systems record a variety of information, which typically varies according to the type of asset. Information recorded in the systems of colleges, universities, and institutes is summarized in Exhibit 3.8.

Survey responses showed a lack of consistency in the maintenance of safeguarding systems, in the type of assets included in systems, and in the information recorded about them. We believe this demonstrates the need for the ministry to issue guidance setting out minimum standards for the assets and information to be recorded in systems for safeguarding moveable physical assets.

Exhibit 3.8

Colleges, Universities, and Institutes: Information Recorded in Asset Record Keeping Systems

	Computer Equipment	Computer Software	Technical Equipment	Office Equipment	Furniture	Vehicles
Custodian name	58%	46%	50%	42%	38%	58%
Purchase date, price, supplier	79%	58%	79%	67%	63%	67%
Serial number, manufacturer, colour	79%	54%	79%	67%	58%	75%
Asset ID number	75%	42%	75%	58%	54%	58%
Location	71%	50%	75%	63%	58%	75%
Date of disposal or loss	71%	46%	71%	54%	54%	71%
Individual assets marked with ID number	79%	42%	79%	67%	63%	67%

Periodic Counts and Reconciliation

A key element in any asset safeguarding system is a periodic count of the assets, and a reconciliation of the count to the asset records. 71% of colleges, universities, and institutes disclosed that they perform a periodic count and reconciliation for some of their assets, but only 29% had performed a count within the last year.

Recommendation

We recommend that the Ministry of Skills, Training and Labour require colleges, universities, and institutes to establish moveable physical asset safeguarding systems. The requirement should establish minimum and uniform standards for information and procedures to be included in the systems, and in particular, require periodic counts of moveable physical assets and their reconciliation to the college, university or institute asset records.

Exhibit 3.9

List of All Entities Included in Our 1995 Survey of Moveable Physical Asset Record Keeping Systems

Crown Corporations

BC Assessment Authority
BC Buildings Corp.
BC Ferries
BC Festival of the Arts
BC Health Care Risk Management
BC Health Research Foundation
BC Heritage Trust
BC Housing Management Commission
BC Hydro & Power Authority
BC Liquor Distribution Branch
BC Lottery Corp.
BC Pavilion Corp.
BC Rail
BC Rapid Transit Corp.
BC Summer & Winter Games Society
BC Systems Corp.
BC Trade Development Corp.
BC Transit
Creston Valley Wildlife Management Authority
First Peoples' Heritage, Language & Culture
Forest Renewal BC
Insurance Corporation of BC
Okanagan Valley Tree Fruit
Pacific National Exhibition
Pacific Racing Association
Provincial Capital Commission
Science Council of BC
Victoria Line Ltd.
Workers Compensation Board

Hospitals

Matsqui– Sumas– Abbotsford
St. George's
Pleasant Valley
Ashcroft & District
Barriere & District
Bella Coola
Burnaby
St. Michael's
Burns Lake & District
Campbell River & District
Castlegar & District
Chase & District
Chemainus
Chetwynd
Chilliwack
Dr. Helmcken
Cranbrook
Creston Valley
Cumberland
Dawson Creek & District
Delta Hospital
Cowichan
Elkford
Fernie
Ft. Nelson
Ft. St. John
Fraser Lake
Gold River
Golden & District
Boundary
Wrinch Memorial
Fraser Canyon
Houston
Hudson's Hope Gething
Inveremere
Royal Inland
Overlander Extended Care
Victorian
Kelowna
Kimberley
Kitimat
Ladysmith & District
Langley Memorial
Lillooet District
Logan Lake
St. Bartholomew's
McBride & District
Mackenzie & District
Nicola Valley
Mission Memorial
Arrow Lakes
Nanaimo Regional
Kootenay Lake District
Slocan
Pacific Health Care
Fraser–Burrard
South Okanagan
100 Mile District
Trillium Lodge
Pemberton
Penticton Regional
West Coast General
Port Alice
Port Hardy
Port McNeill
Pouce Coupe
Powell River
Prince George
Prince Rupert
Princeton
Queen Charlotte Islands
GR Baker Memorial

Hospitals – continued

Queen Victoria	Whistler	BC Children's
Richmond	Peace Arch	BC Women's
Saanich Peninsula	Williams Lake	Arthritis
Shuswap Lake	Vernon Jubilee	Trail Regional
Bulkley Valley	Greater Victoria	Valemount
Sparwood	Juan de Fuca	Lady Minto Gulf Islands
Squamish	Mount St. Mary	Vancouver
Stewart	Queen Alexandra	Menno
Summerland	St. Paul's	Stuart Lake
Surrey	St. Mary's (New Westminster)	St. John
Thasis	St. Mary's (Sechelt)	CHARA
Nisga'a Valley	St. Joseph's	Lions Gate
Mills Memorial	Holy Family	Louis Brier
Tofino	Sunny Hill	Mount St. Francis
Tumbler Ridge	BC Cancer	Keremeos
RW Large Memorial	BC Rehabilitation	Mater Misericordiae

School Districts

#1 Fernie	#30 Ashcroft	#56 Nechako
#2 Cranbrook	#31 Merritt	#57 Prince George
#3 Kimberley	#32 Hope	#59 Peace River South
#4 Windermere	#33 Chilliwack	#60 Peace River North
#7 Nelson	#34 Abbotsford	#61 Victoria
#9 Castlegar	#35 Langley	#62 Sooke
#10 Arrow Lakes	#36 Surrey	#63 Saanich
#11 Trail	#37 Delta	#64 Gulf Islands
#12 Grand Forks	#38 Richmond	#65 Cowichan
#13 Kettle Valley	#39 Vancouver	#66 Lake Cowichan
#14 South Okanagan	#40 New Westminster	#68 Nanaimo
#15 Penticton	#41 Burnaby	#69 Qualicum
#16 Keremeos	#42 Maple Ridge–Pitt Meadows	#70 Port Alberni
#17 Princeton	#43 Coquitlam	#71 Courtenay
#18 Golden	#44 North Vancouver	#72 Campbell River
#19 Revelstoke	#45 West Vancouver	#75 Mission
#21 Armstrong–Spallumcheen	#46 Sunshine Coast	#76 Agassiz–Harrison
#22 Vernon	#47 Powell River	#77 Summerland
#23 Kelowna	#48 Howe Sound	#80 Kitimat
#24 Kamloops	#49 Central Coast	#81 Fort Nelson
#26 Central Okanagan	#50 Queen Charlotte	#84 Vancouver Island West
#27 Cariboo–Chilcotin	#52 Prince Rupert	#85 Vancouver Island North
#28 Quesnel	#54 Bulkley Valley	#86 Kaslo
#29 Lillooet	#55 Burns Lake	#87 Stikine

Colleges, Universities, and Institutes

#88 Terrace	Emily Carr Institute of Design	Okanagan College
#89 Shuswap	Fraser Valley College	Open Learning Agency
#92 Nisga'a	Justice Institute of BC	Langara College
BC Institute of Technology	Kwantlen College	Selkirk College
Camosun College	Malaspina College	Vancouver Community College
Capilano College	College of New Caledonia	Simon Fraser University
Cariboo College	North Island College	University of British Columbia
Douglas College	Northern Lights College	University of Victoria
East Kootenay College	Northwest College	University of Northern BC

Summary of Recommendations

Recommendations made in the Office of the Auditor General of British Columbia report titled Safeguarding Moveable Physical Assets: Public Sector Survey are listed below for ease of reference. These recommendations should be regarded in the context of the full report.

Crown Corporations

We recommend that the Comptroller General issue guidelines for moveable physical asset safeguarding systems for all Crown corporations whose financial information is published in the Public Accounts of the province. Essential to the guidelines would be the establishment of minimum and uniform standards for information and procedures to be included in the systems, and in particular, the requirement to periodically count moveable physical assets and reconcile the counts to the Crown corporation asset records.

Hospitals

We recommend that the Ministry of Health remind hospitals of the requirement to maintain fixed asset subledgers for all assets costing in excess of $1,000; and we further recommend that the ministry conduct follow–up procedures to ensure that hospitals maintain such records, and use them to help safeguard their moveable physical assets. This would be achieved by the establishment of minimum and uniform standards for information and procedures to be included in the systems, and in particular, the requirement to periodically count moveable physical assets and reconcile the counts to the hospital asset records.

School Districts

We recommend that the Ministry of Education require school districts to establish moveable physical asset safeguarding systems. The requirement should establish minimum and uniform standards for information and procedures to be included in the systems, and in particular, require periodic counts of moveable physical assets and their reconciliation to the school district asset records.

Colleges, Universities, and Institutes

We recommend that the Ministry of Skills, Training and Labour require colleges, universities, and institutes to establish moveable physical asset safeguarding systems. The requirement should establish minimum and uniform standards for information and procedures to be included in the systems, and in particular, require periodic counts of moveable physical assets and their reconciliation to the college, university or institute asset records.

Response of the Ministry of Finance and Corporate Relations

This survey provides government with some very useful information to assist in its work on several fronts.

We are revising the minimum business requirements for tracking and safeguarding moveable physical assets throughout government. These same requirements may also be applicable to the broader public sector.

