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OFFICE OF THE  
**Auditor General**  
of British Columbia

**Report on Government  
Financial Accountability  
for the 1999/2000 Fiscal Year**

**Province of British Columbia**

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**LOCATION:**

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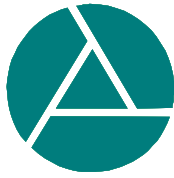
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OFFICE OF THE  
**Auditor General**  
of British Columbia

The Honourable Bill Hartley  
Speaker of the Legislative Assembly  
Province of British Columbia  
Parliament Buildings  
Victoria, British Columbia  
V8V 1X4

Sir:

I have the honour to transmit herewith to the Legislative Assembly of British Columbia my 2000/01 Report 6: Report on Government Financial Accountability for the 1999/2000 Fiscal Year.

Wayne Strelieff, CA  
Auditor General

Victoria, British Columbia  
March 2001

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



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# abbreviations used in this report

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AcSB	Accounting Standards Board
BC	British Columbia
CICA	Canadian Institute of Chartered Accountants
CRF	Consolidated Revenue Fund
GDP	Gross Domestic Product
PCAs	Prepaid Capital Advances
PSAB	Public Sector Accounting Board
SUCH	School districts, universities, colleges and health authorities





# overview





## overview

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In May 2000, I was appointed the Auditor General of British Columbia. I have since identified four key priorities for my Office. These priorities are set out in my Report to the Legislative Assembly titled *Strategic Direction and Funding Proposal – February 2001*.

My first priority is to assist the government to ensure legislators receive complete financial information on the performance of government. One way I will do this is by assessing and reporting on whether the government's planned financial results and its actual financial results include the full nature and extent of government responsibilities.

The government's planned financial results are set out in the annual budget and estimates of revenue and expense. The government's actual financial results are set out in its summary financial statements.

In this report, I focus on the government's summary financial statements for the year ended March 31, 2000. Those statements are contained in the Public Accounts and were issued on August 15, 2000.

In this report, I have not commented on the government's financial plan for the year ending March 31, 2001. I have not done this because that plan was prepared prior to the Budget Transparency and Accountability Act. The government had little time to implement the significant changes required by that Act.

In the future, I plan to provide legislators with my assessment in a more timely manner. For example, in the fall of this year, I plan to report my assessment of the government's financial plan for the year ending March 31, 2002 as well as for the government's summary financial statements for the year ending March 31, 2001.

## Improving Government Financial Accountability

When legislators passed the Budget Transparency and Accountability Act in July 2000, they sent the public a strong signal that significant change is to occur in the governance of public business in British Columbia. This Act holds much promise for meeting public expectations for accountability and transparency and for providing a more meaningful opportunity

for legislators and the public to participate in government decision making. Much work will be required by many to meet these expectations.

In this report, I set out a financial framework I think government should use when providing BC legislators and citizens with financial information on the performance of government. This framework ensures the revenues and expenses of government are set out in a clear and complete manner. I recommend the government adopt the framework when preparing its annual financial plan and its summary financial statements. If this framework is put in place, the BC government will take an important step towards becoming a leader in government financial accountability in Canada.

## Reporting on Financial Condition

My profession, through The Canadian Institute of Chartered Accountants, has identified several financial and economic indicators that can be used to help legislators and the public assess the financial condition of government. Those indicators are beginning to be referred to by market analysts and by governments in other jurisdictions.

In this report, I describe those indicators and recommend that the government report all of the indicators in its annual financial plan and its annual financial report. Currently, the government does report audited information on several of the indicators.

## Reporting the Government's Full Responsibilities

For several years, my predecessor advised legislators that the government's summary financial statements do not provide a complete accounting of the government's full responsibilities. I agree with my predecessor and said so in my auditor's report on the government summary financial statements for the year ended March 31, 2000.

In its 1999/2000 summary financial statements, the government did not provide a complete accounting of all of its revenues, expenses, assets and liabilities. The government excluded significant amounts related to the health and education sectors. In its financial statements, the government argues that because health and education institutions are initially accountable to local boards, the financial results of those institutions should not be included in the government's financial statements. In the statements, the government recognizes that such an exclusion is inconsistent with professional accounting standards.

I think most people agree the government is responsible for the overall state of finances of our systems of health and education. Financial statements should report on that responsibility.

A government may—as in the case of British Columbia—build an accountability structure that provides meaningful participation by boards that include locally elected officials. Such a structure helps to ensure citizens can scrutinize the performance of each institution. However, the existence of such accountability structures does not mean that the government is not accountable for the state of finances of the overall system of health and education. If the government is not accountable for this, then who is?

I recommend the government include in its annual financial plan and its annual summary financial statements the revenues, expenses, assets and liabilities relating to all of its responsibilities including those pertaining to the health and education sectors.

## Reporting on Physical Assets

I am pleased to advise legislators that the government is reaching the final stages of recording all of its physical assets in its financial statements. This initiative will help ensure legislators and the public receive important information on the state of the public's valuable infrastructures of roads, buildings and equipment.

Keeping track of the cost of physical assets within financial statements helps legislators assess the extent to which infrastructures are being built up or worn down. Recording the cost of physical assets as part of a government's annual expenses provides more rigorous program cost information and facilitates better management of a valuable public resource.

## Government Accounting Policies

Except for certain significant policies, the government has adopted generally accepted accounting principles for senior governments as recommended by The Canadian Institute of Chartered Accountants (CICA).

In deciding how best to apply those principles, judgment is required. In some cases, a government may choose to adopt practices that are leading edge and in advance of recommendations developed by the CICA. In such circumstances, discussions are held with my Office to determine how best to adopt such practices.

However, it is not appropriate to adopt practices that are clearly contrary to generally accepted accounting principles. In this report, I ask that consideration be given to amending the Budget Transparency and Accountability Act to prevent unwarranted departures from the principles recommended by The Canadian Institute of Chartered Accountants.

## Other Matters

In this report, I also comment on other issues as they relate to our audit of the government's summary financial statements and the financial statements of other Crown corporations and agencies. My comments relate to matters such as pension costs and post-employment benefits, the Small Business Forest Enterprise Program, contaminated sites, BC Hydro's rate stabilization account, and the sale of BC Online's rights to access publicly owned information.



I wish to acknowledge the valuable assistance my Office has received from senior government officials in our efforts to carry out the work described in this report. I also wish to acknowledge the hard work, professionalism and dedication of my staff.

*Wayne Strelloff*

Wayne K. Strelloff, CA  
Auditor General

Victoria, British Columbia  
March 2001



### Project team includes:

*Senior Principal: Keyvan Ahmadi*

*Directors: Peter Bourne*

*Ada Chiang*

*Brian Jones*

*Don Kelso*

*Hemendra Shah*

*Project Leaders: Bill Gilhooly*

*Lisa Moore*

*Bruce Perry*

*John Sitch*

*Research: Arun Narula*

part I:  
explaining the government's  
business and finances







# part I: explaining the government's business and finances

---

## Introduction

The government's financial accountability documents must be clear and complete if the complex information they provide is to be understood. This is a matter that receives much attention by all governments and legislative auditors in Canada and other countries, and over the past several years the British Columbia government has accomplished a great deal in this area. However, in our view, the Summary Financial Statements of the Province still need further improvements to portray the full scope of the government's business and its financial condition, in a way that can be easily understood by an interested citizen.

The Summary Financial Statements are important documents of government's financial accountability. If governance of public affairs is to be open and deliberative, then legislators and the public must have a good understanding of the government's financial position, results of operations and trend in financial condition. For example, it is commonly believed that the aging population of British Columbia, as in other jurisdictions in Canada, will continue to put increasing pressures on the public purse. The legislators and the public are aware that the survival of government programs and the Province's social and economic health largely depend on the government's financial condition. As well, the citizens of British Columbia are interested in knowing how to gauge the financial health of the Province so that they can make their financial plans or, if need be, modify their expectations of government programs.

The Government of British Columbia believes that school districts, universities, colleges and health authorities (the "SUCH" sector) need not be included in its summary financial statements. We disagree. In our opinion, without these organizations—for which the government is responsible—the Summary Financial Statements will not be complete.

The Government of British Columbia is aware of these shortcomings in the Summary Financial Statements and has provided additional information in the Public Accounts to compensate for them. However, the decision to exclude the

SUCH sector, and the required effort of explaining the government's finances, were the sector included, has resulted in the Public Accounts containing complex supplementary schedules and unaudited reconciling statements that erode the clarity of the Summary Financial Statements.

Now that the Budget Transparency and Accountability Act in this Province has set the stage for improved openness in the government's budgeting and reporting, we believe it is also time to enhance the clarity and completeness of the financial statements. To do this it will be necessary for the government to fully apply the standards of financial accounting and reporting for senior governments, as developed by the independent and authoritative Canadian Institute of Chartered Accountants (CICA). We believe that the government has, with a few exceptions, applied the majority of these standards in preparing its 1999/2000 Summary Financial Statements.

