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OFFICE OF THE
Auditor General
of British Columbia

**1998/99 Annual Report
of the Auditor General
of British Columbia**

*Auditing in the
Public Interest*

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OFFICE OF THE
Auditor General
of British Columbia

The Honourable Joy K. MacPhail
Minister of Finance and Corporate Relations
Province of British Columbia

Madam:

I have the honour to transmit herewith my 1998/99 Annual Report to the Legislative Assembly, to be laid before the Assembly in accordance with the provisions of section 10 of the Auditor General Act.

George L. Morfitt, FCA
Auditor General

Victoria, British Columbia
June 1999

copy: Mr. E. George MacMinn, Q.C.
Clerk of the Legislative Assembly

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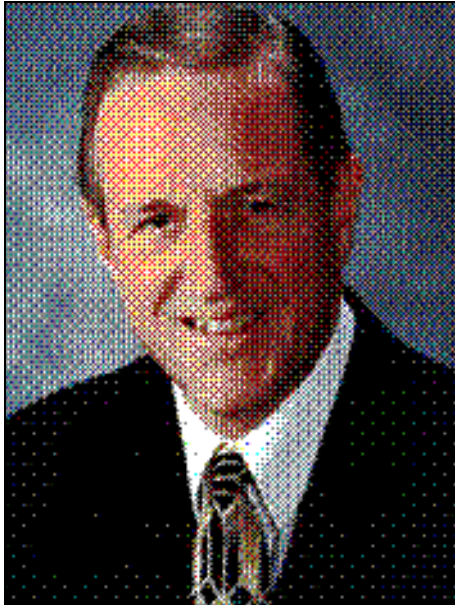
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auditing in the public interest

The Office of the Auditor General . . .
making a difference for the people
of British Columbia by contributing
to accountable and well-performing
government.

comments from the auditor general



For democratic governments everywhere, those who govern must have the trust, confidence and support of the people. An open and accountable government—one that provides fair and credible information about its operations to citizens—is a cornerstone of democracy.

As the Auditor General for British Columbia, my role is to add credibility to the accountability information government provides. Where such information is not provided, I assess government's performance directly and report my assessments to the Legislative Assembly and the public. In so doing, I play a part in enhancing the accountability relationship between government and the Legislative Assembly. I believe a strong audit function

helps strengthen the public sector accountability chain and, in turn, helps strengthen public confidence in the institutions of government.

Fulfilling my audit mandate is a complicated task, and one that grows in size each year. Rapid technological developments, more comprehensive accounting and reporting standards, changes in bureaucratic structures and procedures, and increasing legislative requirements are but some of the issues confronting my Office. Nonetheless, my staff have met these challenges head on and I congratulate them for their professionalism and dedication throughout the year.

It is my duty to report to the Legislative Assembly each year on the operations of my Office. I welcome the opportunity this presents for me to explain my role, elaborate on recent trends, and report on what I have achieved. I believe that, as a result of my work, the Legislative Assembly and public are better able to judge whether the accountability information government provides is reliable and whether government performance meets expectations. They also benefit from the improvements that are made as a result of my recommendations.

George L. Morfitt
Auditor General

Frank Barr
Assistant Auditor General
Financial Audit

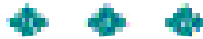
Peter Gregory
Assistant Auditor General
Performance Audit

Gordon Dawson
Assistant Auditor General
Compliance Audit

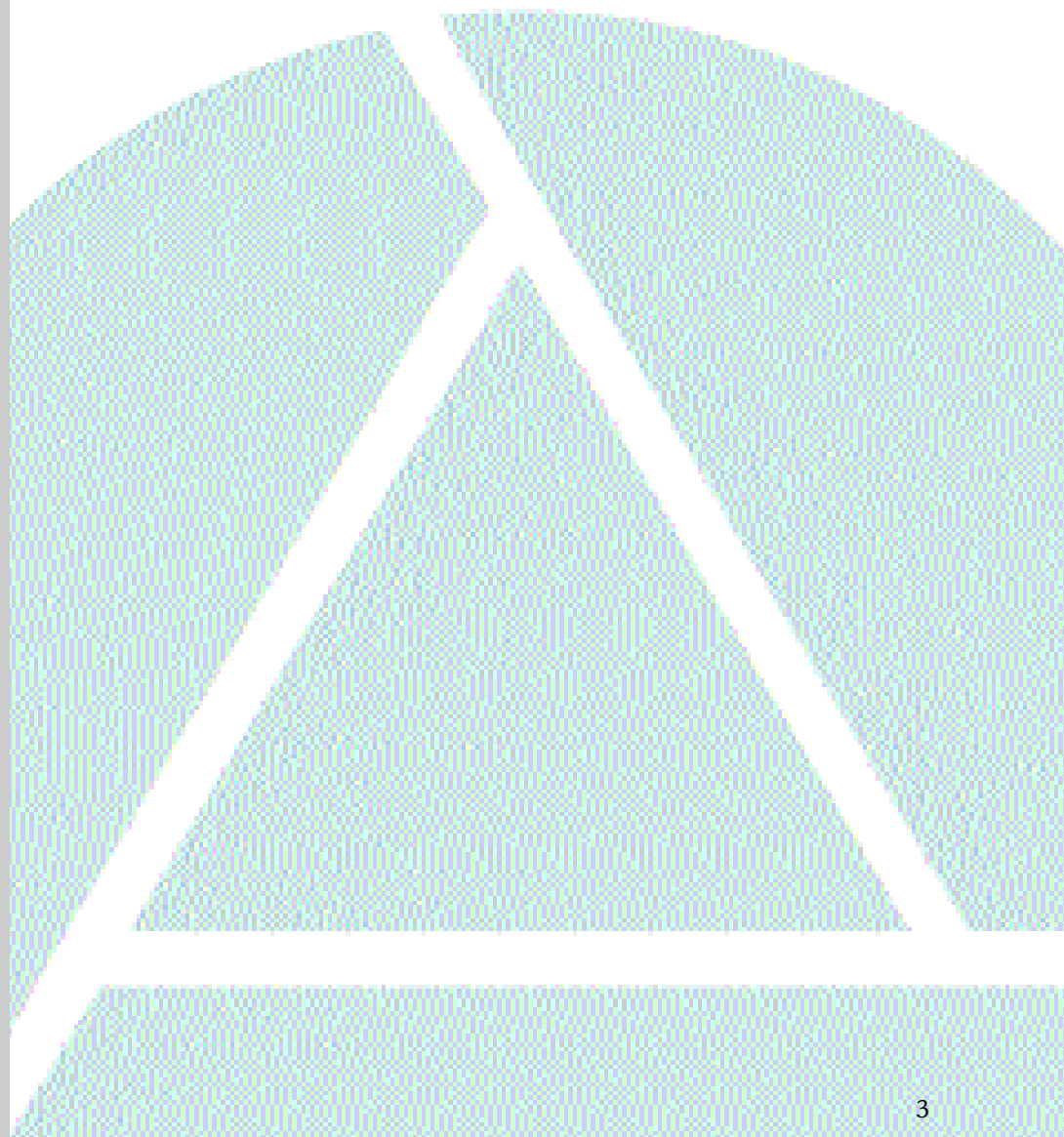
Looking back over this past year, I am confident that the Assembly and the public will again benefit from the many contributions my Office has made to the achievement of an open and accountable government.

*George L. Morfitt, FCA
Auditor General*

*Victoria, British Columbia
June 1999*



1998/99 – an overview



1998/99—an overview

Assurance and Advisory Work for the Legislative Assembly

As we do each year, in 1998/99 we audited the financial statements of government and various of its organizations. Again this year, the Auditor General found it necessary to include reservations in his auditor's report to the Legislative Assembly on the financial statements of the province.

We continued to work with government organizations to bring about improved accountability to the Legislative Assembly. This past year, we also reported to the Assembly on a range of subjects, including the government's collection of overdue accounts receivable, the cost of drug therapies, the protection of drinking-water sources, and the Estimates process in British Columbia.

Assistance to the Legislative Assembly

As has been our practice, we devoted considerable effort to supporting the Assembly's Select Standing Committee on Public Accounts as it considered the assessments and recommendations contained in our reports. We provided the committee with a formal presentation on each report under consideration as well as supplementary information and advice during the course of its deliberations. In addition, a staff member accompanied members of the committee when they travelled to the USA to gather information about earthquake preparedness programs.

Our Office also gave advice to the Assembly concerning the operating principles governing statutory officers. The Auditor General is one of seven statutory officers serving the Legislative Assembly. While each operates according to similar principles related to such matters as accountability, independence, confidentiality and reporting, such principles are inconsistently applied. Recommendations to address this were provided in the report "Fundamental Operating Principles and Related Legislation."

Assistance in Developing Public Sector Accounting and Auditing

We continued our close association with the Public Sector Accounting Board and the Assurance Standards Board of the Canadian Institute of Chartered Accountants. By working with these boards, we were able to comment on proposed accounting, reporting and auditing standards as they were being developed. We also worked closely with the CCAF-FCVI Inc., a Canadian auditing research and education foundation, and with other legislative audit offices across Canada in the development of accountability reporting principles. Ultimately these principles could serve as the basis for performance reporting and auditing in the public sector.