As we move to capitalization and depreciation of all public sector physical assets the necessary accounting control will entail uniform standards for the level of information to be captured and the procedures required for periodic physical counts and reconciliation of these counts to the accounting records.

The Comptroller General will work with the respective ministries to provide guidance to the public sector entities with respect to these standards.

Response of the Ministry of Health

A survey dealing with hospital fixed assets is timely as we understand that hospitals are to be included in the government's reporting entity and, that the Province is currently in the process of changing its accounting policy on capital assets.

We agree that safeguarding physical assets is an important aspect of management's system of internal controls. However, maintaining a fixed asset subledger is only one part of the system. Other important features of good internal control include restricting access to areas containing valuable assets and adequate insurance coverage. The survey did not comment on the adequacy of these or other controls which are in place to safeguard physical assets.

In addition, hospitals, as reporting societies, are subject to an annual audit. As you know, a portion of the audit includes evaluating internal controls and the verification of assets. Also, auditors generally provide management with recommendations on internal control weaknesses.

While the report mentions briefly that hospitals operate 24 hours per day, it does not in our mind give sufficient weight to the significance of this as an asset control feature.

As part of the Ministry's regionalization process, most hospitals will be amalgamating with Regional Health Boards or Community Health Councils. Once the Province's policy on capital assets has been finalized the Ministry will be working with Regional Boards and Councils on implementing your report's recommendation.

Response of the Ministry of Education

We are pleased to note that 89% of school districts maintain record keeping systems for safeguarding some or all of their moveable physical assets. We agree that the other districts should have such systems. We also note that your report indicates the need for significant improvements in other aspects of school district policies and practices for safeguarding of moveable physical assets, such as periodic counts and reconciling the counts to the asset recording systems. Our response indicates the action we plan to take.

The Ministry of Education is in process of updating it's accounting manual for B.C. school districts. While the primary focus of the accounting manual is the budgeting, accounting and reporting systems of school districts, it also contains guidelines on other related matters. The Auditor General's report on safeguarding movable physical assets is therefore very timely. The ministry will consider issuing guidance on this matter to districts as part of updating the capital asset section of the manual. The intent of the guidelines would be to recommend information and procedures to be included in their movable physical asset safeguarding systems, and, in particular, recommend periodic counts of movable physical assets and their reconciliation to the school district asset records.

The ministry will involve school districts in this process in order to develop systems and procedures that are practical and workable for all districts. It may also be appropriate to work jointly with representatives of the other public sectors involved in the survey, in order that consistent standards are set for all.

There are other current initiatives under way by government and the accounting profession that will likely affect the accounting policies on capital assets to be incorporated into the manual. For example, the government is committed to implementing both the capitalization of physical assets and the consolidation of school districts into the summary entity as at March 31, 1996. It is still to be determined what changes may be appropriate in school district accounting for physical assets, in order to be consistent with the province, and therefore facilitate the provincial consolidation. In addition, the Canadian Institute of Chartered Accountants, through its Public Sector Accounting and Auditing Board, is currently working on a study of reporting by Canadian school boards. The views on capital assets expressed in their report will also be of relevance to accounting for physical assets on a basis that is consistent with other school districts in Canada.

The ministry wants to consider the outcome of these accounting and reporting changes, and to review their effect on school districts, before completing the revised capital asset sections of the manual. A new complementary section on safeguarding those physical assets that are movable could be issued at the same time.

School districts resources are constrained and will have difficulty prioritizing more resources for improving their physical asset safeguarding policies and procedures. It is also worth noting that the announced restructuring of school districts may require an identification and recording of assets, which could then be a good starting point for ongoing control over these assets.

Response of the Ministry of Skills, Training and Labour

We were pleased to note, that in the absence of formal legislative and policy requirements, 22 of the 24 institutions in the public post–secondary system maintain at least minimal safeguarding for moveable physical assets.

We defer to the response provided by the Comptroller General as policy in this area is currently under review.

Consumer Protection Act—Income Tax Refund Discounts

Consumer Protection Act— Income Tax Refund Discounts

A review of section 37 of the* Consumer Protection Act *and related regulation which set out rules regulating the exchange of taxpayers' rights to tax refunds for cash paid from discounters.

Introduction

The *Consumer Protection Act* (the Act) and its related regulations aim to promote fair business practices in the market place and prevent misleading acts or practices. It is administered by the Ministry of Housing, Recreation and Consumer Services. The various provisions of the Act cover many types of dealings between consumers and businesses. We limited the scope of this planned audit to matters covered by section 37 of the Act and its related regulation. That particular section regulates income tax refund discounting businesses.

Consumers in British Columbia can give a tax rebate discounter their right to income tax refunds in exchange for an immediate and reduced cash payment by the discounter. For the 1994 tax year, it was estimated that over 99,000 tax returns with a refund value of over $75 million were discounted by approximately 175 discounters.

Section 37 of the Act sets out the requirements to be met by the income tax refund discounter. Among these, the discounter must:

- pay taxpayers 85 cents on the dollar of the estimated refund owed to them;
- give the taxpayer the entire amount of any actual tax refund received that is in excess of the estimated refund; and
- file by July 31 of each year, in a form prescribed by regulation, an annual report for each discount transaction acquired by the discounter. This report must show the name and address of each taxpayer, the amount of refund, the amount paid to the taxpayer and the amount actually received by the discounter pursuant to the refund acquired for the year ending June 30.

Overall Observations

During our preliminary audit planning investigation, we found that the ministry did not have a program to administer the legislative requirements of section 37 of the Act. We were informed that federal legislation known as the *Tax Rebate Discounting Act* was enacted in 1978, within a year of the province having enacted section 37 of its *Consumer Protection Act*. This federal Act provides similar regulating protection for consumers nationwide. It includes provision for provincial consumer protection officials to inspect records of discounters operating within their jurisdiction.

The position taken by ministry officials is that the ministry is taking no action or enforcement over section 37 of the provincial Act and related regulation, because the federal requirements are more extensive and demanding in regulating tax discounters. In addition, because the federal government receives the income tax returns and pays out the refunds to the discounters, federal officials are in a better position to monitor discounter activities and reporting.

Given these circumstances, we did not proceed with our planned audit of the provincial legislation. We did, however, compare the provincial and federal legislation to determine whether or not the federal legislation contained all the requirements of the provincial legislation. We found that it did (see Exhibit 4.1). However, the information required to be provided by discounters under the federal legislation goes to federal government departments. In addition, it is the federal departments that carry out all monitoring and enforcement activities. Taken together, the result is that the provincial government does not have any information on this industry operating in the province. In addition, the provincial government has not requested any information from the federal government on the industry or the related monitoring activities.

Exhibit 4.1

Comparison of Federal and Provincial Income Tax Discount Legislation

Requirement	British Columbia: s.37 of the *Consumer Protection Act*	Federal: *Tax Rebate Discounting Act*
Refund defined to include	Income tax refund, Unemployment Insurance Commission/Canada Pension Plan (UIC/CPP) overpayment refund, renter's tax credit refund, a grant or refund under a provincial or federal Act.	Income tax refund, UIC/CPP overpayment refund, amounts pursuant to *Federal–Provincial Fiscal Arrangements and Federal Post– secondary Education and Health Contribution Act.*
Minimum amount to be paid by the discounter to the taxpayer	No less than 85% of the refund; if the actual amount is in excess of the amount initially believed to be due, the discounter pays the additional amount in full to the taxpayer.	85% of the first $300 of the refund, plus 95% of portions greater than $300.

Requirement	British Columbia: s.37 of the *Consumer Protection Act*	Federal: *Tax Rebate Discounting Act*
Excess of actual refund amount over that estimated received by the discounter	A discounter must pay the excess amount to the taxpayer.	A discounter must pay to the taxpayer any excess amount of refund greater than $10, excluding the refund interest, or, if it is not paid within 30 days, promptly remit the excess to the Receiver General of Canada to be held on account of the taxpayer for any future tax liability.
Information the discounter must give to the taxpayer	A written statement showing: a. the amount of refund the taxpayer believes is due to him; b. the amount to be paid by the discounter; and c. the difference between (a) and (b), or the amount the taxpayer will forgo as a result of the discount agreement.	A statement of the discounting transaction showing: a. the estimated tax refund due to taxpayer; b. the calculation of minimum amount to be paid by the discounter to the taxpayer; c. the actual amount paid by the discounter; and d. the amount of the discount. The form is to be signed by both the discounter and the taxpayer. A discounter is required by regulation to send a notice in a prescribed form of the actual amount of the refund of tax showing: a. the actual amount received from the Receiver General of Canada; b. the estimated refund amount; c. the difference between (a) and (b); d. the amount of refund interest kept by the discounter; and e. the difference between (c) and (d). (This sum is payable to the taxpayer if the amount is $10 or more.) Any “Notice of Assessment” form received by the discounter is to be sent to the taxpayer.