A more complete set of financial statements will provide easier understanding of the government's business.

## Understanding the Business of the Government

The business of government in British Columbia (as in other provinces) is complex and its effects are far-reaching. The breadth of activities stems from the government's authority to enact laws, borrow funds, collect taxes and provide services for the public good. Along with this authority, the government is responsible for acting in the best interest of its citizens in accordance with plans previously approved by the Legislative Assembly. For all the business it conducts on behalf of its citizens, it is expected that the government will be held publicly accountable.

The Public Sector Accounting Board (PSAB) of the CICA has defined the scope of such activities and refers to them collectively as the government reporting entity. According to PSAB, the senior government's reporting entity is composed of the organizations that are accountable for the administration of their financial affairs and resources either to a minister of the government or directly to the Legislature, and are owned or controlled by the government. For many years we have been promoting improved government accountability on the basis of PSAB's definition of reporting entity.

Responding to our February 1999 *Review of the Estimates Process in British Columbia*, the government established the Budget Process Review Panel. The panel produced a report (the Enns Report) in September 1999. There, the panel also recommended that the government adopt PSAB standards,

including the determination of the government reporting entity. As well, the Enns Report echoed our recommendations that the annual financial plans of the government cover the same organizations as are reported in the Summary Financial Statements of the Province.

Currently, there is a major difference between the government's view of the summary reporting entity and that we believe is defined by PSAB. The government selectively excludes school districts, universities, colleges and health authorities from its reporting entity. In our view, PSAB standards requires these organizations to be included.

The Government of British Columbia has jurisdiction over the provision of education and health care in this province. We believe it also has direct responsibility for them, since the public organizations providing these services are accountable to a minister of government. Furthermore, the government regularly makes strategic decisions on how the operating and capital resources available to school districts, universities, colleges and health authorities are to be used. For example, it decides whether to approve changes in the tangible capital stock of the public organizations providing education and health care services, it freezes advanced educational institutions tuition fees, and it negotiates teachers' pay.

In our view, the power to make such strategic decisions constitutes control as well as legal jurisdiction. Through these organizations, the government makes health care and educational services publicly available to British Columbians. Therefore, to reflect the complete picture of its taxpayer-supported business, it should include all the revenues, expenses, assets and liabilities of these organizations in its Summary Financial Statements.

Overall, the government is involved in conducting two types of business: that which is supported directly by taxes and other government revenues (taxpayer-supported), and that which is funded fully by selling goods and services to the public (self-supported). Exhibit 1.1 shows the four main components of government activities in these two types of public businesses.

- Consolidated Revenue Fund (CRF) (taxpayer-supported)
- Business-type, dependent Crown corporations (taxpayer-supported)
- School districts, universities, colleges and health authorities (SUCH sector organizations) (taxpayer-supported)
- Commercial Crown corporations (self-supported)

## Exhibit 1.1

### Components of Government Business

*The four components of government's taxpayer-supported and self-supported business activities*

Consolidated Revenue Fund		Taxpayer-supported Crown Corporations	
Revenue	Assets	Revenue	Assets
- Expense	- Liabilities	- Expense	- Liabilities
= Net income	= Equity	= Net income	= Equity
[annual surplus/(deficit)]	[accumulated surplus/(deficit)]	[annual surplus/(deficit)]	[accumulated surplus/(deficit)]
SUCH Sector		Self-supported Crown Corporations	
Revenue	Assets	Revenue	Assets
- Expense	- Liabilities	- Expense	- Liabilities
= Net income	= Equity	= Net income	= Equity
[annual surplus/(deficit)]	[accumulated surplus/(deficit)]	[annual surplus/(deficit)]	[accumulated surplus/(deficit)]

Key: Non-shaded boxes denote missing detailed information in the Summary Financial Statements of the government.

Source: Office of the Auditor General of British Columbia

A significant part of the taxpayer-supported operation of the government is carried out through the CRF. This includes the activities of government ministries and of special offices, accounts and funds.

The business-type taxpayer-supported Crown corporations include organizations that have been created outside of the CRF in order to operate government programs such as the B.C. Ferry Corporation or British Columbia Transit. The government subsidizes these business-like organizations from the CRF because they cannot directly generate enough revenue to cover their expenses.

The taxpayer-supported operations of the government also include organizations that make up the SUCH sector.

As at March 31, 2000, 10 Crown corporations and agencies were considered self-supported. These are:

- 552513 British Columbia Ltd. (majority shareholder in Skeena Cellulose Inc.)
- BCIF Management Ltd.
- British Columbia Hydro and Power Authority
- British Columbia Investment Management Corporation
- British Columbia Liquor Distribution Branch
- British Columbia Lottery Corporation
- British Columbia Railway Company
- Columbia Power Corporation
- Insurance Corporation of British Columbia
- Provincial Capital Commission

These businesses are defined as commercial enterprises because they currently are, or expect to be, capable of earning enough revenue from sources outside of government to cover all of their expenses.

The PSAB accounting standards for senior governments require that the annual financial transactions and balances of all taxpayer-supported organizations be fully consolidated on a line-by-line basis in the Province's Summary Financial Statements. However, the government is required to consolidate in those statements only the cost of holding a financial interest in self-supported commercial enterprises.

Each of the four types of organizations referred to in Exhibit 1.1, whether fully consolidated or recorded on the modified equity basis, has its own revenues, expenses, net income, assets, liabilities and equity. To demonstrate the complete picture of its stewardship responsibilities, the government's Summary Financial Statements should therefore report all of these financial elements. The Summary Financial Statements for the 1999/2000 fiscal year correctly show only the adjusted cost to the Province of holding an interest in commercial enterprises. The missing details (identified in non-shaded boxes of Exhibit 1.1) are reported in the schedules of the Summary Financial Statements. According to one schedule, the combined revenue, expense, assets and liabilities of the commercial enterprises were \$10,380 million, \$9,085 million, \$18,814 million and \$16,069 million, respectively, for the 1999/2000 fiscal year.

The details of the SUCH sector's financial information, and the consequence of excluding this information from the Summary Financial Statements, are reported in an unaudited schedule in the Public Accounts. According to that schedule referred to as the "Schedule of Impact of Changes in Reporting Entity on Balance Sheet and on Statement of Operations" the combined impact of the SUCH sector organizations on the Summary Financial Statements revenue, expense, assets and liabilities amounted to \$1,881 million, \$1,894 million, \$4,718 million and \$2,147 million, respectively, for the 1999/2000 fiscal year.

Putting the currently available (but fragmented) financial information together in the Summary Financial Statements improves the clarity and completeness of the government's financial reports. In Exhibit 1.2, using data from the fiscal year ended March 31, 2000 (as an example), we have done just that.

The statements presented in Exhibit 1.2 highlight the government's "net-liabilities," also referred to as "net-debt."

The "net liabilities"—the difference between the liabilities of the government which are directly related to its taxpayer-supported activities, and its total financial assets—is an important indicator of the government financial condition. It shows the extent of the need for the government to generate future revenue. (We discuss this indicator further (page 17) where we talk about understanding the governments' financial condition.)

The financial reporting framework outlined in Exhibit 1.2 is in keeping with the recommendations of PSAB. It is much clearer than the existing government reporting format for the following reasons:

- The Statement of Operations:
  - distinguishes between the results of the operations of the taxpayer-supported activities of the government, and those of the commercially run Crown corporations;
  - identifies the gross revenues and expenses from self-supported activities; and
  - clearly states the total surplus or deficit from all of government's operations in a fiscal year.
- The Statement of Financial Position shows:
  - the size of the taxpayer-supported liabilities and the extent of financial assets that could be used to reduce them in the future;

## Exhibit 1.2

### Proforma Statements of Operations and of Financial Position

Statement of Operations for the Year Ended March 31, 2000 (Amounts in \$ Millions)		
	2000	1999
Taxpayer-supported:		
Revenue	25,180	23,563
Expense	26,436	26,257
Surplus/(deficit)	(1,256)	(2,694)
Self-supported:		
Revenue	10,380	9,434
Expense	9,085	7,914
Surplus/(deficit)	1,295	1,520
<b>Total Surplus/(deficit) for the year</b>	<b>39</b>	<b>(1,174)</b>
Statement of Financial Position for the Year Ended March 31, 2000 (Amounts in \$ Millions)		
	2000	1999
Taxpayer-supported:		
Financial assets, other than equity in Commercial enterprises	16,941	15,251
Liabilities	41,287	39,307
	(24,346)	(24,056)
Self-supported:		
Assets	18,814	19,299
Liabilities	16,069	16,414
Equity in commercial enterprises	2,745	2,885
<b>Net liabilities</b>	<b>(21,601)</b>	<b>(21,171)</b>
Non-financial (capital) assets	19,232	18,763
<b>Accumulated surplus/(deficit)</b>	<b>(2,369)</b>	<b>(2,408)</b>

Source: Compiled by the Office of the Auditor General of British Columbia

- the stock of the tangible capital assets of the government that have service potential (but do not generate revenue directly);
- the extent of the assets employed by commercial enterprises of the government to generate revenue for the self-supported enterprises; and
- changes in the accumulated deficit resulting from the annual operations of the whole of government.