Management of the Office

Securing adequate resources to carry out our audit work effectively was a priority this past year. Ongoing discussions were held with Treasury Board to urge that our request, as presented to the Legislative Assembly by the Minister of Finance and Corporate Relations, reflect our needs. The Office also continued to refine its planning process, and reassessed the general directions set out in our Corporate Plan. We invested time and resources in our information management, systems and technology, ensuring that staff have the tools they need. (Further information about our financial and operating performance is provided at Exhibit 1. Audited financial statements for the Office are included at Appendix A.)

Exhibit 1

Our Financial and Operating Performance

	1998/99	1997/98	1996/97
Appropriation authorized by the Legislative Assembly (reflects mid-year reductions)	\$6,726,000	\$6,841,000	\$7,171,000
Authorized Full-Time Equivalents (FTEs)	95	95	95
Actual FTEs*	86	88	89
FTE equivalent of unpaid overtime hours	5.5	6.9	6.3
Employee cost (% of total operating expenditure)	77%	76%	77%
Staff turnover	16%	7%	12%
*Although authorized to 95 FTEs, the actual number used was less than this due to funding constraints.			

Publications About Our Office

Learn more about our Office. Check out our Internet Homepage at <http://www.oag.bc.ca/> or ask for these publications:

Corporate Plan, 1999–2002

Auditing for Better Public Sector Accountability and Performance

Our Commitment to Service

A Guide to the Appointment of Auditors of Government Organizations

Auditing for Better Public Sector Accountability and Performance:

A Description of Our Financial Auditing Work

Auditing for Better Public Sector Accountability and Performance:

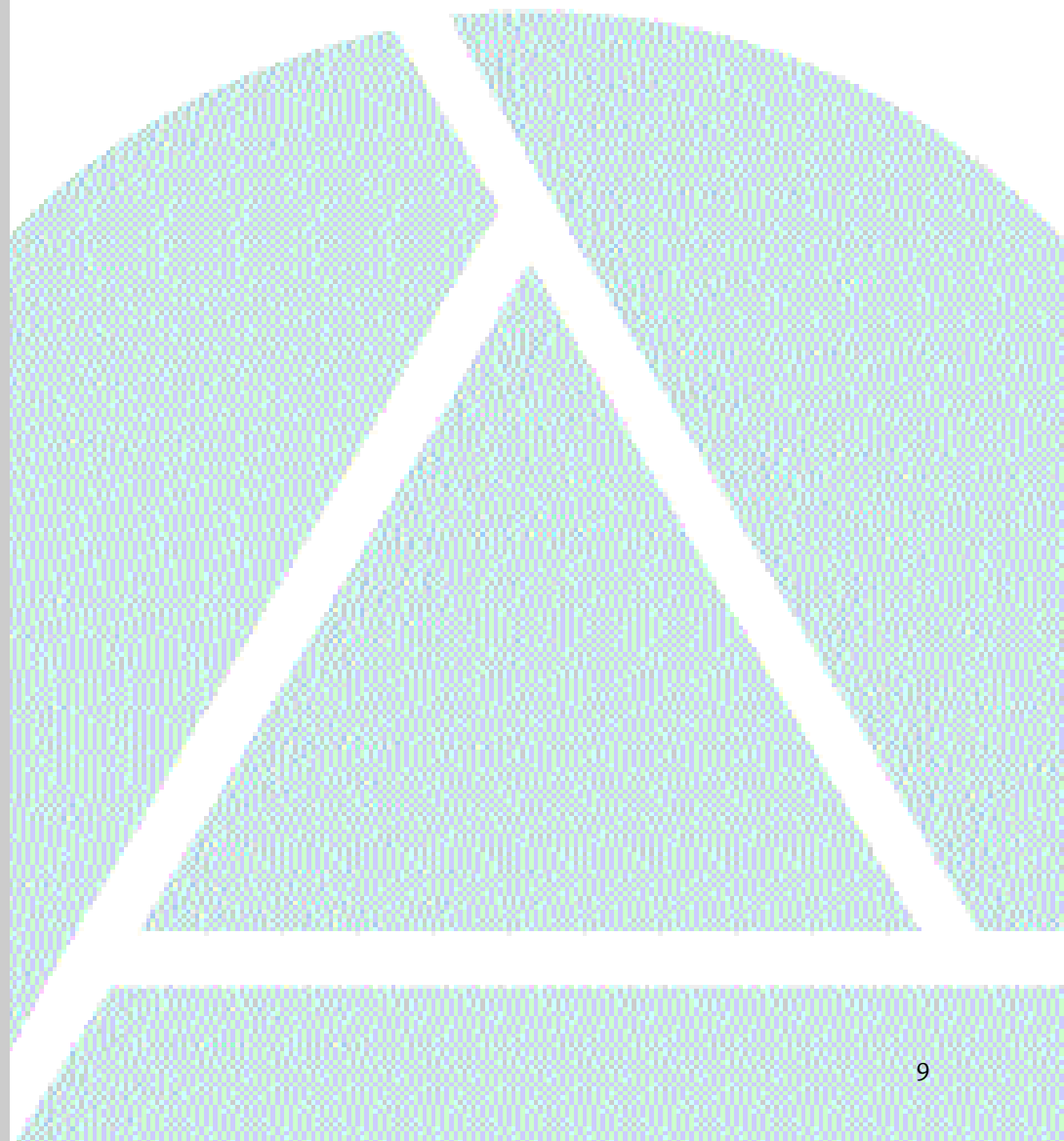
A Description of Our Performance Auditing Work

Auditing for Better Public Sector Accountability and Performance:

A Description of Our Compliance Auditing Work



our corporate profile



our corporate plan

Our Mission

The mission of the Office is to serve the Legislative Assembly and the people of British Columbia by providing independent assessments and advice that enhance government accountability and performance.

Legislative Authority

The Auditor General of British Columbia functions within the legal framework established by the Auditor General Act. The Act sets out the authority, power and duties of the Auditor General.

Those Who Benefit from Our Work

Many people benefit from the work we do, including those who rely on our work, such as legislators and the public, those whose work we audit, such as government managers, and those with whom we share public sector interests, such as the auditing profession and the academic community.

While we appreciate that our work is valued by many, it is directed primarily to the needs of the Legislative Assembly, to whom we report, and to the public.

What We Do

We add value to accountability information that government publishes about its performance by commenting on the completeness and accuracy of that information. As a result of our work, the Legislative Assembly and the public know whether the information is credible and should be acted upon.

In the absence of accountability information, we assess government's performance directly and report our findings to the Legislative Assembly and the public. We also provide advice and recommendations that can assist government to better serve the citizens of British Columbia.

In conducting our work, we:

- ✓ Audit the financial statements of the province and of other entities to determine whether they accounted for the public's financial affairs properly.
- ✓ Assess whether government has made economic, efficient and effective use of public resources.
- ✓ Determine whether government has complied with legislation and related authorities governing its activities.
- ✓ Assess whether government has established and met standards for the proper conduct of public business.
- ✓ Provide managers with advisory services that will help them improve the way they manage, measure and report on their programs and services.

Serving the Legislative Assembly

Audit work can be carried out by various professional organizations or government agencies, but to be credible it must be carried out by a person who is, and is seen to be, independent of those providing the accounting. In British Columbia, the provincial government is responsible for providing an accounting to the Legislative Assembly for the management of public resources. The Auditor General of British Columbia is the Assembly's independent auditor.

This means that:

- The Auditor General works solely for the Legislative Assembly, not for government.
- Much of the work of the Auditor General, such as the auditing of financial statements, is statutorily required by the Assembly.
- Other audits of government and its organizations are conducted at the discretion of the Auditor General. They are not decided upon by government.
- The Auditor General has access to the accounts and records of government that he or she believes are necessary in the performance of his or her duties.
- The Auditor General is the only auditor with an official reporting relationship to the Legislative Assembly.
- Audit reports of the Auditor General are available to the public, and can therefore be used by any Member of the Legislative Assembly, government officials or citizens.

Office Recognized for Its Contribution

The Provincial Employees Community Services Fund administers and coordinates an annual campaign for charitable donations. It is supported, in part, by the generosity of public servants in the various special offices and ministries of the provincial government. The campaign for 1998 raised just over \$903,000 and had a 51% participation rate overall.

At the Annual Recognition Event, our Office was recognized for having the highest percentage of employee participation (100%) in its category (organizations of 51–150 employees). The award, a print of an Emily Carr painting, is proudly displayed in our Office reception area.

Special mention was also made of our Finance and Administration Manager, Mr. Mike Maglio. Mr. Maglio was presented with a special plaque and a gift to commemorate his 20 years as the Office representative to the Provincial Employees Community Services Fund.