Requirement	British Columbia: s.37 of the *Consumer Protection Act*	Federal: *Tax Rebate Discounting Act*
Discounter reporting to government	A discounter shall, by July 31 of each year, file with the director of consumer services the form prescribed by regulation, including the following information: a. the name and address of each taxpayer whose refund was acquired; b. the amount of refund; c. the amount that was paid to the taxpayer; and d. the amount actually received by the discounter.	Copies of the discount agreement and actual refund forms must be sent to Consumer and Corporate Affairs and Revenue Canada for each transaction.
Record retention by the discounter	Not specific.	Records must be retained for three years and the discounter is to provide reasonable access to a peace officer or a person designated by the minister responsible for this Act or by the minister of the Crown in right of a province who is responsible for consumer affairs.
Offence	Any proceeding must be no more than two years after the date on which the subject matter arose. Discounters may be charged with not paying 85% of refund, not remitting excess refund, or not filing an annual return.	Any proceeding must be no more than two years after the date on which the subject matter arose. Discounters may be charged with not making immediate payment, not providing the taxpayer with the necessary information forms, not filing a tax return with the information forms, not remitting to the taxpayer the relevant Revenue Canada "Notice of Assessment" and excess refunds, or not maintaining records as required.
Offence penalty	Can be up to $10,000 or one–year imprisonment, or both, for an individual and up to $100,000 for corporations.	Can be a fine not to exceed $25,000.

We recommend that the Ministry of Housing, Recreation and Consumer Services:

- *periodically obtain assurance from the federal department responsible for the* Tax Rebate Discounting Act *as to the extent of their monitoring of tax discounters operating in British Columbia and the degree to which they are complying with that legislation.*
- *have legislative counsel consider and recommend the most appropriate action that might be taken with regard to section 37 of the* Consumer Protection Act *and its related regulation, given that this legislation is not being followed by the industry nor enforced by the ministry.*

Response of the Ministry of Housing, Recreation and Consumer Services

Ministry staff have reviewed your recommendations and we concur on both points. Our Consumer Operations Branch has written to Industry Canada to confirm the status of monitoring and enforcement of the *Federal Tax Rebate Discounting Act* in British Columbia.

In addition, our Consumer Policy Branch has reviewed the legislation and has recommended repeal of section 37. We will ensure that the request for legislation is forwarded at the next opportunity.

Financial Administration Act, Part 4: Follow–up

Financial Administration Act, Part 4: Follow–up

***A follow–up on the significant findings in two previous audits on compliance with the expenditure provisions of the* Financial Administration Act.**

Introduction

In 1991 and 1992 we conducted two compliance–with–authorities audits to assess whether the expenditure provisions contained in Part 4 (sections 18 to 35) of the *Financial Administration Act* and its related Regulations were being complied with. For both audits we concluded that, except for the effects of certain reported observations, the requirements of the Act had been complied with, in all significant respects. However, because the 1991 audit was not discussed by the Select Standing Committee on Public Accounts, and because the government took no action on the Committee's recommendation arising from our 1992 audit, we felt it was important to revisit these matters.

1991 Audit

In our 1991 Annual Report to the Legislative Assembly, we reported on the first part of our two–phased audit of compliance with the expenditure provisions contained in Part 4 of the *Financial Administration Act* and its related Regulations. Our observations of significance pertained to compliance with sections 20(1) and 20(2) of the Act.

Section 20(1) requires that the annual Estimates be prepared in a form directed by the Treasury Board. Our 1991 audit found that no formal direction had been given on the form of the Estimates, and we therefore concluded that it was not evident whether section 20(1) of the Act had been fully complied with.

Section 20(2) requires that no sum appropriated by a *Supply Act* be paid and applied to any purposes other than those described in the Estimates. In fact, our 1991 audit found that payments totaling several millions of dollars had been made contrary to this requirement of the Act and recorded in the wrong expenditure votes.

The results of this audit were not discussed by the Select Standing Committee on Public Accounts.

1992 Audit

In our 1992 Annual Report, we reported on the second of the two phases of our audit of Part 4 of the *Financial Administration Act.*

Our main concern resulting from this audit was that there was a need identified to review, and to make changes as considered appropriate, to section 21 of the Act—the section that deals with special warrants.

Section 21 (1) of the *Financial Administration Act* states:

> "If, while the Legislature is not in session, a matter arises for which an expenditure not foreseen or provided for or insufficiently provided for is urgently and immediately required for the public good, the Lieutenant Governor in Council,
>
> (a) on the report of the appropriate minister that there is no appropriation for the expenditure or that the appropriation is exhausted or insufficient, and that the expenditure is urgently and immediately required for the public good, and
>
> (b) on the recommendation of the Treasury Board, may order a special warrant to be prepared for the signature of the Lieutenant Governor authorizing the payment of an amount the Lieutenant Governor in Council considers necessary out of the consolidated revenue fund."

In our 1992 audit, we found that there existed the potential for weakened financial control due to a succession of special warrants used, in the 1991/92 fiscal year, to fund regular government expenditures for all ministries other than the three largest (Education, Health and Social Services).

In addition, we found that although the Act requires that expenditures authorized by special warrant be urgently and immediately required for the public good, they were being used to fund expenditures for the day–to–day operations of government programs, including some expenditures incurred early in the fiscal year when the then government had tabled the Estimates for the fiscal year.

We also found that it was unclear what the phrase "not foreseen or provided for" in section 21(1) of the Act meant. It could, in our opinion, be taken to mean that the expenditures were neither foreseen nor provided for (that is, not included in the Estimates). The government believed that it was within its rights to conduct its business in this manner, by using the authority of special warrants.

The Select Standing Committee on Public Accounts discussed the audit results, and, in its July 1993 Second Report to the Legislative Assembly, it recommended that: "the Minister of Finance and Corporate Relations conduct a review of the interpretation and application of section 21 of the *Financial Administration Act* and present amendments to the Legislative Assembly that will address the concerns expressed by the Auditor General in his June 1992 Annual Report."

In its response to our 1992 audit report, the Ministry of Finance and Corporate Relations stated that the government was reviewing the *Financial Administration Act* and would consider our finding regarding special warrants. Since then, however, it has not provided any comments to our annual inquiries for updated responses to the Committee's recommendation.

Audit Scope

This follow–up audit looked into what steps had been undertaken by the government, if any, since our last audit report in 1992 to enhance compliance with sections 20(1), 20(2) and 21(1) of the *Financial Administration Act*. Specifically, we tried to ascertain whether:

- the annual Estimates of revenue and expenditure are prepared in a form directed by the Treasury Board;
- expenditures are applied to the correct votes; and
- the Minister of Finance and Corporate Relations has conducted a review of the interpretation and application of section 21 of the Act, and presented amendments to the Legislative Assembly to address the concerns expressed by the Auditor General in his June 1992 Annual Report.

In addition, we inquired as to the progress made to date in a major review of the Act that started in 1989.

Our audit included reviewing legislation as well as Treasury Board policies, instructions, Estimates documents and related reports, and conducting interviews.

Overall Observations

Overall we found that:

- the requirement that the annual Estimates of revenue and expenditure be prepared in a form directed by the Treasury Board has been complied with;
- there were no significant expenditures applied to other than the correct vote during the 1992/93 to 1994/95 fiscal years, and we therefore concluded that the requirement of the Act in this regard has been complied with;
- the interpretation and application of section 21 (special warrants) of the Act have not been reviewed, nor have amendments to this section been presented to the Legislative Assembly to address the concerns expressed by the Auditor General in his June 1992 Annual Report ; and
- some changes have been made to the Act over recent years, but no comprehensive review has been completed.

Audit Findings

Treasury Board Direction on the Form of the Estimates

Section 20(1) of the Act requires that the annual Estimates of revenue and expenditure be prepared in a form directed by the Treasury Board. We reviewed the 1994/95 Estimates to see if they had been prepared in a form directed by the Treasury Board. We found that the Estimates complied with Treasury Board's requirements.

We also found that the Treasury Board policies, set out in the Financial Administration Operating Policy Manual and in the annual budget instructions issued by the Treasury Board Secretariat, gave clearer direction on the form of the Estimates than when we previously reviewed them.

We therefore concluded that the requirement of section 20(1) has been complied with.

Recording Expenditures in the Correct Vote

Section 20(2) of the Act includes the requirement that no sum appropriated by a *Supply Act* shall be paid and applied to any purposes other than those described in the Estimates. This means that expenditures must be recorded in a vote having a description encompassing the type of expenditure being incurred.

We found, as part of our past three years' annual audits of the government's financial statements, which specifically included checking for compliance with this requirement, that the expenditures we sampled were applied to the correct votes, and there was no material recurrence of the significant problems we identified in our March 1991 Annual Report.

We therefore concluded that the requirement of section 20(2) has been complied with.