In our view, the result is a much clearer and more accurate picture of the government's full financial activities. Furthermore, because the framework involves no netting of revenues against expenses, or assets against liabilities, the statements do not require complex reconciling schedules and supplementary statements to explain missing details.

### *Recommendation*

***We recommend that the government prepare its Summary Financial Statements in a manner that includes the combined revenue, expense, assets and liabilities of the taxpayer-supported organizations and of the self-supported commercial enterprises in a complete and clear manner.***

## Indicators of Government Financial Condition

In addition to understanding the financial position and results of the government's operations, the public and the MLAs also need to have clear and complete information about the condition of the Province's finances. For this purpose, the government's financial plans and reports should also include indicators of government financial condition. Currently, except for certain audited debt measures and indicators published annually in the Public Accounts, such indicators are either missing or presented in a fragmented manner in different documents and reports, some unaudited.

A research group of the CICA developed the indicators of the government financial condition and published them in 1997. The research report, titled *Indicators of Government Financial Condition*, does not carry with it the same level of authority as the CICA's accounting recommendations. Nevertheless, senior governments and market analysts in Canada have started to use them to monitor the financial condition of the federal and provincial governments in respect to:

- ***Sustainability*** – the degree to which a government can maintain existing programs and meet existing creditor requirements without increasing the debt burden on the economy;



- **Flexibility** – the degree to which a government can increase its financial resources to respond to rising commitments, by either expanding its revenues or increasing its debt burden; and
- **Vulnerability** – the degree to which a government becomes dependent on, and therefore vulnerable to, sources of funding outside its control or influence, both domestic and international.

Since the 1992/93 Report on the Public Accounts, the Auditor General has promoted the reporting of the 10 key measures and performance indicators of the public debt, as shown in Exhibit 2.1. The Government of British Columbia is currently publishing this information in its Debt Statistics section of the Public Accounts, along with two key benchmarks it has adopted for managing the public debt. We believe that publishing this information has been useful in monitoring the public debt in this province, and encourage the government to continue providing it in its annual reporting on debt.

In this section of the report, however, we discuss the indicators of financial condition recommended by the CICA research group in 1997.

## Sustainability Indicators

The sustainability of a government is defined in the CICA report as “the degree to which a government can maintain existing programs and meet existing creditor requirements without increasing the debt burden on the economy.”

For many years, the term “net liabilities” has been used in British Columbia for what the CICA calls the “net debt”—both meaning the difference between the government total liabilities and its financial assets. In British Columbia, “net debt” has been widely used to mean the total borrowings of the government, less any monies set aside in sinking funds to repay those borrowings. The portion of the province’s public debt that is expected to be repaid from taxation is referred to as “taxpayer-supported debt.”

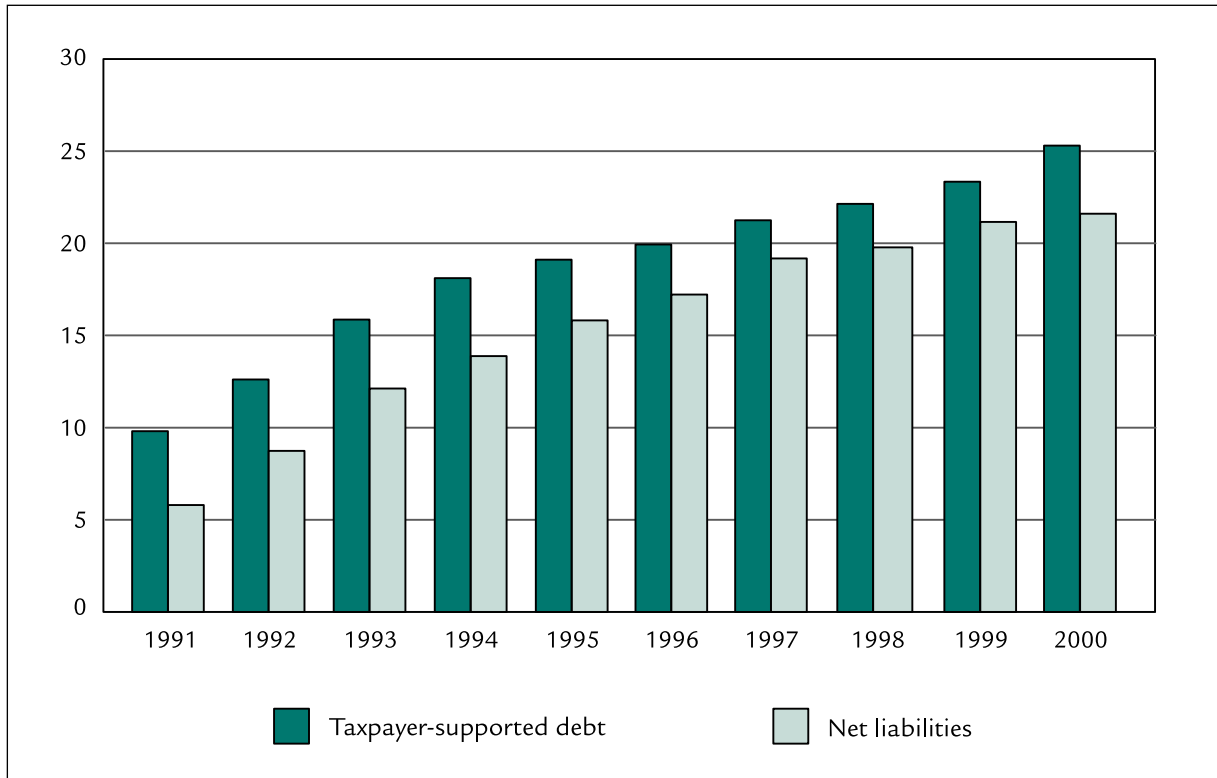
To avoid any confusion, we continue to use the terms “net debt” and “net liabilities” as they have been used in this province in the past. To put this into perspective, we have outlined in Exhibit 1.3 a comparison of the provincial *taxpayer-supported debt* to the *net liabilities*, for the 10 years ending March 31, 2000.

In this report, unless specifically noted otherwise, the measures and indicators described are based on the complete reporting entity of the government (including the SUCH sector) and adjustments have been made to bring the revenues, expenses, assets and liabilities of government’s commercial enterprises into the financial reporting. To make the multi-year comparison possible, we have used reasonable estimates where relevant information was not available.

## Exhibit 1.3

## Taxpayer-supported Debt Compared to Net Liabilities

Provincial taxpayer-supported debt compared to the government's net liabilities, 1991 to 2000 (\$ Billions)



Source: The Public Accounts; Office of the Auditor General of British Columbia

There are two indicators associated with the sustainability of government:

- net liabilities to Gross Domestic Product (GDP); and
- change in net liabilities to GDP.

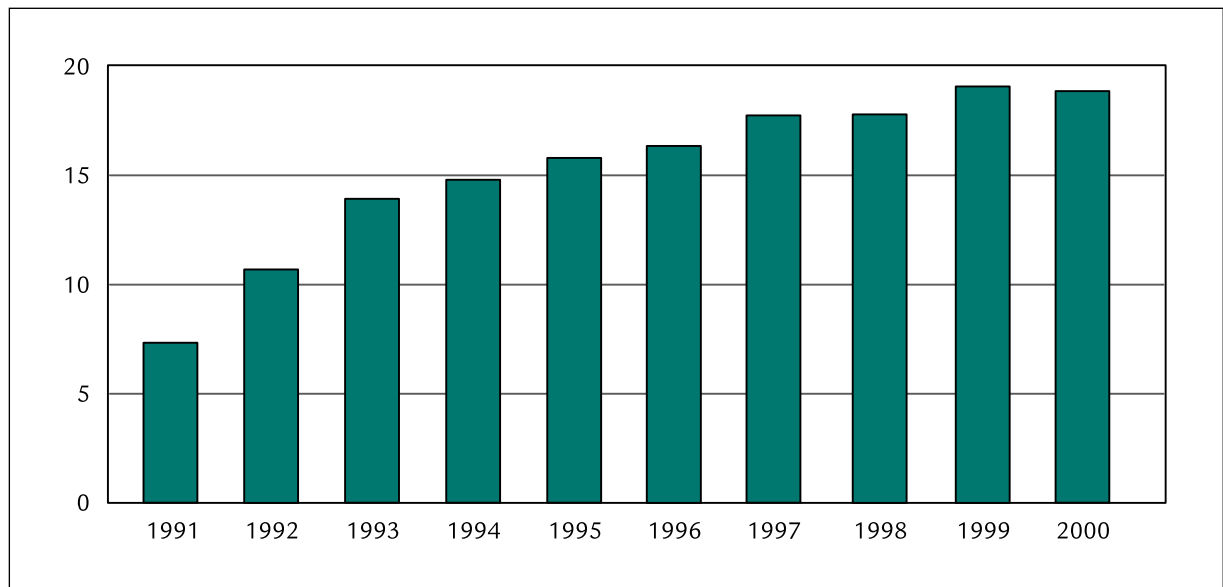
These two indicators measure the size of the annual and the accumulated surplus/deficit in relation to the size of the provincial economy. The indicators assume that as the economy grows, so may a government's ability to incur liabilities without unduly burdening the taxpayers or adversely affecting the economy.