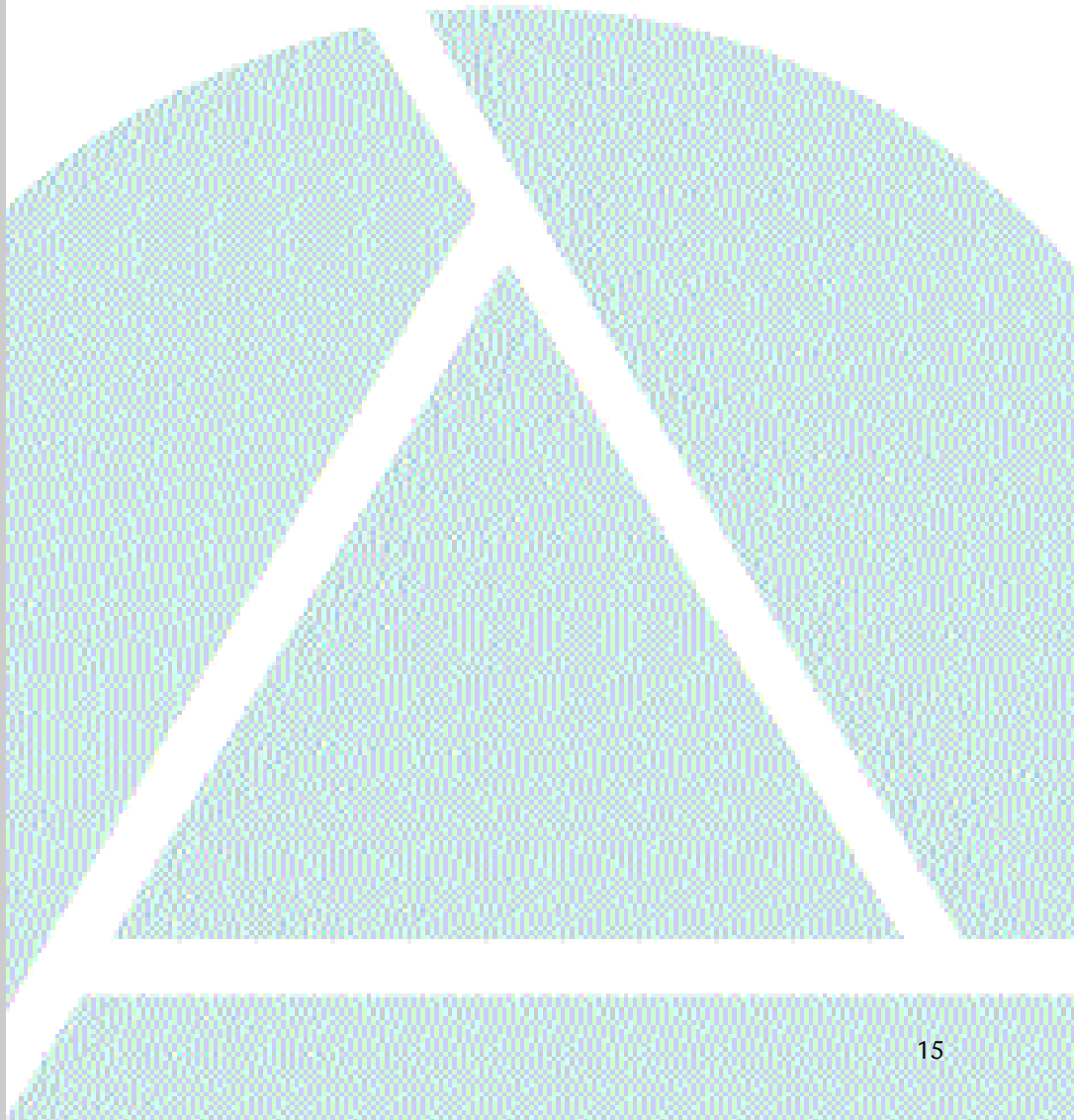


Courtesy: Provincial Employees Community Services Fund

Joyce Chartier (OAG), Philip Halkett (Honorary Chair of the Provincial Employees Community Services Fund), Mike Maglio (OAG) and Peter Gregory (OAG)



accountability of the office



accountability of the office

The Legislative Assembly has granted to the Auditor General certain powers and authority, as well as the resources to do its work. In accepting this, the Auditor General also accepts the obligation to account for what has been done.

We believe we should provide the Legislative Assembly, and the public it serves, with information about:

- the challenges and conditions under which we operate;
- how we carry out our work;
- how well we have performed; and
- what we intend to do in the future.

Challenges and Conditions

We think it is important to understand our performance in light of the challenges facing us and the conditions under which we operate. Among the challenges, for example, is the need to provide the Legislative Assembly with reasonable audit coverage, given the size and scope of government's activities. This coverage is provided, in part, through the use of private sector auditors. Certain other conditions, however, limit our ability to provide the service we want and that legislators expect: namely, limited resources and outdated legislation. We elaborate on these issues below.

Audit Coverage. Providing sufficient audit coverage of government operations has always been a challenge for the Office. The audit mandate of the Auditor General encompasses organizations as diverse as provincial ministries and government-owned or controlled commercial undertakings. It includes a range of audit types, from financial statement audits to compliance and performance audits (also referred to as value-for-money audits). This alone is significant in terms of the work to be done, but two factors have added to the challenge: the increasing number of audits that should be conducted if the Assembly is to be provided with the information it needs; and the public and legislators' demands for more meaningful information about the operations of government.

The Number of Audits. Two factors account for the steady increase in the number of audits to be conducted. First, the number of government entities has increased significantly with the creation of new Crown corporations, investment

unit pools and trust funds. Second, the scope of our work expanded when it was determined that our Office should be more involved with health care organizations and with colleges and institutes. As a result of this growth, the number of entities to be audited rose by 30% in the 1993 to 1998 period.

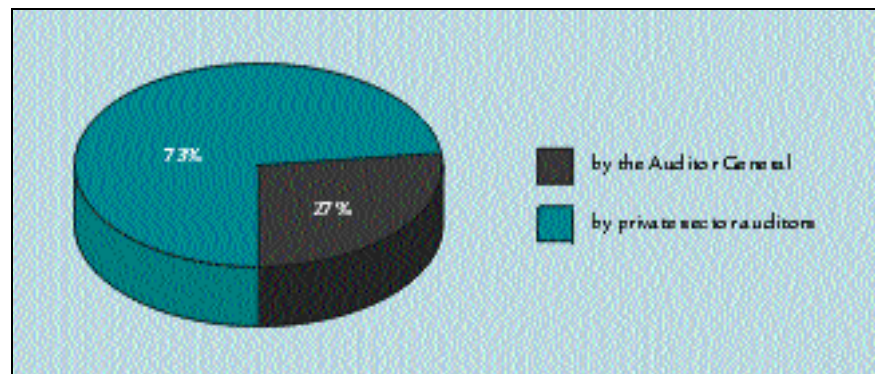
The Demand for Meaningful Information. Legislators and the public have expressed interest in knowing whether government programs are achieving the results they were intended to achieve, and whether they are doing so efficiently. This interest extends to the whole range of government’s activities—not just its financial performance, but its operational performance, its compliance with authorities, and its conduct of public business. Increasingly, the audit work we undertake also needs to be comprehensive, reporting on these broader aspects of government’s performance.

The Use of Private Sector Auditors. Over the last few years, the Office has developed an audit program that includes private sector auditors, while maintaining the Auditor General’s strong relationship with the Legislative Assembly. This arrangement is formalized in a Memorandum of Understanding with the Minister of Finance and Corporate Relations.

The Office undertakes and reports on financial audits of central government, but private sector auditors carry out the majority of financial audits in other government organizations (as illustrated in Exhibit 2). Private sector auditors are appointed in two ways: as agents, employed under contract by the Auditor General; or as auditors of organizations, reporting directly to those organizations, but whose appointment is

Exhibit 2

Division of Audit Responsibilities in Government Organizations in 1998/99



authorized by the Minister of Finance and Corporate Relations with the advice of the Auditor General.

To ensure that the needs of the Legislative Assembly are respected, the Auditor General has two key responsibilities: to oversee the audits conducted by private sector firms, and to keep sufficiently involved so as to be able to report on any matter that should be brought to the attention of the Assembly.

Audit Resources. As the size of government continues to grow and the expectations of audit continue to expand, the resources available for delivering essential audit services have not kept pace. (A three year comparison of our appropriations from the Legislative Assembly is provided at Exhibit 3.) Compounding this is the significant challenge we now face in recruiting qualified staff with an accounting designation. The diminishing number of students entering the various accounting programs is a factor, as is the large number of attractive job opportunities available in larger centres.

We have met the challenge of reduced audit resources through increased efficiencies and unpaid overtime. In addition to our 86 staff, for example, overtime hours accounted for the equivalent of another five employees (as shown in Exhibit 1).

For 1999/2000 the Legislative Assembly has again approved \$6,923,000 in funds. The shortage of funds, however, is an ongoing issue and one we will continue to raise with government and the Legislative Assembly.

Exhibit 3

Appropriation from the Legislative Assembly —A Three Year Comparison

	Approved by the Legislative Assembly	Reduced at the Request of Government	Remaining Appropriation Available
	\$	\$	\$
1998/99	6,923,000	197,000	6,726,000
1997/98	6,875,000	34,000	6,841,000
1996/97	7,392,000	221,000	7,171,000

In the last three years, the Legislative Assembly, on the recommendation of the Minister of Finance and Corporate Relations, reduced the Office's available funding by 6%. In that same period, the government also requested support for its deficit reduction program. The Office then gave up an average of 2% of its approved funding per year in making these further expenditure reductions.

The Auditor General Act. Legislation currently governing the Office needs review for two reasons. First, the Act does not provide for the many developments that have occurred in the public sector since it was passed in 1976. Twenty years ago, for example, there were no Summary Financial Statements; professional bodies such as the CICA Public Sector Accounting Board, which today provides guidance in financial accounting and reporting, did not exist; and the public's concern about the effectiveness of government's programs was not the issue it is today.