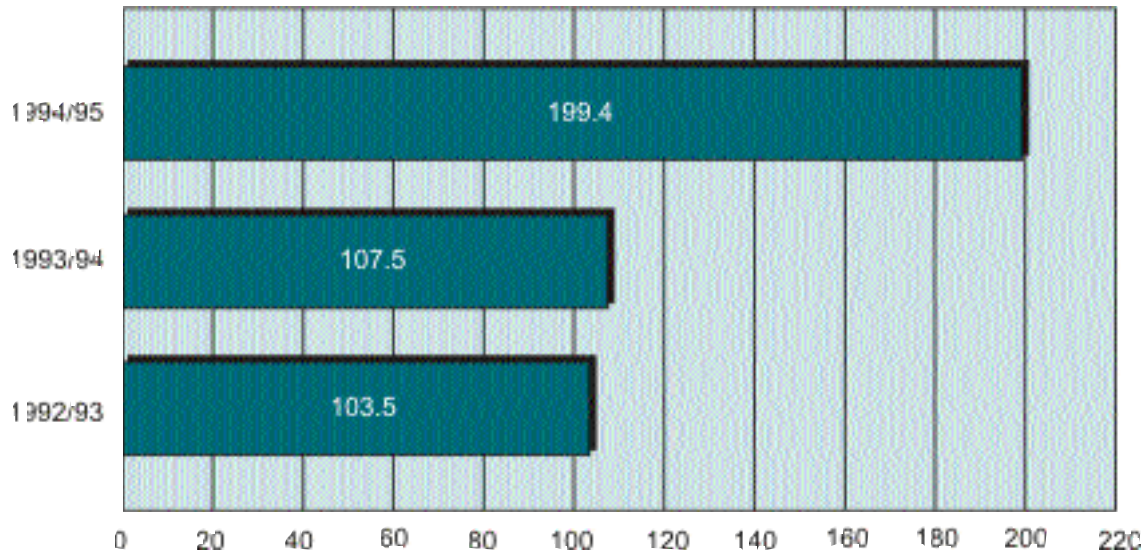
Special Warrants

Our 1992 audit report on section 21 (special warrants) of the Act pertained to expenditures authorized up to December 31, 1991. Since that time, special warrants have continued to be used each year to fund some government expenditures, although the total annual amounts funded this way have been no more than 1% of the total Consolidated Revenue Fund expenditure budgets and, in dollar

Exhibit 5.1

Summary of Special Warrants Approved

($ Millions)



terms, less than $200 million each year (Exhibits 5.1 and 5.2). In addition, special warrants have not been used to authorize day–to–day government expenditures early in the fiscal year, as had been done in the early part of the 1991/92 fiscal year, when several billions of dollars of government expenditures were authorized by use of special warrants.

However, although there is some procedural guidance concerning the phrasing of special warrant requests in the Comptroller General's administration procedures manual, there is still an important need for clear guidance as to what circumstances and situations constitute appropriate use of special warrants pursuant to section 21 of the Act.

Since our 1992 report on this subject and the Public Accounts Committee's endorsement in 1993 of the need for a review and revision of section 21 of the Act, there has been no initiative or progress made by the government to deal with this specific issue of special warrants.

We recommend that the government develop and implement an action plan to address the issues raised in our 1992 Annual Report and the 1993 recommendation of the Select Standing Committee on Public Accounts regarding section 21 (special warrants) of the Financial Administration Act.

Exhibit 5.2

Special Warrant Summary by Ministry

($ Millions)

	1992/93			1993/94			1994/95		
	Estimated CRF Expenditure	Special Warrants		Estimated CRF Expenditure	Special Warrants		Estimated CRF Expenditure	Special Warrants	
		$	%		$	%		$	%
Agriculture and Fisheries							80.0	13.6	17.00
Attorney General	759.5	18.7	2.46	766.70	31.5	4.11	793.3	50.2	6.33
Education	3,589.4	2.6	0.07						
Employment and Investment				429.70	10.0	2.33			
Government Services	92.7	2.2	2.37						
Health	5,935.8	40.0	0.67	6,210.10	62.5	1.01	6,413.9	135.6	2.11
Skills Training and Labour				1,392.10	3.50	0.25			
Social Services	2,364.5	40.0	1.69						
Other ministries	5,238.1	0	–	10,196.40	0	–	12,342.8	0	–
Total all ministries	17,980.0	103.5	0.58	18,995.00	107.5	0.57	19,630.0	199.4	1.02

Source for the estimated CRF expenditures: The Estimates

Comprehensive Review of the Act

In its response to our 1992 audit report with respect to special warrants, the Ministry of Finance and Corporate Relations stated that the government was reviewing the *Financial Administration Act* and that our comments regarding special warrants would be considered in the course of that review. According to ministry officials, a review of the Act was started in 1989. The project was stopped in 1992 without a public report being produced.

In 1991/92, the government had Peat Marwick consultants carry out a special financial review. This review included a number of issues relating to the *Financial Administration Act.* A report was produced by the consultants in February 1992 in which changes pertaining to Crown Corporations, special warrants and the carry forward of appropriations were recommended. None of these recommendations has yet been implemented by the government.

In addition, an updating of the Act could include consideration of the following and other subjects:

- defining the government reporting entity and its related components;
- accountability requirements of government organizations;
- corporate governance;
- debt management plans.

There have been some changes to the Act during recent years, but the ministry has not undertaken any comprehensive reviewing of the Act since 1992, and no such study is currently underway. It has now been almost 15 years since this Act was brought into force in 1981. The concerns that we and others have with the Act suggest to us that a comprehensive review of the legislation is needed to bring it up to date.

We recommend that the government initiate a comprehensive review to update the Financial Administration Act *as soon as possible.*

Summary of Recommendations

Recommendations made in the Office of the Auditor General of British Columbia report titled *Financial Administration Act*, Part 4: Follow–up are listed below for ease of reference. These recommendations should be regarded in the context of the full report.

We recommend that:

- *the government develop and implement an action plan to address the issues raised in our 1992 Annual Report and the 1993 recommendation of the Select Standing Committee on Public Accounts regarding section 21 (special warrants) of the* Financial Administration Act.
- *the government initiate a comprehensive review to update the* Financial Administration Act *as soon as possible.*

Response of the Ministry of Finance and Corporate Relations

The two recommendations made by the Auditor General are closely linked as they both involve government accountability and the need for changes in legislation.

Government understands the need to have a comprehensive review of the *Financial Administration Act*. Work is proceeding on a number of significant issues that must be resolved prior to the formal process of drafting a revised Act. For example, the results of the joint project by the Auditor General and the Deputy Ministers on enhancing accountability in the public sector, and the recommendations of the Select Standing Committee on Public Accounts resulting from a review of their first report, could result in some legislative changes. Similarly, the government's move to full accrual accounting, a move that is also recommended by the Auditor General, results in some need for legislative change.

In addition to this, consideration will be given to the suggestion that a requirement for a debt management plan and an annual report of government's performance against the plan be part of the accountability framework.

Status of Public Accounts Committee Recommendations Relating to Prior Years' Compliance–with–Authorities Audits

Status of Public Accounts Committee Recommendations Relating to Prior Years' Compliance–with–Authorities Audits

In each of our audits we make suggestions and recommendations, some of which are subsequently endorsed by the Select Standing Committee on Public Accounts and adopted as recommendations for its reports to the Legislative Assembly.

In January 1996 we obtained from ministries, for publication, updated responses to the recommendations of the Select Standing Committee on Public Accounts, relating to our prior years' audits.

The following section includes the Committee's recommendations, the ministries' responses, and our comments thereon for the following prior years' audits:

- *Elevating Devices Safety Act*
- *Travel Agents Act*
- *Financial Administration Act*: Guarantees and Indemnities
- *Land Tax Deferment Act*
- Statutory Tabling Requirements
- Safeguarding Moveable Physical Assets
- Treatment of Unclaimed Money
- Compliance with the *Financial Disclosure Act*
- Order–in–Council Appointments
- Compliance with the *Financial Information Act*, Regulation, and Directive

Committee recommendations that the ministries state have been implemented or otherwise resolved, are not repeated in our subsequent year's report. In addition, a more extensive follow–up on the significant findings in two prior years' audits on compliance with Part 4 of the *Financial Administration Act* and its related regulations has been included in the main section of this report.