A stable net liabilities to GDP ratio indicates that the rate of growth in the economy is similar to the rate of growth of the Province's "net liabilities." An increasing ratio would indicate that the government's current fiscal policies are

## Exhibit 1.4

### Net Liabilities to GDP

*Net liabilities as a percentage of GDP in British Columbia, 1991 to 2000*



Source: The Public Accounts; Office of the Auditor General of British Columbia; B.C. Statistics

increasing the burden on taxpayers. A declining ratio would signal the opposite.

There is no “correct” or optimal *net liabilities to GDP* ratio that a government should aim to achieve. Rather, both the ratio and its trends should be examined in conjunction with other financial indicators to obtain a realistic sense of the state of the government’s finances. Exhibit 1.4 shows the 10-year trend of *net liabilities to GDP* for the Government of British Columbia.

The Summary Financial Statements of the Province are prepared on a full accrual basis of accounting. This means that tangible capital assets acquired in a year are recorded as the fixed assets in that year, and depreciated over their useful lives. Before changing to the full accrual basis of accounting, the government expensed the cost of assets in the year that assets were acquired. Some jurisdictions in Canada are still calculating their surplus/deficit that way, but British Columbia uses the former method. Measuring the surplus/deficit of a government may vary significantly, depending on which of the two bases is used.

If capital assets are fully expensed when acquired, a decrease in net liabilities over a year is the same as having an operating surplus in that year. In this regard, the annual *change in net liabilities to GDP* ratio is a useful indicator because it helps determine what annual results are required if a certain *net liabilities to GDP* ratio is to be maintained.

Exhibit 1.5 show this ratio in British Columbia for the past five years.

## Flexibility Indicators

The term “flexibility” describes the degree to which a government can increase its financial resources in reaction to rising commitments, by either expanding its revenues or increasing its debt burden.

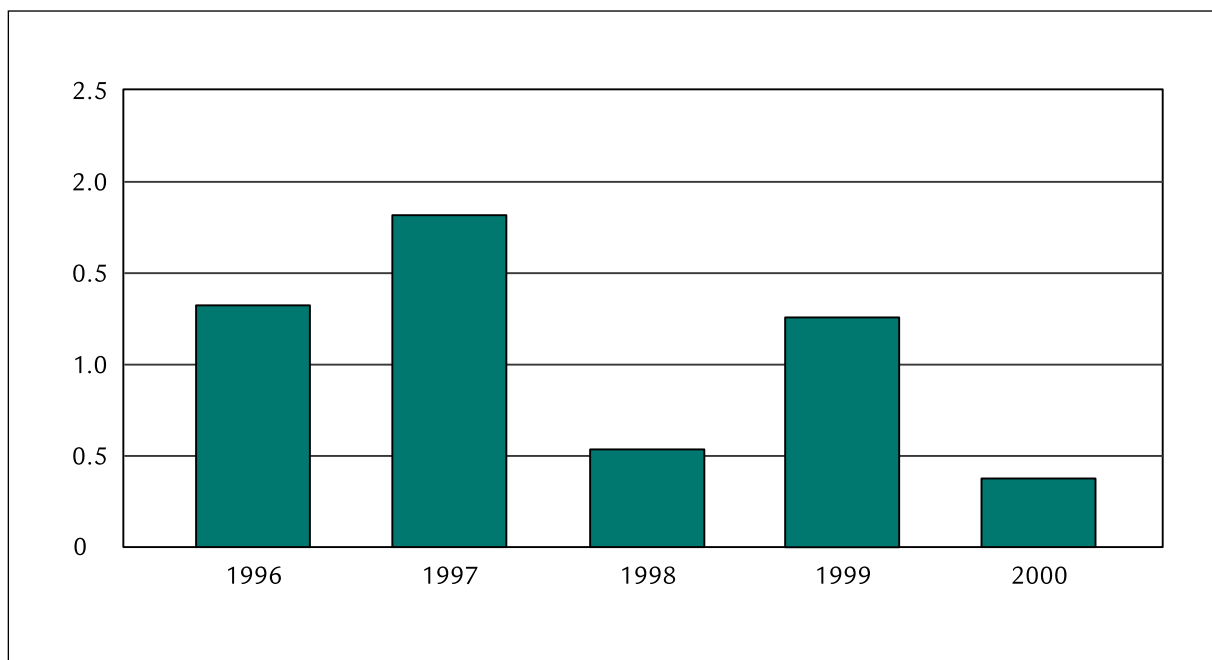
The following indicators point to the condition of flexibility in a government’s finances:

- public debt charges to revenues;

### Exhibit 1.5

#### Change in Net Liabilities to GDP

*Annual increase in net liabilities as a percentage of GDP in British Columbia, 1996 to 2000*



Source: The Public Accounts; Office of the Auditor General of British Columbia; B.C. Statistics

- changes in physical capital stock; and
- own-source revenue to GDP.

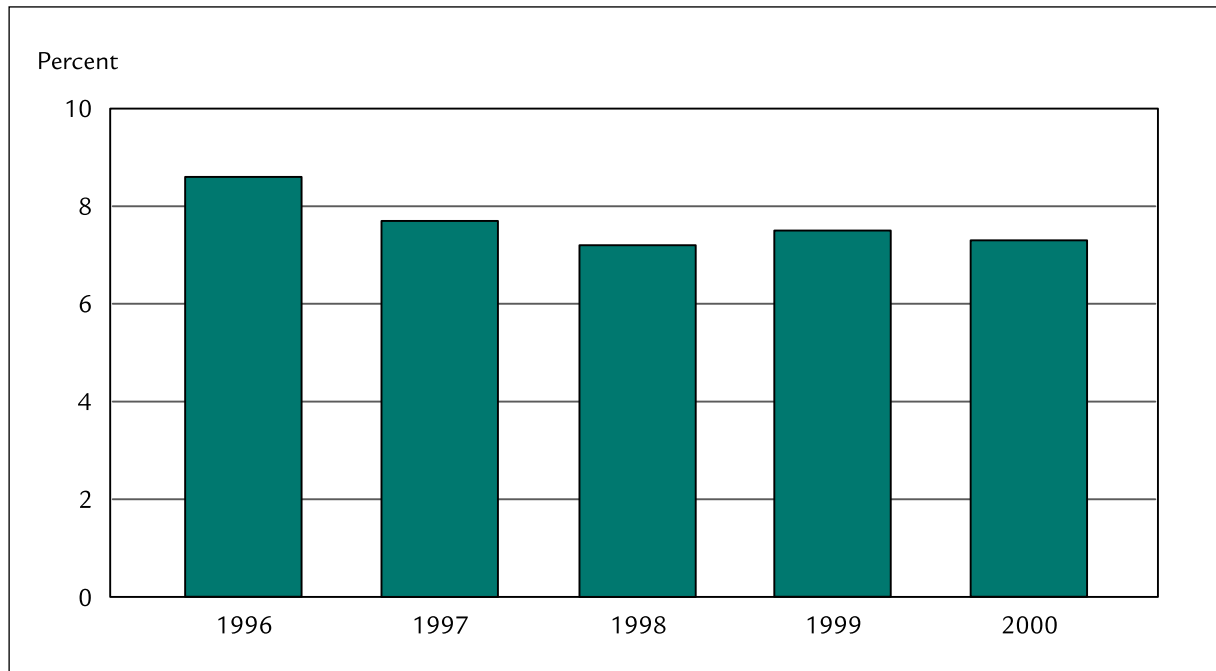
The indicator *public debt charges to revenues*, often referred to as the “interest bite,” shows how much of each dollar of a province’s total revenue is used to pay for servicing costs of total public debt. It is normally measured in the form of cents per dollar of revenue. If an increasing portion of the revenue of a province were used each year to pay interest on monies borrowed by the government, less money would be left for services to taxpayers. Thus, the government would have less financial flexibility.

In British Columbia, this ratio has been reported annually as part of the government’s Debt Statistics reporting. Exhibit 1.6 shows a five-year graph of the *public debt charges to revenues*. The trend on the interest bite for British Columbia has remained fairly constant over the last five years.