A second problem with our legislation is that it requires the Office to submit its funding requests to Treasury Board, rather than to the Legislative Assembly or one of its committees. This means that Treasury Board, a committee of the Cabinet, decides how much of our request the Minister of Finance and Corporate Relations will include in the annual Estimates and Budget presented to the Assembly. This represents a conflict of interest for government. In essence, the government determines the funding level for the very office which is statutorily required to audit and report on government's activities.

We have dealt with some of the shortcomings of the Act in a Memorandum of Understanding with the Minister of Finance and Corporate Relations. While workable, such an agreement can also be transient. Moreover, it does not address our fundamental concern—the need to enhance the independence of the Auditor General. That is why we will continue to seek replacement of our legislation with a modern Auditor General Act.

Carrying Out Our Work

In serving the Legislative Assembly and the public, we follow three lines of activity, corresponding to the strategic directions of our Corporate Plan. They are auditing government's accountability, auditing government's performance, and advocating for improved accountability. In carrying out this work, we strive to be an effective, well-performing organization.

Auditing Government's Accountability

We regularly audit the accountability information government and other public entities provide to the Legislative Assembly and the public to determine if it is fair and reliable. For the most part, the information we audit is financial in nature, usually taking the form of financial statements.

In British Columbia, all government organizations are required by statute to prepare annual financial statements and make them publicly available. Where the Auditor General is the appointed auditor, we audit, directly with our staff or through an agent, the financial statements prepared by management to see if they represent fairly the organization's financial position and results of operations.

Leaders in the Profession

Many of our staff are members of various professional bodies and are active on a number of boards, committees and task forces. We encourage such participation because of the opportunity they afford to influence developments in public sector accounting, auditing and accountability. Our involvement includes, for example:

Frank Barr, Assistant Auditor General responsible for Financial Auditing, was recently appointed the third Vice-President of the Institute of Chartered Accountants of British Columbia. Assuming re-election each year, Mr. Barr will become the Institute's President in 2001/2002. An active member of the Institute, Mr. Barr chairs the Institute's Practice Review and Licencing Committee, and is a member of the Institute's Executive, Regulatory Policy and Audit committees. In addition to his provincial Institute responsibilities, Mr. Barr is also active with the Canadian Institute of Chartered Accountants. He is a member of the Accounting Standards Board's advisory committee for not-for-profit organizations, and chairs the Employee Benefits Task Force for the Institute's Public Sector Accounting Board.

Peter Gregory, Assistant Auditor General responsible for Performance Auditing, is a member of the Canadian Institute of Chartered Accountants' Assurance Standards Board which sets auditing standards in Canada.

Gordon Dawson, Assistant Auditor General responsible for Compliance and Ethics Auditing, is a member of the Institute of Chartered Accountants of British Columbia. He is a member of the board of governors of the Vancouver chapter of the Institute of Internal Auditors. Mr. Dawson is also the western Canada representative for the Ethics Practitioners Association of Canada.

Errol Price, a Senior Principal in the Office, is Vice-President of the Victoria Regional Group of the Institute of Public Administration of Canada—a non-profit organization dedicated to promoting excellence in the public service. Mr. Price is also a member of the Institute's national board and national executive.



Courtesy: D.L. Sawin

Frank Barr, Peter Gregory, Gordon Dawson and Errol Price of the Office

Where the audit of government organizations is carried out by a private sector auditor appointed by the organization, the Auditor General is still sufficiently involved. His responsibility is to ensure that the audit is carried out in a way that meets the needs of legislators, and to report on any matter that should be brought to the attention of the Assembly.

Each year we report to the Legislative Assembly on our audit of the government's Summary Financial Statements and the financial statements of the Consolidated Revenue Fund. The results of our audits are contained in our Report on the 1997/98 Public Accounts.

In addition to the statutory financial statement audits, we also conduct audits, at government's request, on selected public financial reports (for example, the Debt Management Report) and on certain of government's major systems (for example, the investment system of the Office of the Chief Investment Officer).

Auditing of Government's Performance

Where government does not provide accountability information to the Assembly, we directly assess the performance of government and report our findings to the Legislative Assembly. With the exception of financial statements, government generally does not provide comprehensive accountability information about its operational performance, its compliance with legislation and related authorities (including its conduct of public business) or its financial performance. By directly assessing and reporting on these aspects of government's performance, the Auditor General helps narrow the gap between the information the Assembly needs and the information government provides. A key element in the reports we provide to the Assembly are the recommendations we make for improving the way government manages and delivers its programs and services.

It is not possible to audit the performance of every program in all of government on an annual basis. Consequently, audit subjects are carefully chosen so as to provide appropriate coverage of government functions over time. Because resources are constrained, our effort is concentrated on areas where considerable public funds are expended, such as social programs, or other areas of continuing significance to legislators and the public. Audits may also be selected if they reflect areas of high risk or are of immediate, topical interest to the Assembly and public.

Advocating for Improved Accountability

The Office has made it a priority to encourage improvements in the accountability of government to the Assembly. We have approached this in a number of ways: by filling the gap in public reporting standards with an accountability framework; by promoting the move to a results focus in the way government manages and reports on its performance; by offering advice on issues of governance within public sector organizations; by working with legislators, senior government officials and program managers to gain acceptance of improved accountability concepts and practices; and by working with the legislative auditing community across Canada and with professional bodies to develop reporting, accounting and auditing standards that better reflect developments in public sector accountability.

The Office also responds to requests from government managers for advisory services in the areas where we have expertise, such as management, governance and accountability practices. Two factors account for this: the specialized knowledge and expertise that staff have developed, and our reputation for objectivity and independence. We provide limited advisory services where appropriate, helping managers improve the way they manage, measure and report on their operations. The costs incurred in providing advisory services are fully recovered; none of the funds voted to us by the Legislative Assembly are used.

An Effective, Well-Performing Organization

Our ability to provide quality audits, assessments and advice is highly dependent on an effective, well-performing organization. For the last 11 years, the Office has been under the leadership of Mr. George L. Morfitt, Fellow of the Institute of Chartered Accountants of British Columbia. He is assisted in his role by three Assistant Auditors General and a staff of 82. Eighty-five percent of our staff are employed directly in audit and related work; the remainder provide technical assistance and staff support.

Visitors to the Office

The Office is fortunate to host a number of visitors each year from different parts of the world. We welcome such visits because of the opportunity they give us to learn from others while exchanging experiences. Among the visitors we received was a delegation from the Audit Commission in Hong Kong, the Commissioner on Audit from the Republic of the Philippines, and six members of the CCAF-FCVI Inc.'s International Fellowship Program. The latter came from such places as Bangladesh, Costa Rica, Indonesia, Senegal, Tanzania, and Zimbabwe.

In managing the Office, we focus our effort on four key areas: providing staff with management direction and expectations for accountability; offering progressive human resource management; managing our finances and administration prudently; and ensuring that staff have the information they need through effective information systems and management.

Assessing Our Performance

There are different ways to assess how well we serve the Assembly and public, but key among them are the individual audits and reports we produce. These are provided throughout the year and are reviewed in depth by the Select Standing Committee on Public Accounts. Exhibit 4 lists our reports for the last two years and their status with the committee.

Reporting by the Public Accounts Committee

The Select Standing Committee on Public Accounts is the vehicle by which the Assembly deliberates on our work. Over the years, the committee has considered a wide range of audit subjects. In its report to the Assembly, it has generally endorsed the recommendations we have made. We value the feedback and the confidence the committee has shown in our work.

Of our audit reports referred to the Public Accounts Committee in the last few years, there are only two reports it has not considered:

- “A Review of Government Revenue and Expenditure Programs Relating to Alcohol, Tobacco and Gaming” (March 1997); and
- “Members’ Office Mail: Liberal Caucus January 1997 Province-wide Mailing” (July 1997).

Allocating Our Resources

The resources available to us for auditing the operational, compliance (including conduct of public business) and financial performance of government is limited. The Office has responded to its fiscal pressures in a number of ways: by constantly reviewing audit approaches, streamlining procedures, carefully selecting areas for concentrated audit attention, contracting certain financial statement audits to the private sector, and relying on unpaid staff overtime. Still, statutory financial statement work imposes a significant requirement on our resource allocation. As a result, over the last three years,

Exhibit 4

Public Accounts Committee Review of the Office of the Auditor General's Reports

<ul style="list-style-type: none"> ✓ Review Completed Reports reviewed by the Select Standing Committee on Public Accounts (PAC) as of March 31, 1999 ▲ Reports Under Consideration Reports pending review by the PAC as of March 31, 1999. 	
1998/99	1997/98
<ul style="list-style-type: none"> ✓ Follow-up of 1996 Performance Audits/Studies ✓ Managing the Cost of Drug Therapies and Fostering Appropriate Drug Use ✓ Overview of the Provincial Government's Collection of Overdue Accounts Receivable ✓ Report on the 1997/98 Public Accounts, Province of British Columbia ✓ 1997/98 Annual Report of the Office of the Auditor General of British Columbia ▲ A Review of the Estimates Process in British Columbia ▲ Protecting Drinking-Water Sources 	<ul style="list-style-type: none"> ✓ A Review of Governance and Accountability in the Regionalization of Health Services ✓ BC Transit: Its Success as a Market-focused Organization ✓ BC Transit: Managing Operator Productivity ✓ Earthquake Preparedness and Summary Reports ✓ Ethics Codes in the Public Sector ✓ Executive Severance Practices: Government Ministries and Crown Corporations ✓ Follow-up of Performance Audits Issued November 1993 to December 1995 ✓ Enhancing Accountability for Performance in the British Columbia Public Sector—A Progress Report to the Legislative Assembly, a joint report with the Deputy Ministers' Council ✓ Loss Reporting in Government ✓ Management of Travel, Ministry of Finance and Corporate Relations ✓ Motor Dealer Act ✓ Privacy—Collection of Personal Information by the Ministry of Health ✓ Report on the 1996/97 Public Accounts, Province of British Columbia ✓ Report on the 1995/96 Public Accounts, Province of British Columbia ✓ Status of PAC Recommendations Relating to Prior Years' Compliance Audits ✓ Waste Management Permit Fees

- an average of only four audits of government's financial performance were carried out each year;
- an average of only six audits of government's operational performance were conducted each year;
- on average, only two or three compliance audits were carried out each year; and
- less than 1/3 of staff resources have been devoted to these types of audits.