Elevating Devices Safety Act

(Auditor General 1994/95: Report 5, May 1995)

Recommendations of the Select Standing Committee on Public Accounts, July 1995 Report

Your Committee recommends that the recommendations contained in the report "Elevating Devices Safety Act" *be adopted and implemented.*

The Auditor General's Recommendations:

To improve compliance with the Elevating Devices Safety Act *and regulation, the Office of the Auditor General recommends, that:*

- *The Boiler and Elevator Safety Branch develop procedures for following up with owners who have not notified it, as required by the legislation, to ensure that directions have been carried out.*
- *The Branch follow up with owners on a timely basis to enforce their legal responsibility to have tests of safety gear performed, and to report the results to the Branch.*
- *The Branch document more thoroughly the assessments carried out in appraising an applicant for a contractor's licence.*
- *Contractors be required to certify on their licence renewal applications that they still meet the necessary qualifications to be licenced.*
- *The Branch reinforce with owners of amusement rides the legal requirement for reporting accidents within specified time periods.*

To improve operational effectiveness of the Boiler and Elevator Safety Branch, the Office of the Auditor General recommends, that:

- *The Ministry of Municipal Affairs discuss with municipalities the possibility of having them either require a copy of the acceptance inspection certificate before issuing a certificate of occupancy, or inform the Branch when a permit is issued for a building that contains an elevating device.*
- *As part of the acceptance inspection, the Branch require some form of written assurance from the contractor that the device has been constructed in accordance with the Act, regulation and safety codes.*
- *The Branch require an affidavit that the safety tests required by the regulation are up–to–date before it renews the annual certificate to operate.*
- *The Branch update its records to reflect the correct operational status of amusement rides and construction hoists.*
- *The Branch draw up a checklist to document the minimum important procedures that must be performed during an inspection.*
- *The Branch develop procedures to ensure that the information in the risk assessment program database, used by the inspectors to priorize their work, is up–to–date and accurate.*

To provide useful, new legislative authorities relating to elevating devices,

the Office of the Auditor General recommends, that:

- *The maximum permissible interval between inspections of elevating devices be specified in the regulation or policies.*
- *The Act and regulation be amended to require mandatory maintenance for elevating devices, and that confirmation of completed maintenance be reported to the Branch.*

Response of the Ministry of Municipal Affairs

We have made substantial progress to date in implementing the 13 recommendations. There has been some delay encountered in resolving two critical issues (recommendations #1 and #2) concerning overdue safety gear tests and overdue notification by owners that inspection directives have been carried out. These delays relate to operating constraints. As a consequence, the branch has pursued an alternative approach, calling in the General Managers of the five major elevator contractors responsible for 80% of the overdue items to develop a concentrated program to eliminate these overdue items, particularly the safety gear tests. To date, the number of overdue safety gear tests have been reduced by over 30% since August 1994. All overdue items are now expected to be eliminated by October, 1996.

With respect to the other recommendations, recommendations #3, #8, #10 and #13 have been implemented; #5, #7 and #9 will be implemented by March 31, 1996; #4 and #6 will be implemented by September 30, 1996, and #11 and #12 will be addressed with consulting assistance early in the next fiscal year.

As an additional observation, we would suggest that the performance of the elevating devices safety program should be assessed on the elevator safety record in British Columbia rather than relying primarily on process measures such as frequency of inspections. We believe that this is consistent with the direction being charted by the Auditor General and the Deputy Ministers' Council in their joint work on accountability.

Comment by the Office of the Auditor General on the Response of the Ministry

We are pleased that, according to the Ministry, 4 of our 13 recommendations have been implemented, and that progress is being made to implement the remaining recommendations during 1996.

Travel Agents Act

(Auditor General 1994/95: Report 5, May 1995)

Recommendations of the Select Standing Committee on Public Accounts, July 1995 Report

Your Committee recommends that the recommendations contained in the report "Travel Agents Act" *be adopted and implemented.*

The Auditor General's Recommendations:

The Office of the Auditor General recommends, that:

- *The Branch either use the form of application prescribed by regulation, or obtain legislative approval for the form in current use.*
- *In cases where a travel agent has not provided an undertaking to meet the net worth and working capital requirements, registration be withheld.*
- *The Branch remind travel agents of the legislative requirement to display their registration certificate, and to return the certificate when the registration is canceled.*
- *The Branch periodically monitor advertisements, business directories, and the like, and conduct any other appropriate procedures to ensure that all travel businesses are registered if they are not of a type exempted by the Act.*
- *The Branch consider establishing formal arrangements to exchange information with other government and industry agents such as municipal business licencing departments.*
- *The Branch take steps to ensure compliance with the following requirements; specifically, that travel agents:*
  - *file financial statements within 90 days;*
  - *have financial statements certified by the owners or directors;*
  - *maintain the net worth and working capital required by the Branch; and*
  - *pay the annual licence fee on time.*
- *The Branch consider what steps it might take to determine whether travel agents are operating their trust accounts as required and, if necessary, what steps it might take to ensure compliance.*
- *The inspection program be expanded to include the Greater Victoria and Greater Vancouver areas, and that it include a review of the operations of the trust accounts.*
- *The* Travel Agents Act *be amended to provide the Branch the legal authority to levy fines or administration charges or, alternatively, that the Branch obtain the necessary authority, as required by the* Financial Administration Act, *to levy these fines and charges.*
- *Interest be charged on amounts owing to the Province in accordance with the rate prescribed under the* Financial Administration Act.

- *The Branch comply with the* Financial Administration Act *when waiving amounts owing to the Province.*
- *The Travel Assurance Board bring its overdue filing of annual reports up to date, in accordance with the requirements of the Act.*

Response of the Ministry of Housing, Recreation and Consumer Services

The ministry has implemented the following to address the recommendations of the Auditor General:

- All forms or references to prescribed forms have been changed by Order In Council.
- No registration has been granted since September 1995 where the applicant was unable to meet the net worth and working capital requirements.
- All agencies inspected since the audit have been advised of the need to display / return the certificate. All re–applications and new applications in 1995 were given written reminders with their application package. All registrants had new certificates issued in 1995 which indicated issuance and expiry date. All new applicants have been advised of registration requirements.
- The branch has made all practical efforts to monitor advertising, in conjunction with industry. This has resulted in several new registrations, as well as a number of companies ceasing to act as unregistered travel agents.
- The branch has sent out a letter requesting a listing of licensed agents in all municipalities, with a good response from many. Some have returned listings of municipally licensed travel agencies in their jurisdiction. The Ministry has also established the Travel Industry Advisory Committee to review the Act, Regulations and policies of the Registrar.
- Compliance is being closely monitored, and will improve with the focus of staff dedicated to financial review and compliance.
- The Travel Industry Advisory Committee will also be reviewing the issue of trust accounts.
- Inspections are being performed at a much higher rate with the addition of new staff and will include periodic reviews of trust accounts. (There were approximately 300 inspections in the period March – December 1995, compared with 49 in fiscal 1994 / 95. This is close to our stated goal of 500 inspections in 1995 / 96.)
- Changes to the Act will be proposed following the report of the Travel Industry Advisory Committee. These changes will be dependent on the legislative calendar for next fiscal year. The Ministry now has the authority to levy the appropriate administrative charges under directive from the Minister of Finance under Sec. 39(1) of the *Financial Administration Act* and through Order in Council.

- The Branch has instituted a policy of not waiving amounts owing the province.
- The outstanding reports for the Travel Assurance Board have been prepared and submitted.

Comment by the Office of the Auditor General on the Response of the Ministry

We are pleased that the ministry has taken steps to address all of our recommendations, although more action is required to deal with the issue of monitoring the operation of trust accounts.

Financial Administration Act: Guarantees and Indemnities

(Auditor General 1994/95: Report 5, May 1995)

Recommendations of the Select Standing Committee on Public Accounts, July 1995 Report

Your Committee notes progress and recommends the Ministry of Finance continue its work in implementing the recommendations contained in the report "Financial Administration Act: *Guarantees and Indemnities."*

The Auditor General's Recommendations:

Guarantees

The Office of the Auditor General recommends, that:

- *The Ministry of Finance and Corporate Relations reinforce the Treasury Board requirement that ministries giving guarantees have documented procedures for the review, control and approval of ad hoc guarantees. An alternative would be to expand the Treasury Board policies to include detailed guidance as to the review, control and approval of guarantees within ministries.*
- *The Ministry of Finance and Corporate Relations reinforce the requirements of Treasury Board policies regarding the content of loan guarantee submissions. Ministries that have guarantee programs should ensure that their approval checklist includes all the components required by Treasury Board policy. When the risk assessments for all individual guarantees approved under a program are the same and the ministry wishes to avoid repeating the same risk assessment in each individual submission, the ministry should get Treasury Board approval for the general assessment and the right not to provide risk assessments in each individual submission.*
- *Ministries document the source of standard agreements used in guarantee programs, and consult with legal counsel when they intend to expand the use of standard agreements developed for earlier programs.*
- *The Ministry of Agriculture, Fisheries and Food obtain appropriate approval for all of its guarantees under the Feeder Association Loan Guarantee Program.*
- *The Loans Administration Branch establish consistent procedures for summarizing the results of its investigations prior to paying out any guarantee claims.*
- *The Ministry of Finance and Corporate Relations maintain the required list of all outstanding guarantees given by ministries and government corporations.*
- *Consideration be given to amending the* Financial Administration Act *to require that all guarantees given by the Province be included in the annual report.*
- *The government consider including the additional information*

recommended by professional pronouncements in its Statement of Guaranteed Debt, contained in the Consolidated Revenue Fund financial statements.