## Exhibit 1.6

### Public Debt Charges to Revenues (the “Interest Bite”)

*Debt interest expense as a percentage of total provincial revenue, 1996 to 2000*



Source: The Public Accounts; Office of the Auditor General of British Columbia

The indicator *changes in physical capital stock* reflects the net amount of spending on infrastructure and other capital items by government. It is measured as the percentage change in the net book value of physical assets (cost less accumulated depreciation).

Government must properly develop and maintain adequate infrastructure across the province. Any deferring of expenditures on maintenance can lead to the need for expensive corrections at a later date—and such strain on future resources reduces the flexibility of government to provide other services.

It was only five years ago when the Government of British Columbia decided to gradually treat the cost of physical assets as capital rather than operating expense. And it was only in the last year that the book values of publicly owned tangible capital assets were substantially identified and recorded on the statement of financial position of the government as physical assets. The necessary historical cost data for properly determining the annual measures of this indicator are not readily available, though the government does record the tangible capital assets it acquires each year. Thus, the annual percentage *changes in physical capital stock* of the provincial government from 1991/92 to 1999/00 (shown in Exhibit 1.7) is based on our best estimates.

*Own-source revenue* to GDP represents the extent to which the government is taking income from its own economy in the form of taxation revenue and user fees. Typically, own-source revenue is all revenue other than federal transfers. This indicator measures the percentage of revenues that a government collects directly from the value of the provincial economy.

Exhibit 1.8 shows the ratio of own-source revenue to GDP for the five years ending March 31, 2000.

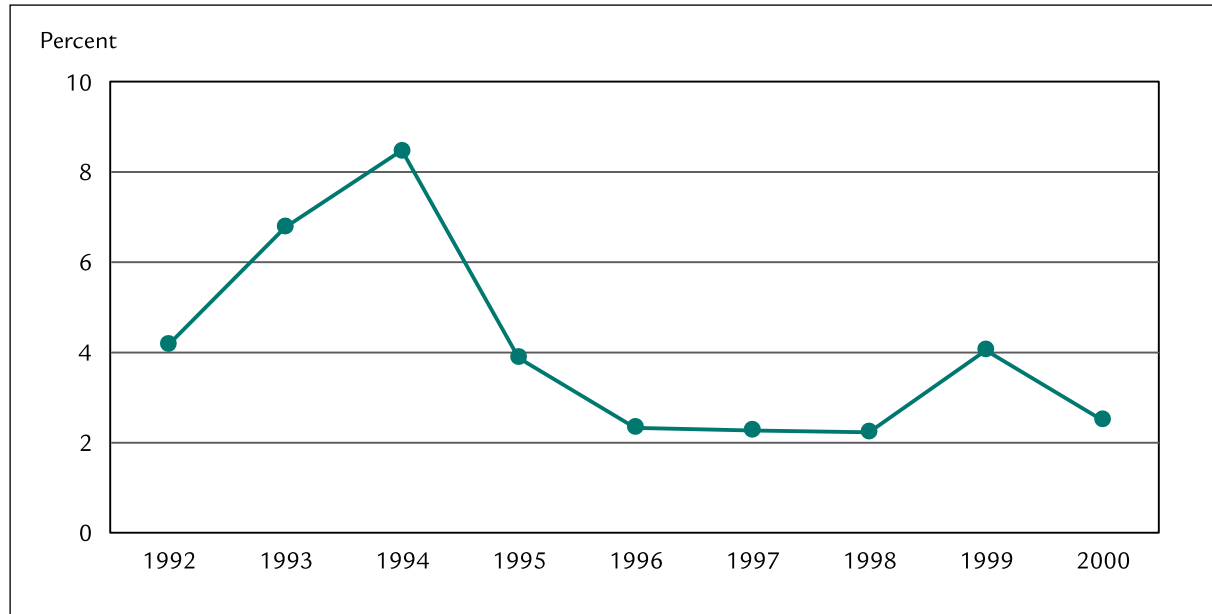
The table below shows details of own-source revenue used to calculate this indicator for the last five years (in \$ millions).

Own-source revenue	1996	1997	1998	1999	2000
Taxation	12,826	13,463	13,551	13,620	13,796
Natural resources	2,478	2,671	2,681	2,015	2,821
Commercial enterprises	7,968	7,884	8,284	9,434	10,380
Other	4,699	4,932	5,290	5,530	5,708
<b>Total</b>	<b>27,971</b>	<b>28,950</b>	<b>29,806</b>	<b>30,599</b>	<b>32,705</b>

## Exhibit 1.7

### Changes in Physical Capital Stock

Annual percentage change in the net book value of capital assets, 1992 to 2000

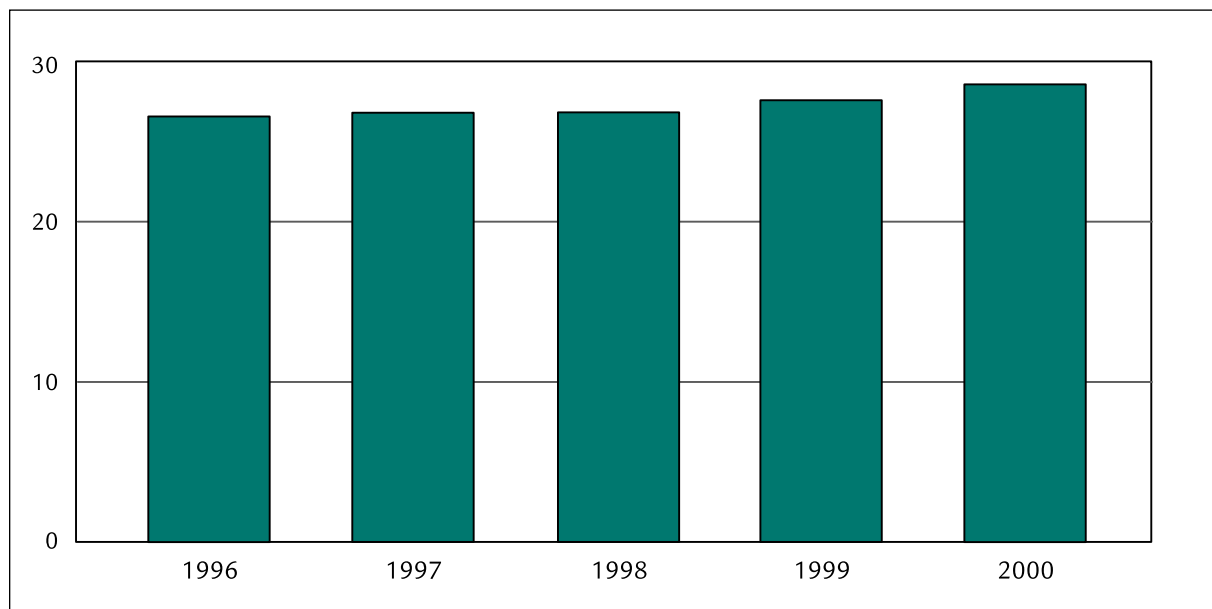


Source: The Public Accounts; Office of the Auditor General of British Columbia

## Exhibit 1.8

### Own-source Revenue to GDP

Provincial revenue, net of federal transfers, as a percentage of GDP in British Columbia, 1996 to 2000



Source: The Public Accounts; Office of the Auditor General of British Columbia; B.C. Statistics

## Vulnerability Indicators

The term “vulnerability” is used to indicate the degree to which a government becomes dependent on, and therefore vulnerable to, sources of funding outside its control or influence, both domestic and international.

Although there are five indicators associated with the vulnerability of government, only three are relevant to provincial governments. These are:

- government-to-government transfers to own-source revenue;
- foreign-held government debt to net government debt; and
- foreign currency debt to government net liabilities.

The idea behind this set of indicators is that funds obtained from federal or international sources (either from government transfers or borrowing) are not considered to be as controllable as revenue generated within a province. Own-source revenue is more controllable by a government through tax legislation, the changing of fees and licences, or the imposition of new fees and licences.

*Government-to-government transfers to own-source revenue* compares federal government transfers to revenue raised through provincial taxation, fees, licences and earnings of a provincial government’s commercial enterprises. Any increase in the ratio may denote a higher dependence of a province on the federal government as a funding source. Because provinces do not normally control federal decisions, an increase in their dependence will likely add to their financial vulnerability.

Exhibit 1.9 shows the percentage of the government-to-government transfers to own-source revenue for British Columbia, for the five years ending March 31, 2000.