This is unfortunate for two reasons. First, the Legislative Assembly is not receiving adequate information about matters for which it has responsibility and in which it has an interest. Second, reports arising from these audits often provide recommendations that can improve the way government manages and reports on its operations.

Assessing Performance by Strategic Direction

We think the Assembly and public are also interested in knowing what we accomplished for each strategic direction or line of activity. Information about coverage, acceptance, impact, timeliness and cost is provided below.

Auditing Government's Accountability

Coverage. In 1998/99, the Legislative Assembly received the Auditor General's audit opinion on a variety of financial statements. In that fiscal year, he:

- expressed his audit opinion on the Summary Financial Statements of the Province and on the Consolidated Revenue Fund Financial Statements;
- stated his audit opinion on the Provincial Debt Report statement;
- gave his audit opinion on the Chief Investment Officer's assertion of controls over government's investment system; and
- carried out 77 financial statement audits of government organizations.

Number of audits. Although many audits have been assigned to private sector firms under the terms of our Memorandum of Understanding, the number of audits carried out by the Office has also increased. In 1998/99:

- 286 financial audits were carried out in the public sector;
- 27% of these audits were undertaken by the Office;
- 73% of the audits were conducted by private sector auditors; and

The Impact of Our Financial Statement Audits

In 1998/99, 286 financial audits in the British Columbia provincial public sector were carried out by the Auditor General and private sector auditors. The combined assets and expenses (including financing transactions) of these entities amounted to \$128.9 billion and \$67.3 billion respectively.

Financial statement audits are performed at organizations as diverse as government and its agencies, boards and commissions; Crown corporations; and educational and health organizations. These audits provide the Assembly with assurance as to whether the financial statements are credible and accurately reflect the financial results of the activities of government. This in turn assists the Assembly in its responsibilities to oversee the activities of government and hold government to account for its handling of public money.

- a 45% increase occurred over the last five years in the number of financial statement audits carried out by the Office.

Acceptance of our work. The Public Accounts of the Province is one of the most important financial accountability documents prepared by government. In issuing our Report on the Public Accounts, we provide the Assembly and public with information as to the fairness and reliability of the accounts. According to a survey conducted in late 1997,

- MLAs and senior government officials confirmed that the assurance we provide is seen to be fair and believable.

Timeliness. Our objective is to ensure that the Legislative Assembly receives our Report on the Public Accounts within one month of the government's release of its public accounts. In 1998/99,

- our Report on the 1997/98 Public Accounts was released within seven weeks of the government's release of its public accounts.

Cost: Just over half of our total financial resources, including overhead, were expended auditing government's accountability information, and 30% of this was funded through billings for audit work conducted under our Memorandum of Understanding.

Auditing Government's Performance

Coverage. Each year, we provide the Assembly with direct assessments with respect to the performance of government, including recommendations for improving government accountability and management practices. We aim to audit three key areas: government's operational performance, its compliance with legislation and related authorities (including its conduct of public business), and its financial performance. In most cases, audits begun in one year are reported on in the following year. In 1998/99, we:

Upcoming Audit Reports

BC Ferry Corporation: Governance and Risk Management of the Fast Ferry Program

Financial Administration of Vote 1

Forest Renewal BC: Planning and Accountability

Forest Renewal BC: Silviculture Programs

Maintaining Human Capital in the BC Public Service: The Role of Training and Development

Pulp and Paper Mill Effluent Permit Monitoring

Report on Government Financial Accountability for the 1997/1998 Fiscal Year, Part II including:

- Provincial Debt: Comments on Its Reporting
- New Corporate Accounting System: Update
- Government Financial and Other Information Systems, and the Year 2000 Deadline
- Corporate Human Resource Information and Payroll System

Social Housing: Governance of BC Housing Management Commission and the Provincial Rental Housing Corporation

Social Housing: Managing Rental Housing Subsidies

Standards of Conduct in the Health and Education Sectors

Wood-lot Licence Program, Ministry of Forests

1999 Follow-up of 1997 Performance Audits/Reviews

1999 Status of Public Accounts Committee Recommendations Relating to Prior Years' Compliance Audits

- undertook audits in the three key areas of government's performance;
- reported on our audits of government's operational performance; and
- completed, but have not yet reported on, our audits of government's compliance and financial performance.

Another of our objectives is to provide the Assembly with broad coverage over time of all significant aspects of government's performance. Exhibit 5 illustrates the percentage of our audit reports covering eight functional areas of government during the period 1993/94 to 1998/99.

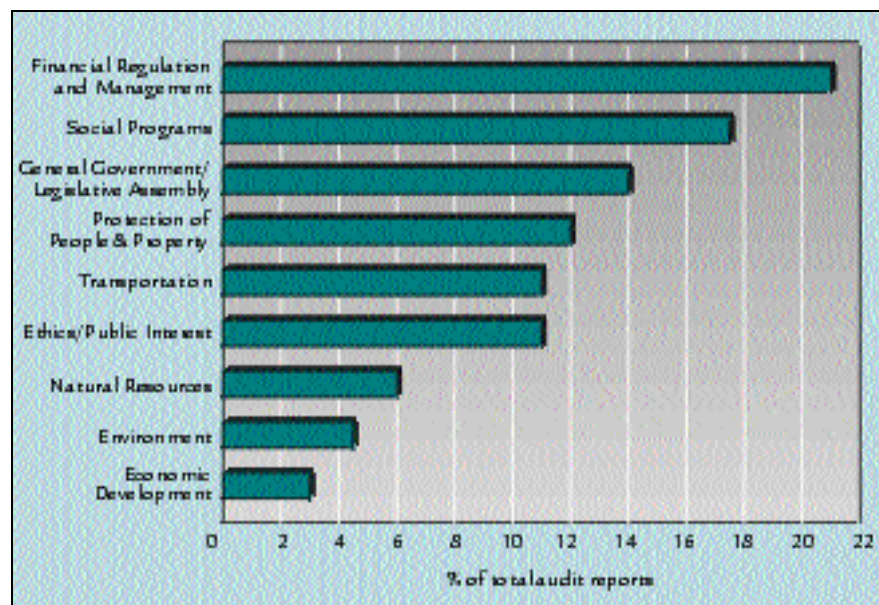
For the 1993/94 to 1998/99 period,

- audits have been conducted in each functional area of government; and
- our coverage of the functions of government represents an appropriate use of our audit resources (based on significance and risk).

From a resource and practical perspective, it is not possible to audit all the programs of government each year. Still, based on the needs of legislators and the experience elsewhere, we

Exhibit 5

Audit Reports (as a Percentage of Total Audit Reports) by Function of Government, 1993/94 to 1998/99



believe that all significant aspects of government's performance should be audited and reported on every five or six years. Given our resources, however, our audit coverage is now significantly below this. Consequently, the Legislative Assembly is not receiving information that adequately covers the matters for which legislators have responsibility and in which they have an interest.

Acceptance of our work. We assess the impact of our work in two ways: by determining, through surveys or interviews with legislators and government managers, the degree to which our work is accepted; and by determining, through our follow-up work and through other sources, the extent to which our recommendations are acted upon. To date we have found that:

- MLAs and senior government officials are supportive of our work;
- four out of five recommendations are acted upon; and
- our recommendations are quoted or are incorporated in the work of others.

Cost: Close to 45% of our total financial resources, including overhead, went toward our direct assessments and reports about government's performance.

The Impact of Our Direct Reporting Audits

It is often difficult to discern the impact of our work. It may take some time before our recommendations are fully implemented and their results realized. It is particularly satisfying—and most rewarding—then, when our work is accepted and our recommendations are quickly acted upon, as occurred recently with the following audits:

"A Review of the Estimates Process in British Columbia, February 1999." With the release of our report, the government took immediate action on our recommendations. Its first steps included:

- the appointment of an advisory panel, independent of government, that will consider parliamentary reform as it relates to the Estimates;
- the enacting of legislation to establish an economic forecasting council; and
- putting out a request for models that reinforce the professional independence of staff charged with preparing forecasts.

"BC Transit: Managing Operator Productivity, June 1997." In the two years since this audit was conducted, Transit management and the union have taken concrete steps to address the issue of absenteeism among bus drivers. As reported in the Vancouver Sun, June 2, 1999:

"The number of sick days for the average bus driver at Coast Mountain BusLink (formerly BC Transit) declined to 18.6 days in 1998 from 23.2 days in 1996, a reduction that has saved taxpayers about \$1.4 million. . . . In addition, a change in holiday scheduling to minimize overtime and the use of fill-in drivers is saving the public transit system \$4.4 million annually."