Indemnities

The Office of the Auditor General recommends, that:

- *The Ministry of Finance and Corporate Relations issue new guidance to all ministries and government corporations explaining the nature of indemnities and reinforcing the Treasury Board requirement for establishing and documenting procedures for the review, control and approval of indemnities.*
- *Government corporations be reminded of the requirement that they must obtain the approval of the Minister of Finance and Corporate Relations to have the authority to approve their own indemnities.*
- *Government corporations be required to maintain a list of all indemnities issued, which could be reconciled to the Risk Management Branch list.*
- *The* Guarantees and Indemnities Regulation *and the Treasury Board policies be reviewed and amended as necessary so that they are consistent with each other.*
- *Ministries keep track of the indemnities they have issued, and their expiry dates, so that they can provide an accurate list of indemnities in place.*
- *The* Financial Administration Act *and regulation be reviewed and amended as necessary, to ensure that the reporting requirements for indemnities are consistent with the approval requirements.*
- *Consideration be given to amending the* Financial Administration Act *to require that all indemnities approved and issued by the Province be included in the annual report.*
- *While we recognize that it is impossible to put a dollar value on indemnities for disclosure in the government's financial statements, a description of some of the major categories of indemnities be included in the note to the financial statements that discloses indemnities.*

Response of the Ministry of Finance and Corporate Relations

The policy and procedures governing guarantees and indemnities are updated as part of government's regular and ongoing process of reviewing the currency of its financial management policy. Changes will be made when the review has been completed.

Comment by the Office of the Auditor General on the Response of the Ministry

We look forward to the completion of the ministry's review, and hope that it will address our 16 recommendations about guarantees and indemnities.

Land Tax Deferment Act

(Auditor General 1994/95: Report 5, May 1995)

Recommendations of the Select Standing Committee on Public Accounts, July 1995 Report

Your Committee recommends that the recommendations contained in the report "Land Tax Deferment Act" *be adopted and implemented.*

The Auditor General's Recommendations:

The Office of the Auditor General recommends, that:

- *The ministry either obtain approval for an amendment to the Act to delete the requirement that the applicant be the principal supporter of the family, or take steps to ensure compliance with section 5(5)(b) of the Act.*
- *The current interest rate requirement of not more than the government banker's prime rate, less 2%, be reconsidered and possibly raised to equal that which the government otherwise obtains on its short–term investment funds.*
- *To keep the interest rate on land tax deferment more current, consideration be given to amending the legislation so that the rate is set at the end of every three months, based on the rate at the end of the previous month.*
- *Consideration be given to reviewing and updating the* Land Tax Deferment Act *for matters identified by the ministry and this audit.*

Response of the Ministry of Finance and Corporate Relations

The Ministry is examining the costs to amend its computer system for the Land Tax Deferment program in order to be able to accommodate the recommended interest rate and benefit changes. Once approval to amend the system is approved, the Ministry will approach the government to make the necessary legislative changes related to the recommendations.

Currently, the *Land Tax Deferment Act* is being reviewed to delete spent provisions.

Comment by the Office of the Auditor General on the Response of the Ministry

We are pleased that the ministry is making progress with the recommendations, and we hope that approval to amend the system will be obtained soon, followed by appropriate legislative amendments.

Statutory Tabling Requirements
(Auditor General 1993/94: Report 4, May 1994)

Recommendations of the Select Standing Committee on Public Accounts, July 1994 Report

Your Committee recommends that the recommendations contained in the Auditor General's Report 4 respecting statutory tabling requirements be implemented by the government. However, consideration should be given to varying the standard content or timing requirements for particular organizations where circumstances may warrant.

The Auditor General's Recommendations:

General

We recommend that consideration be given to having all tabling requirements consolidated into one Act which, along with supporting regulations or policies:

- *identifies the organizations required to table reports;*
- *specifies the content requirements of the reports;*
- *clarifies the meaning of terms used in tabling requirements;*
- *specifies the timing requirements for tabling reports;*
- *includes a requirement for monitoring whether reports are tabled on time and for reporting these facts, along with explanations, to the Legislative Assembly; and*
- *provides for an alternative method of releasing reports when the House is not in session.*

Clarity of Requirements

We recommend that the terms used to describe the time requirements for tabling reports be defined clearly. This could be achieved either by defining the terms in each Act that has tabling requirements, or by defining them in one central Act, such as the Interpretation Act, *or in a new Act containing tabling requirements for all organizations required to table reports.*

Consistency of Requirements

We recommend that all ministries and organizations included in the government's summary reporting entity be required to table their annual reports. Exceptions could be made for organizations that are inactive. However, the inactive organizations should still be required to table financial statements each year, along with an accompanying explanation.

We recommend that the length of time within which annual reports must be tabled be consistent for all organizations, including government ministries. One way this could be achieved would be to have one Act that specifies the tabling requirements for all government and related entities.

We recommend that the legislation requiring a report to be tabled include more specific guidance about the content of the report, or that it be supplemented by policies specifying content requirements.

Monitoring

We recommend that a member of Cabinet, possibly the Minister of Finance and Corporate Relations, as Chair of Treasury Board, be given the responsibility for producing a report for the House listing all reports which should have been tabled in the previous session. The report should include the dates that reports have been tabled, compared to the dates that they were required to be tabled, the name of the Ministry responsible, and any explanation for reports not tabled on time. Such a report should itself be timely. To do this, it could be submitted to the Clerk of the House and made public within 30 days of the session being adjourned; then tabled when the Legislature next sits.

If our previous recommendation to have all tabling requirements included in one Act is followed, then the Minister responsible for that Act should produce this report.

Timeliness of Making the Information Available to the Public

We recommend that all organizations be required to table their annual reports within three months of their year–end if the House is in session.

We recommend that the statutory provisions for the tabling of documents be revised to include a provision for filing the reports with the Clerk of the House and releasing them to the public when the House is not in session. The copy given to the Clerk would become the "official copy" and would be tabled as soon as the House next sits.

Inactive, Wound Up, or Reorganized Entities

We recommend that, where a government organization has merged with another organization, its enabling statute be amended to delete the reporting requirement. Where an organization has been dissolved, the enabling legislation should be repealed.

We recommend that, when ministries are disestablished or reorganized, the orders in council authorizing and describing the transfer of responsibilities also clarify the reporting requirements of the new or remaining ministries. In addition, consideration should be given to repealing the enabling statutes for the disestablished ministries.

Commissions of Inquiry

We recommend that the Ministry of Attorney General, which is responsible for the Inquiry Act, *ensure that the requirement for the tabling of the commissioners' reports in the Legislative Assembly is communicated to the Minister who is responsible for the commission at the time of each commissioner's appointment.*

Regulations

We recommend that the Acts requiring the tabling of regulations in the Legislative Assembly be amended to remove these requirements.

Response of the Ministry of Attorney General

The Ministry has reviewed the tabling requirements under all Attorney General statutes in order to ensure that it fulfils its obligations. Ministry staff has also undertaken to notify other ministries, when the need arises, of their obligations under the Inquiry Act to table commissioner's reports in the Legislative Assembly.

Response of the Ministry of Finance and Corporate Relations

The Deputy Ministers and the Auditor General have undertaken a project designed to enhance government accountability. The timing of, and process for, tabling of accountability reports will be incorporated in this initiative and should respond to the recommendations made by both the Auditor General and the Select Standing Committee on Public Accounts.

Comment by the Office of the Auditor General on the Responses of the Ministries

We consider our recommendation to communicate to ministers the requirement for tabling of commissioners' reports made under the *Inquiry Act* to be resolved. In addition, we are pleased to be involved in the project to enhance government accountability and look forward to the other recommendations on issues specific to the tabling of reports also being resolved.

Safeguarding Moveable Physical Assets
(Auditor General 1993/94: Report 4, May 1994)

Recommendations of the Select Standing Committee on Public Accounts, July 1994 Report

Your Committee recommends that the recommendations contained in the Auditor General's Report 4, relating to safeguarding moveable physical assets, be implemented to the extent that it is cost effective and efficient to do so.

The Auditor General's Recommendations:

Non–Compliance with Government Policies for Safeguarding Moveable Physical Assets

We recommend that the Office of the Comptroller General and the ministries should be monitoring how well they are complying with the policies for safeguarding moveable physical assets. Where they find that the level of compliance is inadequate, we recommend that they take appropriate steps to ensure that policies are followed. Where they find that policies are absent or incomplete, we recommend that they write or revise the required policies.

Clarity in Defining and Recording Assets

We recommend that the criteria used for all asset records be consistent, using a specific dollar amount which is updated periodically as required (for example, at the beginning of each fiscal year).

We recommend that ministry determinations of cost/benefit of control be evaluated and assessed by the Office of the Comptroller General before being accepted as a basis on which to dispense with the maintenance of physical asset records.

We recommend that, for physical assets which are common across government (such as computers, computer software, and furniture), the government policy manual give clear guidance on what to include as attractive assets and what to exclude, by listing specific examples. For physical assets that vary from ministry to ministry (such as equipment), each ministry should be required to provide specific guidance in their own manuals on what assets to record and control as attractive, including a list of those that are unique to the ministry.

We recommend that the government policy manual be clarified to indicate that an asset may be both fixed and attractive. The manual should clearly state that, where a fixed asset also meets the criteria for attractive assets, the additional and more stringent requirements for safeguarding attractive assets must be complied with, not just the requirements for recording and controlling fixed assets.

Content of Asset Record Systems

We recommend that the following information requirements for asset records be considered for addition to the policy manuals:

- *name of the custodian (for all assets, not just attractive assets);*
- *purchase information (including invoice and supplier number);*
- *description information (model number, manufacturer, and colour);*
- *the ministry–assigned, unique identifying number (the bar code or tag number);*
- *cost;*
- *estimated useful life; and*
- *warranty references.*

Form of Asset Record Systems

We recommend that consistent and compatible physical asset recording systems be used throughout government, and especially within ministries.