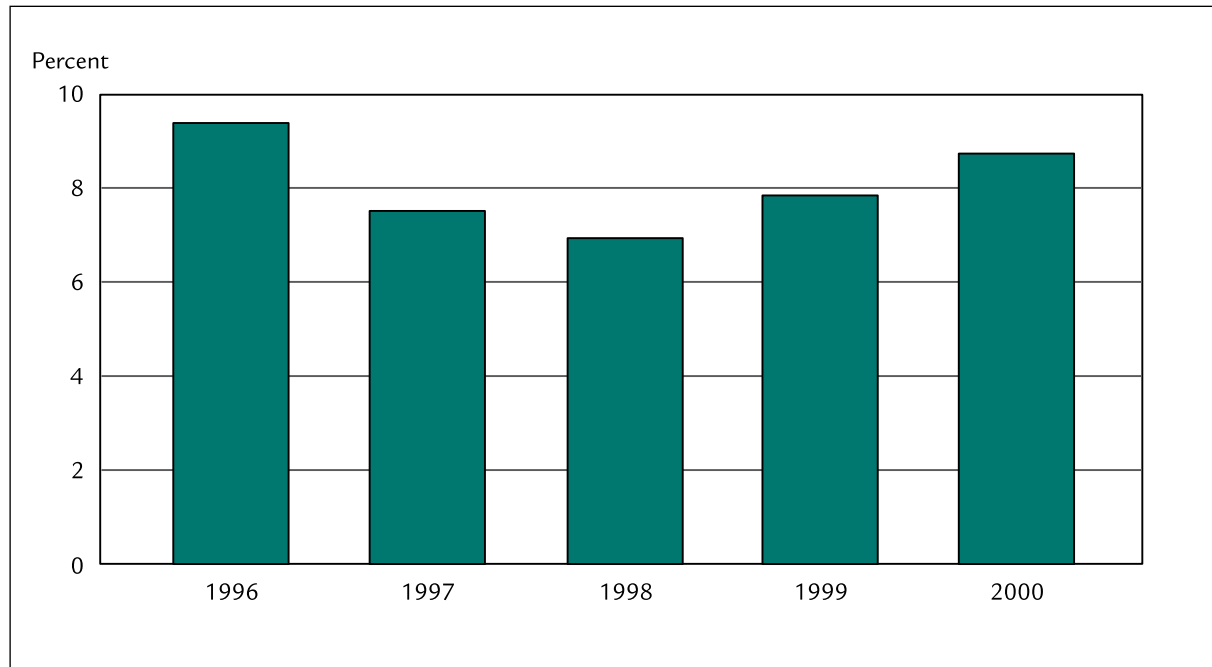
The indicator *foreign-held government debt to net government debt* measures the level of dependence of a provincial government to foreign lenders. However, because there are no restrictions on who purchases government securities from the initial buyers (who are almost exclusively agents), governments in Canada can only keep record by the domain of initial buyers. Consequently, we do not consider this indicator to be a primary measure of dependence. On the other hand, tracking monies borrowed by the government in currencies other than the Canadian dollar is important because of the uncertainties associated with exchange rate when repayment comes due. Therefore, foreign currency debt



## Exhibit 1.9

### Government-to-government Transfers to Own-source Revenue

*Federal transfers as a percentage of all other government revenue, 1996 to 2000*



Source: The Public Accounts; Office of the Auditor General of British Columbia

to government net liabilities seems more suitable to a province's affairs because it shows the degree of vulnerability of a government's public debt position to swings in foreign currency.

To minimize the vulnerability to foreign currency swings, the Government of British Columbia has entered into derivative contracts such as interest rate swaps, currency swaps and forward contracts. These contracts ensure that debt repayments are fixed in Canadian dollars. For many years, information concerning public debt issued in foreign currencies has been included in a note to the government's financial statements. The note discloses any "hedging" through foreign currency derivative contracts.

Exhibit 1.10 shows the non-hedged taxpayer-supported foreign currency debt as a percentage of the net liabilities of the Province of British Columbia, for the five years ending March 31, 2000.

## Comments

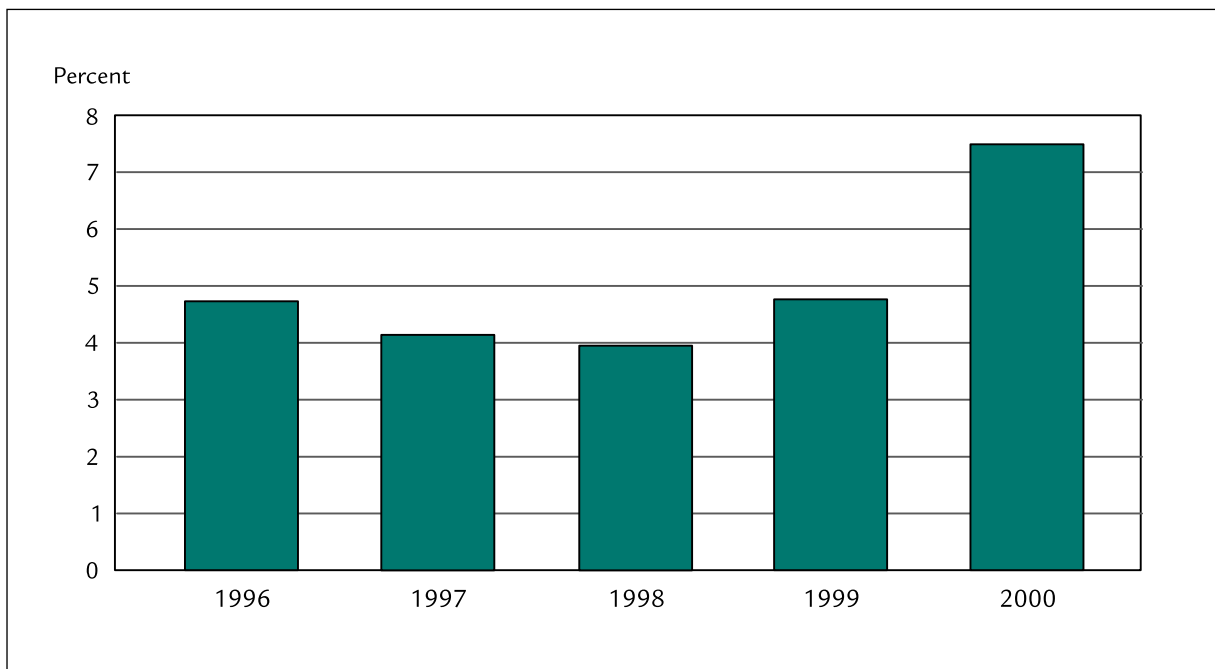
Indicators of financial conditions of a government are useful only if they were prepared on a consistent basis over a reasonably long period of time. Referring to an individual indicator, based on a single year's measurement, will have little relevance as a tool for monitoring provincial financial well-being. However, using all the indicators together can help a government strengthen its accountability to its citizens.

We believe that forecasting indicators of financial condition and measuring and reporting them should be an integral part of the financial accountability process of the Government of British Columbia.

## Exhibit 1.10

### Foreign Currency Debt to Government Net Liabilities

*Non-hedged taxpayer-supported foreign currency debt as a percentage of net liabilities, 1996 to 2000*



Source: The Public Accounts; Office of the Auditor General of British Columbia; Ministry of Finance and Corporate Relations

*Recommendation*

**We recommend that the government measure and report on all the following indicators of financial condition in a statement included in the Public Accounts:**

- ***net liabilities to Gross Domestic Product (GDP)***
- ***change in net liabilities to GDP***
- ***public debt charges to revenues***
- ***changes in physical capital stock***
- ***own-source revenue to GDP***
- ***government-to-government transfers to own-source revenue***
- ***foreign currency debt to government net liabilities.***





part II:  
comments on  
provincial public debt





## part II: comments on provincial public debt

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The term “total public debt” refers to the outstanding balances of all monies borrowed or guaranteed by the Government of British Columbia, less monies set aside in sinking funds for the purpose of repaying the borrowed sums. The government has issued notes and debentures for significantly all its borrowings. Each year since 1993, we have commented on the Province’s public debt and the key measures and indicators of it. The total public debt is a significant component of the government’s financial statements and we believe our comments have been useful in helping the Members of the Legislative Assembly and the public better understand issues related to it.

The total public debt of the Province of British Columbia was \$34.6 billion at March 31, 2000. This is equal to approximately \$8,600 for each person living in the province. By comparison, 20 years ago the total public debt was about \$8 billion. Since then, it has increased every year except for the period of 1988 to 1990.

Based on the government’s March 2000 estimates, the total public debt at the 2000/2001 year-end was to be \$36.9 billion. However, with the release of the government’s second Quarterly Report as at September 30, 2000, the public debt will, it is estimated, decline by \$0.4 billion to approximately \$34.2 billion as at March 31, 2001.

Over the last several years, the government has improved its reporting of debt, both within the Public Accounts and in other publications. It has annually produced a report on debt since the 1994/95 fiscal year. That report, first titled “Debt Management Progress Report,” is now referred to as “Debt Statistics.” Although some debt information is also contained in other government publications, the annual Debt Statistics report remains the main source for information on provincial debt. Debt Statistics 1999/2000 was published along with the Public Accounts in August 2000. The audited section of this report is also included in the Public Accounts.