TransLink chairman George Puil is encouraged by the downward trend, and commented, "I think this is excellent. It shows you that the Auditor General's report had some impact."

"Earthquake Preparedness, November 1997." This report attracted considerable attention from the media and public, coming as it did within a year of the severe snowstorms that struck the province in 1996. The Public Accounts Committee, as well, took a particular interest in the audit, holding public meetings in Vancouver and Victoria to hear the views and concerns of British Columbians; meeting with members of the emergency planning community in California to learn from their experience; and preparing a report to the Assembly of its recommendations concerning earthquake preparedness in the province.

Further to our audit report, the Auditor General has made a number of speeches at emergency preparedness conferences over the past year. Other members of the Office have appeared as presenters and panelists at similar events. As moving to an adequate state of earthquake preparedness will take some years to achieve, the Office looks forward to a continuing involvement in reviewing government's progress toward this goal.

Advocating for Improved Accountability

Coverage. There are two aspects to this: our work with government organizations in promoting improved accountability and performance; and our work with professional bodies in developing reporting, accounting and auditing standards and practices.

This past year, we continued work on the accountability for performance initiative, first undertaken in 1995 with the Deputy Ministers' Council. In June, for example, the Auditor General met with the Public Accounts Committee to discuss

the report “Enhancing Accountability for Performance in the BC Public Sector: A Progress Report to the Legislative Assembly.” Arising out of that meeting, the Office was asked to provide specific information about accountability-related legislation in Canada and elsewhere. This we did in a report entitled “Legislating Government Accountability Requirements, July 1998.” In response to a subsequent request, we also provided the committee with an update on the state of accountability reporting by government.

We continued to receive requests for advisory services from government organizations. Where our advice would help improve management, governance and accountability practices, we accepted these engagements.

Work continued, as well, with the CCAF-FCVI Inc.’s Public Performance Reporting program. The CCAF-FCVI Inc., a national, non-profit research and education foundation, is dedicated to building knowledge to achieve meaningful accountability and effective governance, management and audit. Our objective in working with the foundation and other legislative auditors is twofold: to advance public reporting and auditing principles and practices; and to establish shared understanding and agreement on public accountability and reporting matters within and among the governance, management and audit communities. The particular focus of our efforts is on the development of performance reporting principles that can be used by governments across Canada.

We have also continued our involvement in the work of professional bodies. Executive and senior staff, for example, are active members of the:

- Canadian Evaluation Society
- Canadian Institute of Chartered Accountants
- CCAF-FCVI Inc.
- Commonwealth Association for Public Administration and Management
- Ethics Practitioners Association of Canada
- Financial Management Institute
- Institute of Certified Management Consultants of British Columbia
- Institute of Chartered Accountants of British Columbia
- Institute of Internal Auditors
- Institute of Public Administration of Canada

Acceptance of our work. Based on feedback from a variety of sources, our work in this area is widely accepted. Over the last three years, for example:

- legislators and senior government officials have confirmed that advocating for improved accountability is a valued role of the Office;
- the Public Accounts Committee has continued to express its interest and support for the accountability for performance initiative;
- government managers and board members have continued to request advisory services from the Office;
- our recommendations have been quoted or are incorporated in the work of others; and
- the Auditor General and his staff have received numerous requests to speak at national and international conferences on accountability-related subjects.

Cost: Approximately 5% of our total financial resources, including overhead, supported our work in advocating for improved accountability.

The Impact of Our Accountability Work

Our advisory services often have a significant impact. Here are just two examples:

“Workers’ Compensation Board of British Columbia: Accountability Reporting Review,” report of the Auditor General of BC, January 1998. This review was provided at the request of the Workers’ Compensation Board, and the recommendations we made were fully accepted by management. Our work was also taken up by the Royal Commission on Workers’ Compensation in British Columbia. In its report to the Lieutenant-Governor, in January 1999, the Commission urged the Board to complete the implementation of our recommendations. Moreover, it recommended that all performance information contained in the Annual Report of the Board be reviewed and attested to by the Office of the Auditor General of British Columbia.

“Enhancing Accountability for Performance in the BC Public Sector,” reports dated 1995, 1996 and 1997. We have worked jointly with the Deputy Ministers’ Council since 1995 to bring a results focus to the way programs and services are managed and reported upon. And our efforts are having an impact. In its report “Environmental Trends in British Columbia, 1998,” the Ministry of Environment, Lands and Parks responded to a key recommendation we made—namely, that government report on the state of sectors such as health, transportation, education and the environment. As with other sectors, managing the environment is a collective activity—no one organization can be accountable for its condition. The ministry may have only limited control over many environmental matters, but it has nonetheless assumed responsibility for keeping the public informed. As the ministry acknowledges, “Environmental Trends is, in part, the Ministry of Environment, Lands and Parks’ response to the Auditor General’s challenge”—and it is one we were pleased to see accepted.

Effective, Well-Performing Organization

In addition to our audit and advisory work, we think the Legislative Assembly is interested in knowing how we manage our resources. Below we report on four key areas of Office management.

Management Direction and Accountability

This past year, given changes in our external environment and the need to involve staff to a greater degree, we reassessed the usefulness of our Corporate Plan. A revised plan, one which generally confirmed our direction but now speaks more directly to staff and to the general public, has just been published.

We continued, as well, to enhance the Office's operating plan, including refining our work on the allocation of full costs to our audits and accountability-related work. We also focused our interest in developing performance information that would be meaningful to the Legislative Assembly.

Human Resource Management

Staff participated in a range of training and professional development events this past year, averaging 17 hours of formal training or development per person. This included 46 external courses and conferences and seven internal training programs.

Costs are monitored for two categories of training in our Office: reimbursements and course expenses for students working towards an accounting designation; and costs for all other staff attending training, conferences or professional meetings. Exhibit 6 illustrates our training expenditures for the last two years.

Exhibit 6

Training Costs of the Office

Training Costs	1998/99	1997/98
Accounting Students	\$16,303	\$20,375
Other Staff	\$48,928	\$41,695
Total	\$65,231	\$62,070

Training Accountants and Auditors

The Office is an approved training office, recognized as such by the Institute of Chartered Accountants of BC and the Certified General Accountants of BC. Each fall we recruit eligible candidates interested in obtaining either a Chartered Accountant or Certified General Accountant designation, to train as articling students in our Office. Our goal is to develop students into qualified and competent professionals through a balance of study and on-the-job training. Many of our graduates have gone on to work at senior levels in the government, including the Crown corporations, and in industry—locally, nationally and internationally.

In addition, Mr. Keyvan Ahmadi, a Principal with the Office, is participating in an Executive Leadership Program for Public Service Managers. This program is part of a government strategy to identify, develop and support a pool of qualified individuals for executive appointments.

This past year we were also pleased to host a candidate from the CCAF-FCVI Inc. International Fellowship Program. Mr. Abdul Rahman Ahmed Hamad Al-Harthy, from the Secretariat General for State Audit, Sultanate of Oman, received six months of training from our Office, covering all areas of audit. Mr. Al-Harthy returned to Oman at the completion of his term, where he has since received a well-deserved promotion.



Courtesy: Visions West

Our students receiving direction from the Student Coordinator

Staff turnover reached 16%, almost double from the previous year. Staff who recently received their accounting designations accounted for approximately 70% of this turnover. Many of them left the Office to accept jobs outside the British Columbia public service.

Work on completing the development of competencies for staff across the Office continued this past year. These competencies, which identify the performance standards of the Office, serve a variety of purposes. They are an aid to staff in developing their career plans, provide a framework for conducting performance appraisals, serve as a training and a recruiting aid, and remind us of the importance of our professional staff to the Office.

Staff Orientation

Soon after arriving at our Office, staff are invited to participate in a half-day New Employee Orientation Session. Here they learn about the history of the Office, are provided with an overview of our Corporate Plan, are introduced to the various support services of the Office, and are familiarized with our administrative, financial and human resource policies and procedures.

All staff, but particularly those who are new to the public service, are made aware of the Standards of Conduct for Public Service Employees. We emphasize these standards to ensure staff understand and can meet the public's expectations concerning ethical behaviour. Building on this, we also introduce staff to the Office's statement of values, articulated by staff during the development of our Corporate Plan. These values, which reflect our 'commitment to excellence' and 'commitment to people,' define the culture of the Office. Through our orientation sessions and in our day-to-day work we encourage all staff to accept a shared responsibility for and commitment to these values. We believe that a common promotion and protection of these values fosters effective performance and high morale throughout our Office.



Courtesy: D.E. Milner

Staff attend the New Employee Orientation Session

Linked to our work on competencies has been a systematic review of position descriptions throughout the Office. Important changes in resourcing, audit methodologies and the audit environment have prompted a review and update of all levels of auditor positions. This review is nearing completion and will provide staff with a current description of their roles and responsibilities.

Finance and Administration

For the 1998/99 fiscal year the Legislative Assembly authorized an appropriation of \$6,923,000 for the Office. However, the Office was twice requested to reduce its funding, first in August and again in October 1998, for a total of \$197,000. As Exhibit 3 illustrates, this was the third consecutive year we reduced our funding in support of the government's deficit reduction program across the public sector.

Although the Assembly approved an employment level of 95 FTEs for the Office, we have never reached this level of staffing. In 1998/99, the Office averaged 86 staff; this was supplemented with uncompensated overtime hours to the equivalent of another 5.5 employees.