Centralization of Asset Record Systems

We recommend that the government policy manuals establish criteria for physical asset record systems. This will ensure that sufficient commonality exists between systems to allow the exchange of data, whether the physical asset systems are centralized within ministries or within government.

Periodic Physical Counts

We recommend that bar code readers be made readily available to organizations to facilitate the counting of physical assets tagged with bar codes.

Items Incorrectly Recorded as Physical Assets

We recommend that policies be established to determine when it is appropriate to record professional fees as asset purchases, and when it is not.

Findings Related to Computer Equipment and Software

We recommend that the asset records show what components have been added to a computer, with the relevant serial number recorded to identify it.

We recommend that government policies be developed to address the purchase or use of government computer equipment for work at home.

Findings Related to Technical and Office Equipment

We recommend that, as a matter of policy, ministries be required to obtain a receipt from the lessor for the return of a leased item when a lease expires and is not renewed.

Findings Related to Furniture

We recommend that when furniture is purchased it be tagged with a unique number and, as a minimum, be recorded in a list of furniture for the particular branch office. Physical verification should be done where there have been changes to the location or a large number of disposals.

Findings Related to Vehicles

We recommend that government policy be amended so that a local manager can approve overnight home parking when it is appropriate for travel purposes.

Response of the Ministry of Finance and Corporate Relations

We are revising the minimum business requirements for tracking and safeguarding moveable physical assets throughout government.

As we move to capitalization and depreciation of all public sector physical assets the necessary accounting control will entail uniform standards for the level of information to be captured and the procedures required for periodic physical counts and reconciliation of these counts to the accounting records.

Comment by the Office of the Auditor General on the Response of the Ministry

We are pleased that initiatives are underway to address the recommendations made in this area.

Treatment of Unclaimed Money

(Auditor General 1993/94: Report 4, May 1994)

Recommendations of the Select Standing Committee on Public Accounts, July 1994 Report

Your Committee recommends that the recommendations contained in the report "Treatment of Unclaimed Money" be adopted and implemented.

The Auditor General's Recommendations:

Money Deposited in the Treasury of the Province

We recommend that a limit such as $100 be set so that deposits below this benchmark can be transferred to revenue by the government after a much shorter period of time than 10 years (such as five years). This would not extinguish the right of a valid claim on these amounts, but would remove them earlier from the active accounting records to the statement of unclaimed money. Alternatively, consideration could be given to transferring smaller amounts early, and extinguishing rights to claiming them at the time they are transferred, to avoid the costs of maintaining the records.

Money Received by Companies or Persons

We recommend that a comprehensive study be initiated to review all types of unclaimed money and other types of unclaimed assets held by companies or persons within the Province, other than those to which the Bank Act *(Canada) applies. The study should determine an appropriate up–to–date manner for handling and accounting for such money and assets, addressing provisions for monitoring, enforcement, and full public disclosure. This may require amendment of existing legislation or implementation of new legislation.*

Other Provincial Statutes Directly Related to the *Unclaimed Money Act*

We recommend that the sections of these provincial statutes be included in the scope of any study of unclaimed money and other assets held in the Province as we recommended above, which should consider among other issues the appropriate monitoring, enforcement, and disclosure requirements.

Information to the Public

We recommend that the government provide a public advertisement in newspapers stating when and where information about unclaimed money is available. This should be done periodically, as well as at the time at which the information becomes available each year. It should be an important consideration in any future amendment to the Unclaimed Money Act *and related legislation.*

Payment of Claims

We recommend that the government consider reinstituting periodic search procedures for persons or companies who may be rightfully entitled to unclaimed money deposits that have been transferred to the government's Consolidated Revenue Fund.

We recommend that the legislation be amended to require the inclusion of the successful claims that were paid out in the statement of unclaimed money so that it becomes a complete record of outstanding unclaimed money.

Responsibility for the *Unclaimed Money Act*

We recommend that the Ministry of Finance and Corporate Relations identify which Ministry branch is responsible for administering the Unclaimed Money Act *in its annual report.*

Response of the Ministry of Finance and Corporate Relations

The concerns of the Auditor General have been noted by the inter–ministry Committee, led by the Comptroller General, whose objective is to develop legislation to replace the existing *Unclaimed Money Act*. As some other jurisdictions in Canada have drafted, or are in the process of drafting, new legislation, the government is interested in getting consistent wording so that compliance is simplified for companies who have business in more than one province.

Comment by the Office of the Auditor General on the Response of the Ministry

We are encouraged by the continuing effort to address the recommendations.

Compliance with the *Financial Disclosure Act*
(Auditor General 1993 Annual Report, March 1993)

Recommendations of the Select Standing Committee on Public Accounts, July 1993 Report

Your Committee recommends:

a) that the Financial Disclosure Act *be amended as follows:*

i) (resolved),

ii) to bring the Islands Trust, and related local trust committees, within the purview of the Act,

iii) to require a different frequency of filing of disclosure, such as annually; when there is a material change to report; or some combination of these or other alternatives;

b) that the Financial Disclosure Act *Forms Regulation be amended:*

i) to specify the length of time disclosure forms should be retained,

ii) to allow for flexibility in the style of disclosure forms, so long as the required content and approval aspects are consistently retained,

iii) so that the forms clearly specify the information that should be included,

iv) to provide greater certainty to someone inspecting the forms that a "nil" return is indeed correct.

Response of the Ministry of Attorney General

During the 1995 legislative session, the *Financial Disclosure Act* was amended to reduce the frequency of filing from twice to once yearly. The January filing requirement remains, while the July requirement was removed. The amendments were brought into force immediately so that elected officials from local governments and school boards could take advantage of the change by not filing in July.

Ministry staff are also preparing a new disclosure form which is intended to clarify the information required. The form will be prescribed by regulation once approved by the appropriate provincial and local government bodies. Both of these projects were undertaken in response to your recommendations.

Comment by the Office of the Auditor General on the Response of the Ministry

We are pleased that a second recommendation [a) iii)] has been implemented, and that a decision is to be made as to whether the Act will be amended during the 1996 legislative session to bring in the Islands Trust and related local trust committees. We are also encouraged that work is in progress on the recommendations about the regulation.

Order–In–Council Appointments

(Auditor General 1993 Annual Report, March 1993)

Recommendations of the Select Standing Committee on Public Accounts, July 1993 Report

Your Committee recommends:

a) (resolved);

b) (resolved);

c) *that…the* Insurance Corporation Act *be amended so that the authorization of remuneration for their appointees is consistent with the requirements for appointees to other government organizations;*

d) (resolved).

Response of the Ministry of Transportation and Highways

We are in the process of bringing this matter to government's attention, with the possibility of legislative amendment being contemplated in the future. In November 1994, in accordance with a request made by Minister Pement, ICBC did amend their bylaws to bring the remuneration of their directors in line with the other Crown Corporations.

Comment by the Office of the Auditor General on the Response of the Ministry

We are encouraged by the actions being taken to bring remuneration of directors into line with the current maximum compensation for directors of Crown Corporations as set out in government policy. We look forward to the legislation being changed, in accordance with the recommendation, so that the Lieutenant Governor in Council authorizes the remuneration for appointees.

Compliance With the *Financial Information Act* Regulation, and Directive

(Auditor General 1991 Annual Report, March 1991)

Recommendation of the Select Standing Committee on Public Accounts, June 1992 Report

Your Committee recommends that an amendment be made to the Financial Information Act *respecting the definition of "Corporation" as follows:*

"Corporation also means an organization or enterprise that is included in the reporting entity for purposes of the Government's summary financial statements."

Response of the Ministry of Finance and Corporate Relations

The Comptroller General supports the principle of the recommendation and will submit it as a legislative proposal. In the meantime, a temporary solution is being effected by adding to the schedules of the Act the organizations included in the government's summary reporting entity which meet the current definition of a corporation.

Comment by the Office of the Auditor General on the Response of the Ministry

We are encouraged by the actions being taken.

Appendices

Appendix A

Compliance–with–Authorities Audits Completed 1990 to Date

1995/96: Report 3

Home Support Services

Environmental Tire Levy

Safeguarding Moveable Physical Assets: Public Sector Survey

Consumer Protection Act— Income Tax Refund Discounts

Financial Administration Act, Part 4: Follow–up

1994/95: Report 5

Elevating Devices Safety Act

Travel Agents Act

Financial Administration Act: Guarantees and Indemnities

Land Tax Deferment Act

1993/94: Report 4

Statutory Tabling Requirements

Safeguarding Moveable Physical Assets

Treatment of Unclaimed Money

1993 Annual Report

Compliance with the *Financial Disclosure Act*

Order–in–Council Appointments

Compliance with Part 3 of the *Financial Administration Act*

Compliance with the *Tobacco Tax Act*

Financial Information Act: Follow–up

Small Acts

1992 Annual Report

Compliance with Part IV of the *Financial Administration Act* and its Related Regulations

1991 Annual Report

Compliance with the *Financial Information Act*, Regulation, and Directive

Compliance with Part IV of the *Financial Administration Act* and its Related Regulations

Appendix B

Compliance Audit Objectives and Methodology

Audit work performed by the Office of the Auditor General falls into three categories:

- Financial auditing;
- Performance auditing; and
- Compliance–with–authorities auditing.