## Public Debt Measures and Indicators

In the annual Debt Statistics report, the government details a variety of matters related to provincial debt. These matters address, in part, key benchmarks to help the public better understand provincial debt and its fiscal impact. The 10 key measures and reporting performance indicators that the Auditor General identified in 1992/93 as being necessary in accountability reporting on public debt are summarized in Exhibit 2.1.

For the last few years, a number of the measures and indicators published by the government have been slightly different in amount from those included in our comments. The reason is that the government uses (as a basis for its calculation) its Summary Financial Statements, in which the school districts, universities, colleges and health care authorities (SUCH sector) are excluded. In our opinion, the Summary Financial Statements, as well as the Debt Statistics report, should include the SUCH sector. However, except for the “debt to revenue” ratio, exclusion of this sector from the government reporting entity has not resulted in a significant difference in the reporting of debt measures and indicators.

We discuss here the 10 debt measures and indicators, under the following group headings:

- Total Provincial Public Debt
- Financial Well-being of the Province
- Cost of Debt Servicing
- Changes in Public Debt

### Exhibit 2.1

#### Measures and Indicators of Provincial Public Debt

1. Total provincial public debt	6. Total cost of debt servicing
2. Debt to revenue	7. Rate of interest
3. Debt per capita	8. Sources of borrowing
4. Public debt to Gross Domestic Product	9. How debt changed
5. Interest bite	10. Why debt (and the operating deficit) changed



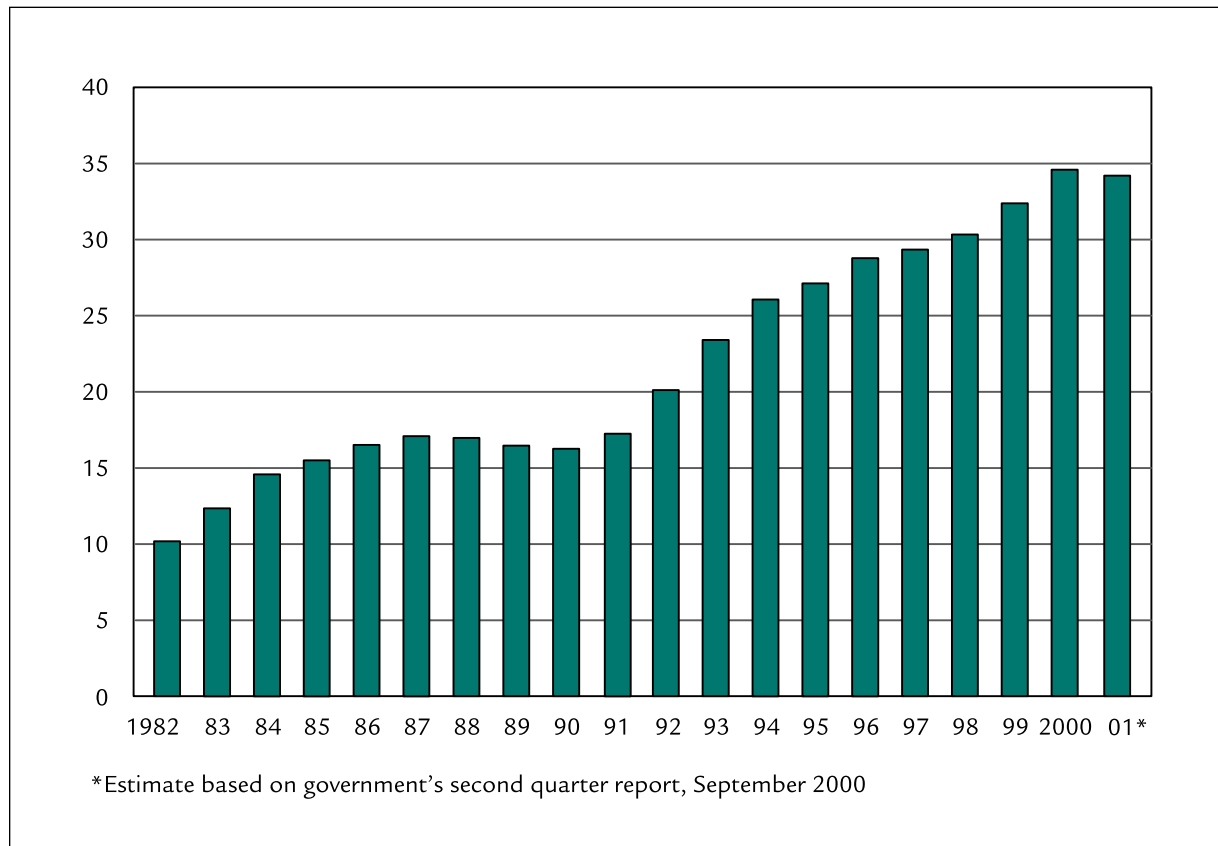
## Total Provincial Public Debt

The first measure of provincial debt is the total provincial public debt. The total debt of the Province of British Columbia increased from \$32.4 billion in 1999 to \$34.6 billion in 2000, an increase of \$2.2 billion (6.8%) in one year. However, Debt Statistics 1999/2000 reports total debt to be \$34.2 billion as at March 31, 2000. The difference between the two amounts is due to \$0.4 billion of additional debt having been borrowed in the SUCH sector. Exhibit 2.2 shows the total provincial debt for the 20 years ending March 31, 2001 (figures for the year 2001 are based on the government's second Quarterly Report, April to September 2000).

### Exhibit 2.2

#### Total Provincial Public Debt

Total debt for the 20 years 1982 to 2001 (\$ Billions)



Source: The Public Accounts; Ministry of Finance and Corporate Relations

The total debt of the Province is composed of amounts borrowed for the operating and capital purposes of government ministries, Crown corporations and other public organizations, for the “warehouse borrowing program” (having funds on hand for future needs), and includes third-party debt guaranteed by the government. Exhibit 2.3 shows the debt composition as at March 31, 2000. The total provincial debt at that date was \$34.6 billion, and consisted of the \$33.5 billion in debt reported in the Summary Financial Statements, together with \$0.6 billion in additional debt of “government enterprises,” \$0.1 billion in third-party guaranteed debt, and \$0.4 billion in debt of the SUCH sector.

The Debt Statistics report provides a breakdown of total public debt between taxpayer-supported debt and self-supporting debt. Most of the key indicators of provincial debt are presented by the government for both the total and taxpayer-supported debt.

Two important indicators of trend in provincial debt are “debt to revenue” and “debt per capita.”

## Debt to Revenue

The *debt to revenue* indicator is calculated as the ratio of debt outstanding at year-end to revenue from all sources for that year. It indicates how many years of revenue it would take to repay the provincial debt. Comparing this ratio for the 1998/99 fiscal year (98.2%) to that for the 1999/2000 fiscal year (97.3%) shows that, during 1999/2000, the rate of increase in debt was lower than the rate of increase in revenue.

The total revenue figure we use to calculate the above ratio for 1999/2000 is approximately \$1.9 billion larger than that used by the government to arrive at its 101.6% published ratio. The \$1.9 billion reflects the additional revenue generated by the SUCH sector that the government does not take into account in calculating debt to revenue.

## Debt Per Capita

As a performance indicator, the *debt per capita* shows the average amount of provincial debt owing by each British Columbian. It is calculated by dividing the total public debt by the population of the province.

## Exhibit 2.3

### Total Provincial Public Debt

Details of gross and net debt as at March 31, 2001 (\$ Millions)

	Gross Debt	Sinking Funds & Unamortized Discounts	Net Debt	
<b>Direct debt of Consolidated Revenue Fund</b>				
Operating purposes	15,139	1,306	13,833	
Capital financing purposes	10,319	2,450	7,869	
				<b>21,702</b>
<b>Debt of Warehouse Borrowing Program</b>	1,357	37	1,320	
				<b>1,320</b>
<b>Debt of government agencies<sup>1</sup></b>				
552513 British Columbia Ltd. <sup>3</sup>	280	–	280	
577315 British Columbia Ltd. <sup>4</sup>	62	–	62	
580440 British Columbia Ltd. <sup>5</sup>	3	–	3	
BC Transportation Financing Authority	1852	9	1,843	
British Columbia Assessment Authority	5	–	5	
British Columbia Buildings Corporation	735	120	615	
British Columbia Ferry Corporation	38	14	24	
British Columbia Housing Management Commission	62	–	62	
British Columbia Hydro and Power Authority	8,045	1,100	6,945	
British Columbia Liquor Distribution Branch	3	–	3	
British Columbia Railway Company	678	23	655	
British Columbia Transit	90	11	79	
Columbia Basin Trust	47	–	47	
Columbia Power Corporation	47	–	47	
Educational Institutions	217	40	177	
Homeowner Protection Office	32	–	32	
Improvement Districts	12	3	9	
Legal Services Society	1	–	1	
Pacific National Exhibition	7	–	7	
Pacific Racing Association	5	–	5	
Provincial Rental Housing Corporation	143	–	143	
Rapid Transit Project 2000 Ltd.	102	1	101	
Regional Hospital Districts	299	–	299	
School Districts	29	–	29	
Victoria Line Ltd.	3	–	3	
				<b>11,476</b>
<b>Third-party guaranteed debt<sup>1</sup></b>				<b>98</b>
<b>Total provincial public debt<sup>2</sup></b>				<b>34,596</b>

<sup>1</sup>Debt of government agencies and third-party guaranteed debt is extracted from the audited accounting records of the government as at March 31, 2000, where possible, or from the most recent financial statements of the agencies.