With the exception of central government, all government organizations pay audits fees to their private sector auditors. Under the terms of our Memorandum of Understanding with the Minister of Finance and Corporate Relations, we too are charging these organizations for the audits we do of their financial statements. We bill, as well, for other audit-related services, such as management reviews, that do not directly benefit the Legislative Assembly.

The Office follows sound financial management practices and our audited financial statements, provided in Appendix A, are reported on by our external auditors without any reservation of opinion.

Providing Access to the Information We Need

Information technology is changing the way we work, learn and communicate with each other. The use of information to affect decisions or capture knowledge is increasingly vital to successful performance in organizations.

We continued with several initiatives designed to improve the quality and accessibility of our operational and administrative information. Staff computers were upgraded where necessary to operate our enhanced workstation software. The project costing system, which has been operational now for two fiscal years, continues to be refined and expanded to meet our information needs.

Managing information as an Office resource means sharing information and the knowledge gained from analyzing it among all staff. Our Intranet provides a means to do this while our Internet web site (www.oag.bc.ca) provides a quick and efficient vehicle for making our reports public.

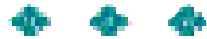
Cost of the Four Areas of Office Management

Approximately 34% of our financial resources went toward audit support costs (technical and staff support). This includes management direction and accountability; human resource management; finance and administration; and access to information.

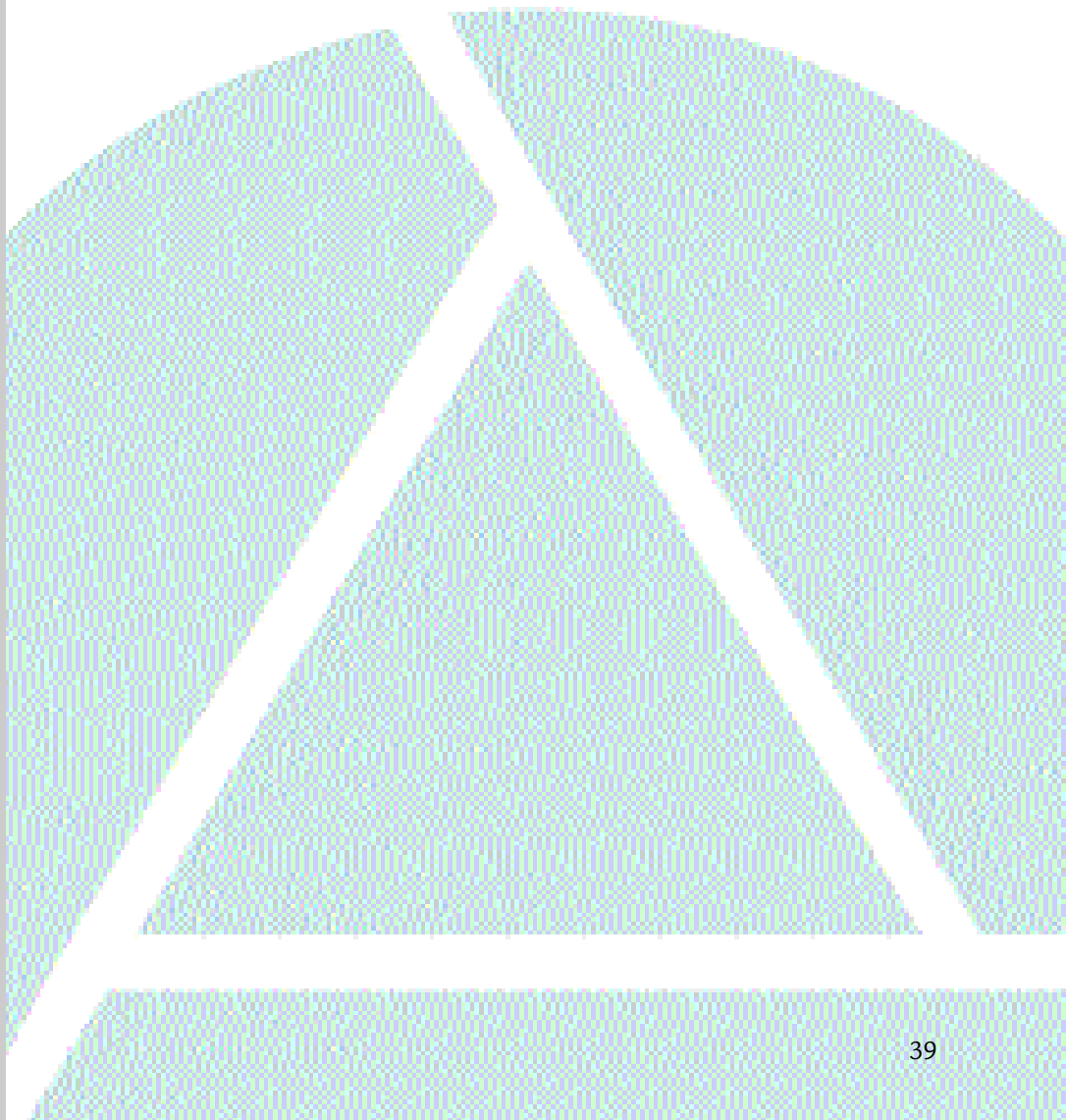
Our Future Direction

Much of the type of work undertaken by the Office does not change from year to year. We will continue, for example, to comment on the completeness and accuracy of the accountability information that government provides. Similarly, we will continue to assess the performance of government and report on those assessments to the Legislative Assembly. In so doing, we will provide the government with recommendations designed to improve the way programs and services are managed, measured and reported on.

As well, we will carry on operating under the terms of our Memorandum of Understanding with the Minister of Finance and Corporate Relations. But in the coming year, we will hold discussions with government to have modern legislation governing the Office approved. Our hope is that a new Auditor General Act will be on the legislative agenda of the Assembly by the spring. This would be timely and symbolic—to have legislation that both reflects public sector developments and enhances the independence of the Auditor General in place at the start of the millenium.



appendix



appendix

Financial Statement, 1998/99

The financial statement of the Office of the Auditor General of British Columbia has been audited by an independent firm of Chartered Accountants whose report is dated May 21, 1999.



OFFICE OF THE
Auditor General
of British Columbia

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

YEAR ENDED MARCH 31, 1999

The accompanying Statement of Net Expenses of the Office of the Auditor General of British Columbia is the responsibility of the Office's management, and has been prepared in accordance with accounting principles generally accepted for public sector organizations in Canada. This financial statement has been reviewed and approved by the Management Board of the Office, comprising the Auditor General and the three Assistant Auditors General.

Management maintains systems of internal controls designed to provide reasonable assurance that reliable financial information is available on a timely basis. These systems include formal written policies and procedures, staff training programs, and appropriate delegation of authority and segregation of responsibilities within the organization. The integrity and objectivity of Office staff are guided by the Public Service Act standards of conduct and related policies of the Office, and the codes of conduct of the professional institutes and associations of which most of the staff are members.

The independent auditors, Green, Horwood, Munro & Tuckey, were appointed by Treasury Board, pursuant to section 22 of the Auditor General Act, to audit the accounts of the Office of the Auditor General for the fiscal year ended March 31, 1999, and to report the results of the audit to the Speaker of the Legislative Assembly. The auditors examined the accounts of the Office and have reported on the accompanying financial statement without any reservation of opinion.

George L. Morfitt, FCA
Auditor General

Michael J. Maglio
Senior Financial Officer

May 21, 1999

GREEN, HORWOOD, MUNRO & TUCKEY

CHARTERED ACCOUNTANTS

CLIFFORD E. HORWOOD INC.
RICHARD T. TUCKEY INC.
GEORGE A. V. PROBEEN INC.
GEORGE WONG INC.
GORDON GREEN (DEC'D 1994)
DOUG MUNRO (RETIRED 1995)

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May 21, 1999

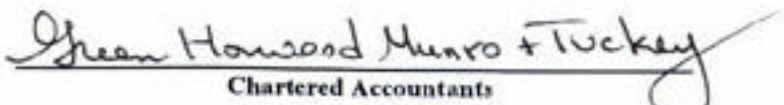
AUDITORS' REPORT

To the Speaker,
The Legislative Assembly
Province of British Columbia

In accordance with the provisions of Section 22(2) of the Auditor General Act, we have audited the Statement of Net Expenses of the Office of the Auditor General of British Columbia for the year ended March 31, 1999. This financial statement is the responsibility of management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, this financial statement presents fairly, in all material respects, the net expenses of the Office of the Auditor General of British Columbia for the year ended March 31, 1999 in accordance with accounting principles generally accepted for public sector organizations in Canada.


Chartered Accountants



OFFICE OF THE
Auditor General
of British Columbia

STATEMENT OF NET EXPENSES

YEAR ENDED MARCH 31, 1999

	1999	1998
TOTAL OF VOTE 2 FOR THE YEAR (which does not include the effects of requested spending reductions, per Note 1)	<u>\$6,923,000</u>	<u>\$6,875,000</u>
EXPENSES		
Salaries	4,995,279	4,866,762
Supplementary salary costs	34,986	14,774
Employee benefits	<u>1,107,321</u>	<u>1,035,071</u>
Salary and benefit costs	6,137,586	5,916,607
Travel	293,677	282,469
Professional and special services	335,526	341,370
Data processing	146,063	149,110
Office	207,370	227,721
Public reports	110,624	118,983
Building occupancy charges	546,530	544,247
Data systems amortization	171,864	200,971
Office furniture and equipment	17,087	1,683
Grants	<u>57,000</u>	<u>57,000</u>
TOTAL EXPENSES BEFORE RECOVERIES	8,023,327	7,840,161
Less: Recoveries	<u>(1,398,056)</u>	<u>(1,017,211)</u>
NET EXPENSES	<u>\$6,625,271</u>	<u>\$6,822,950</u>

The accompanying notes are an integral part of this financial statement.