Each of these categories has certain purposes and objectives that are expected to be achieved, and each employs a particular form of audit practice to meet those objectives. The following is a brief outline of the objectives and methodology applied by the Office for compliance–with–authorities auditing.

Authorities

Under our Canadian system of government, laws approved by parliament and provincial legislative assemblies are of paramount importance to our society.

Acts passed by the Legislative Assembly of British Columbia, including the Supply Acts, the *Financial Administration Act*, the *Financial Information Act*, and many others, provide the government and government organizations with direction on managing resources entrusted to them by the public, and on being accountable to the Legislative Assembly for the execution of these responsibilities. These Acts, or statutes, provide the legal basis for funding, delivering and administering the Province's social, economic, environmental and other programs.

Accordingly, it is important that the government ensures compliance with these statutes and related authorities. It is also important that this compliance be independently reviewed to ascertain whether public sector activities are carried out *intra vires* (within the scope of their authority). This is where compliance–with–authorities auditing plays an important role.

Compliance–with–Authorities Auditing

Purpose of Compliance–with–Authorities Audits

The purpose of compliance–with–authorities audits is to provide an independent assessment as to whether or not legislative and related authorities are being complied with, in all significant respects.

In addition to separate compliance–with–authorities audits, the Office of the Auditor General also performs financial audits and performance audits. While auditing for compliance with legislative and related authorities is the primary objective of compliance–with–authorities audits, auditing for compliance with authorities may also be included as part of financial audits or performance audits where there are authorities that are relevant to the objectives of those audits.

Nature of Legislative and Related Authorities

Legislative and related authorities include legislation, regulations, orders in council, ministerial orders, directives, by–laws, policies, guidelines, rules and other instruments, including codes of ethics or conduct. Through these authorities, powers are established and delegated.

Legislation may delegate broad powers to governments, ministers and officials who, in turn, may establish other related authorities, such as policies, to provide more detailed requirements that must be complied with by the organizations concerned. Such authorities are subordinate to enabling legislation and must not contradict or go beyond the directions and limitations set out in that legislation.

These authorities represent a basis for legislative control over the source and use of public resources, the operation and administration of programs, and the manner in which organizations are held accountable for choices made in the exercise of their functions. The structure thus has pervasive effect on the activities of governments and other publicly accountable organizations. Authorities also form the basis for communication between elected officials and the bureaucracy.

Audit Standards

Auditors are expected to comply with established professional standards, referred to as generally accepted auditing standards. Our compliance–with–authorities audits are conducted in accordance with generally accepted auditing standards established by the Canadian Institute of Chartered Accountants (CICA). These consist of the general and examination standards in the CICA Handbook, and the reporting standards issued by the Public Sector Accounting and Auditing Board of the CICA.

Audit Selection

We generally select specific sections in an Act, or in several Acts, having common objectives. In most instances, we do not audit all aspects of an Act in the course of one audit.

The primary legislative instrument which provides for administration of the financial affairs of the Province is the *Financial Administration Act*. Therefore, compliance with this Act is of regular and ongoing significance to our Office. Other legislation and related authorities are considered for audit purposes on a more cyclical basis, depending on such factors as: the extent of impact on government, non–profit or private organizations and the public; the significance of financial accountability reporting requirements; the degree of interest by legislators and the public; and the likelihood and impact of non–compliance with legislated requirements.

Audit Process

The audit process adheres to the professional standards mentioned above. Of particular note is that compliance–with–authorities audits differ from other audits in their degree of dependence on the identification of relevant

authorities and the interpretation of the meaning of the specific authorities being audited.

In order to identify the relevant authorities, the auditor must obtain an in–depth understanding as to how the authorities are themselves approved and how relevant authorities can be identified. The audit process includes determining that related authorities are within the limits prescribed by legislation, and that there are no obvious inconsistencies, contradictions or omissions in the authorities.

In addition, whether or not an authority is being complied with will often depend on its clarity, and the consistency in which its meaning is interpreted. Because of the importance of such interpretations, we seek professional legal advice where necessary.

In an examination designed to report on compliance with authorities, we seek reasonable assurance that the authorities specified in the audit report have been complied with, in all significant respects. Absolute assurance in auditing is not attainable because of such factors as the need for judgment, the use of testing, and the inherent limitations caused by differing interpretations in the meaning of authorities.

Reporting the Results of Audits

Our public report on each audit is in two parts: a formal audit report, showing the scope of the audit and our overall opinion on compliance, and a more detailed, explanatory report.

The formal report includes the auditor's professional opinion on whether or not the authorities that are the subject of the audit have been complied with, in all significant respects.

Our main considerations in assessing significance of non–compliance include monetary value, the nature of the authority or finding, the context within which compliance is to occur, and public interest.

In addition to the formal audit report, we provide a more detailed report that includes an explanation of what is required by the legislative and related authorities, the scope of our audit work, our overall observations, our detailed audit findings, and any other related observations.

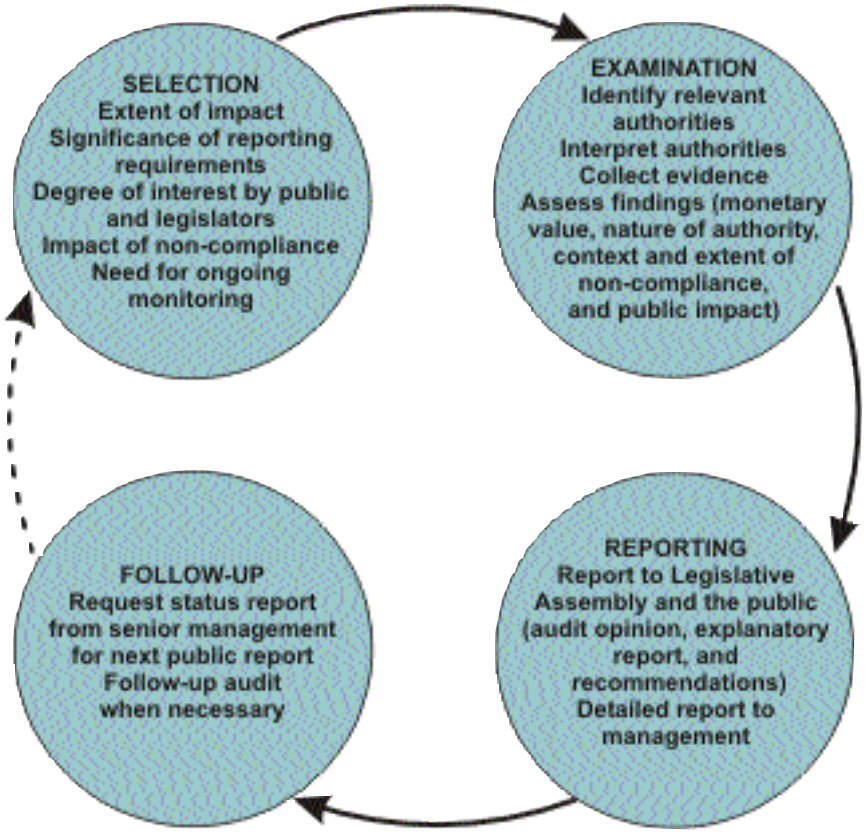
When considered appropriate, we also make recommendations. The recommendations fall generally into three categories: to improve compliance with the legislative and related authorities; to improve operational effectiveness of the entity responsible for ensuring compliance; and, on occasion, to provide useful suggestions for improvements to existing authorities where they may have become administratively impractical or out of date.

There may be minor instances of non–compliance that either may not be detected by the audit or may not be worthy of inclusion in the report. We exercise professional judgement when assessing the significance of any non–compliance. For example, the needs of users of the report, the nature of the relevant authorities, and the extent of non–compliance must, among

Exhibit 7.1

Compliance–with–Authorities Audit Stages

An outline of the activities performed at each stage



other things, be considered. As well, the significance of any non–compliance often cannot be measured in monetary terms alone.

We sometimes also issue a detailed management report of our findings to the ministry responsible for the legislation or the organizations affected by it. The relevant ministries or organizations are thus given an opportunity to respond to our findings, and we take this into account in the preparation of our public report.

When our public report on compliance–with–authorities audits completed in the past year is published, it is reviewed by the Select Standing Committee on Public Accounts of the Legislative Assembly of British Columbia. Recommendations made by the Committee in relation to our reports are followed up annually by our Office with the ministries responsible to obtain from them a status report on their progress in implementing the Committee's recommendations. These status reports are included in our next public report on compliance–with–authorities audits.

Appendix C

1995/96 Public Reports Issued by the Office to Date

Report 1

Report on the 1994/95 Public Accounts

Report 2

British Columbia Ferry Corporation

Report 3

Compliance–with–Authorities Audits