OFFICE OF THE
Auditor General
of British Columbia

FINANCIAL STATEMENT NOTES

YEAR ENDED MARCH 31, 1999

1. Significant Accounting Policies

a) Reporting Entity

This financial statement includes the results of transactions accounted for in Vote 2 of the government's 1998/99 Estimates. Vote 2 provides for the funding of Office expenses and the recovery of costs reimbursable to the Office. Vote 2 accounts for all the financial operating expenses of the Office.

In August and October 1998, the Treasury Board requested that the Office reduce its 1998/99 budget by a total of \$197,000, being 2.85% of the amount approved in the Estimates for the fiscal year. The Office voluntarily complied with this request. In 1997/98, the Treasury Board requested reduction was \$34,000, or 1/2 of 1% of the approved Estimate.

b) Basis of Accounting

The Office follows the accounting principles generally accepted for public sector organizations in Canada. The Office is also following the government's policy of capitalizing tangible capital assets using a phased in approach which, at March 31, 1999, included data and word processing systems.

2. Tangible Capital Assets

Tangible capital assets are recorded at historical cost, and are amortized over their estimated useful life on a straight line basis (over 3 years with a half year roll in and out, for micro computer hardware and software).

	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
Micro computer hardware and software purchases	\$161,612	\$168,552	\$192,171	\$148,128	\$356,670
Amortization expenses	\$171,864	\$200,971	\$245,960		
(amortization expense was not calculated in 1996 and prior years)					

3. Commitments

The Office has a leasehold commitment with the British Columbia Buildings Corporation for building occupancy costs. This lease has a 10 year term to October 2004. Minimum annual payments during the term of the lease are approximately \$530,000.

4. Employees' Leave Liability

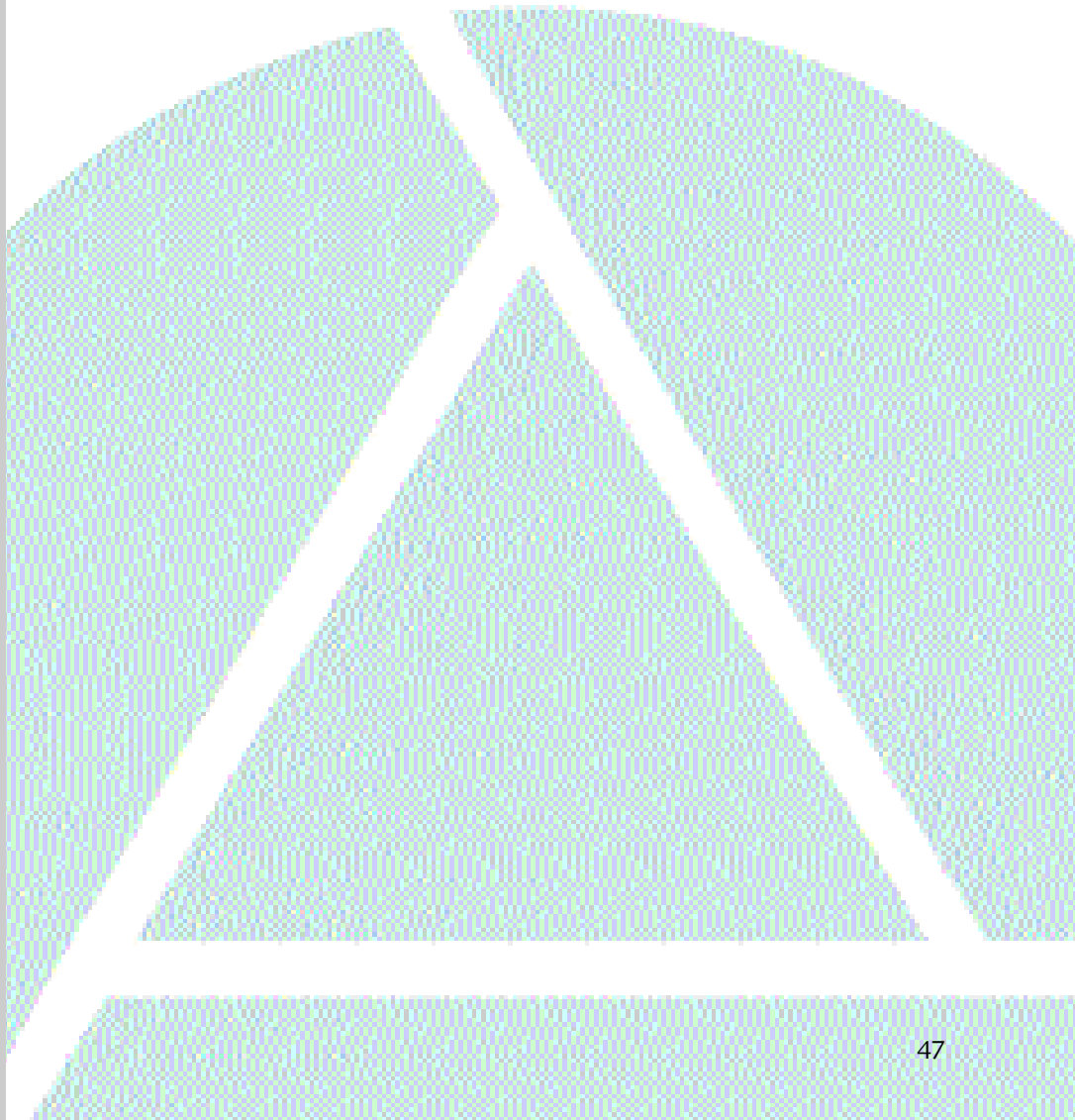
Employees of the Office have earned vacation and other leave entitlements with an accumulated value of \$635,500 at March 31, 1999 (\$583,000 at March 31, 1998). The Office has fully funded this amount by transferring the funds to the Office of the Comptroller General to cover future payment of these entitlements.

5. Pension Plan

The Office and its employees contribute to the Public Service Pension Plan in accordance with the Pension (Public Service) Act. The Superannuation Commission administers the Plan, including the payment of pension benefits on behalf of employers and employees to whom the Act applies.

The Plan is a defined benefit pension plan. The Plan's most recent actuarial valuation for funding purposes was prepared as of March 31, 1996, and it showed an actuarial surplus of \$222 million. There is, therefore, no unfunded liability.

glossary



glossary

Accountability for Performance Initiative

For the last few years, the Auditor General of British Columbia and the Deputy Ministers' Council have been working closely together to bring about improved accountability and performance across government. This collaboration led to a series of joint reports, dated 1995, 1996 and 1997, entitled "Enhancing Accountability for Performance in the British Columbia Public Sector." The first report served as a catalyst for encouraging a results focus in the way that government (including its ministries and Crown corporations) manages, measures and accounts for its performance. We refer to this broad set of accountability and performance management goals as the accountability for performance initiative. The second report included an accountability framework and an implementation plan for bringing about improved planning, measuring and reporting. The third report was an assessment of progress made against the plan.

Agent of the Auditor General

An agent of the Auditor General is a private sector firm employed under contract by, and with the direction of, the Auditor General to conduct audit work in a particular organization. In such cases, the Auditor General remains responsible for the audit and signs the audit opinion.

Authorized Auditor

An authorized auditor is a private sector firm that is appointed to undertake the financial statement audits of a government enterprise, including those in the education and health sectors. The Auditor General has a say in the appointment of an authorized auditor and also assumes an oversight role, ensuring the work meets the needs of the Legislative Assembly. In such cases, the private sector auditor signs the audit opinion.

Conduct of Public Business

This refers to the expectations of the public and government about the way in which the business of government should be conducted. Public and government expectations may encompass issues such as conflict of interest, access to information and protection of privacy, bribery and fraud. Other examples include expectations about human rights, employment standards, employment equity, working conditions and employment practices.

Financial Statements of the Province

The financial statements of government are prepared in two forms: the Summary Financial Statements of the Province and the Consolidated Revenue Fund Financial Statements.

Summary Financial Statements of the Province

To provide an overview of the responsibilities of the government, the Summary Financial Statements are prepared, reflecting the combined results of the government and Crown corporations. These statements are intended to provide an accounting of the Province's financial affairs and resources, including the related activities of the Crown entities.

Consolidated Revenue Fund Financial Statements

The Consolidated Revenue Fund (CRF) is made up of government ministries, Special Accounts, Special Funds and the independent offices of the Legislature.

Public Accounts

These are the documents by which government accounts for its financial activities. The Public Accounts are prepared in two parts:

- *Annual Report, Volume 1*, includes the Summary Financial Statements and a written commentary on the numbers reported in them. Additional information on the financial performance of the government is also provided.
- *Financial Statements and Schedules of the Consolidated Revenue Fund, Volume 2*, includes the Consolidated Revenue Fund Financial Statements and Supplementary Schedules thereto.



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Victoria 1999