<sup>2</sup>Debt includes regular borrowings, notes payable, capital leases, mortgages and minority interests.

<sup>3</sup>This company owns shares in Skeena Cellulose Inc.

<sup>4</sup>This company owns shares in Western Star Trucks.

<sup>5</sup>This company provides funding to the Vancouver Trade and Convention Centre Authority.

Source: The Public Accounts; Ministry of Finance and Corporate Relations

Each British Columbian’s share of the provincial debt increased from \$8,102 to \$8,600 between 1999 and 2000 (a change of 6.1%). This indicates that the rate of increase in debt was higher than the rate of increase in population. Exhibit 2.4 shows the debt per capita for the five years ending March 31, 2000.

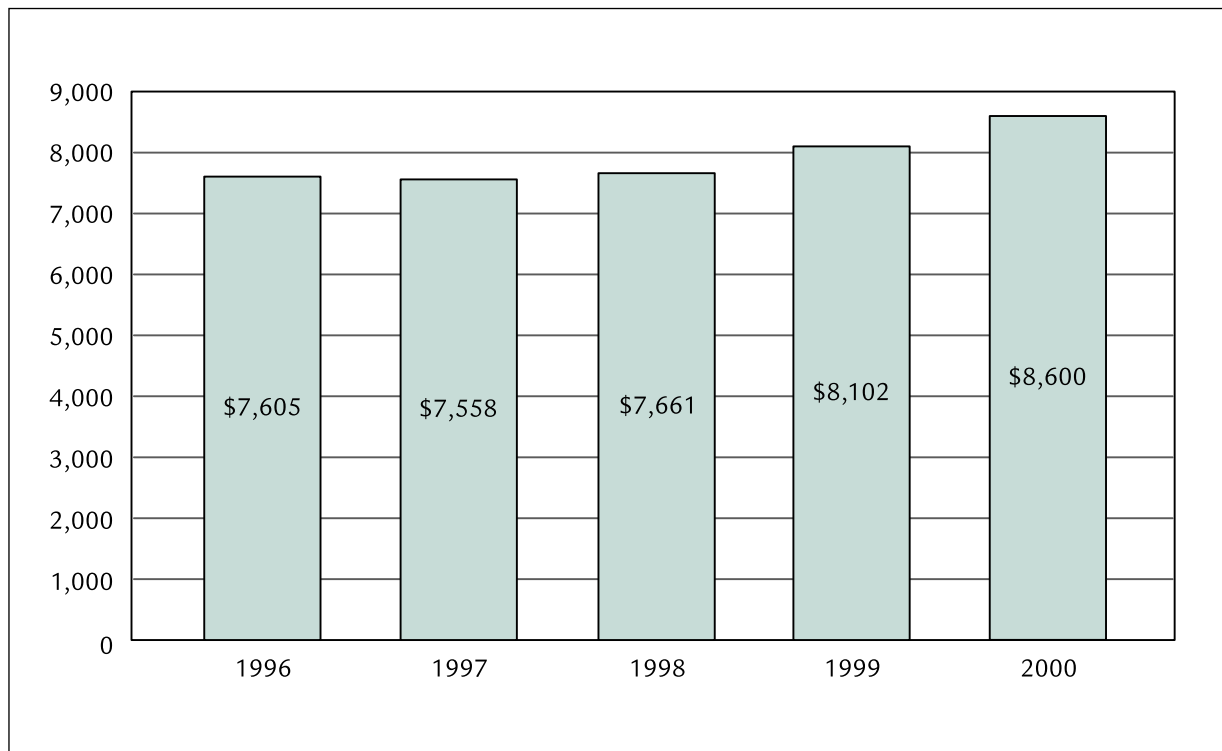
## Financial Well-being of the Province

There are two indicators that measure the financial well-being of the Province: *public debt to Gross Domestic Product (GDP)* and *interest bite*.

### Exhibit 2.4

#### Debt Per Capita

Average share of provincial public debt of a person living in British Columbia, 1996 to 2000



Source: The Public Accounts; Ministry of Finance and Corporate Relations; B.C. Statistics

## Public Debt to Gross Domestic Product (GDP)

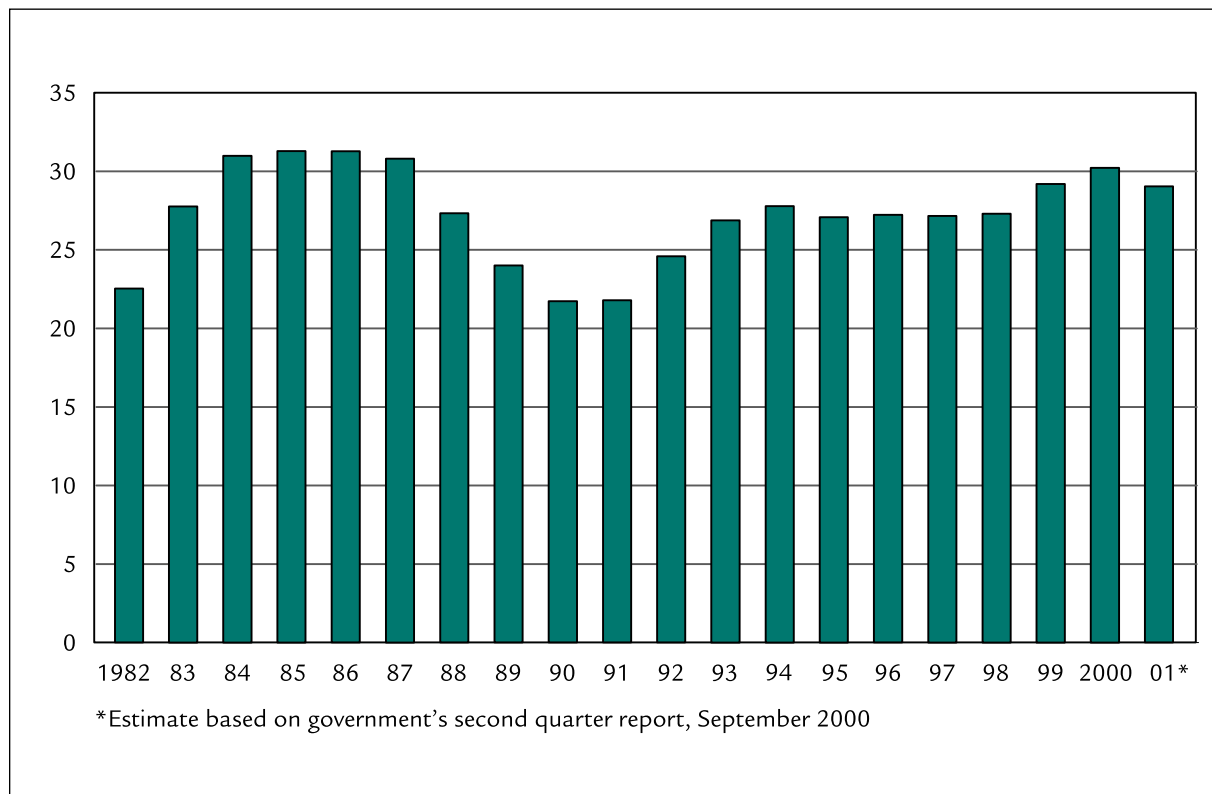
The Province’s ability to service its public debt relates primarily to both its economy—as indicated by GDP—and the magnitude of the public debt. The *public debt to GDP* indicator compares the outstanding debt at year-end to the annual GDP of the Province. Exhibit 2.5 shows the total public debt as a percentage of GDP for the 20 years ending March 31, 2001.

The *public debt to GDP* ratio increased from 29.2% as at March 31, 1999, to 30.2% as at March 31, 2000. This shows that debt increased at a faster rate than the provincial economy grew during the 1999/2000 fiscal year. However, for the fiscal year ending March 31, 2001, based on the government’s second Quarterly Report as at September 30, 2000, the ratio of debt to GDP is expected to decrease to approximately 29%.

### Exhibit 2.5

#### Public Debt to Gross Domestic Product (GDP) Ratio

*Provincial public debt as a percentage of British Columbia’s GDP, 1982 to 2001*



Source: The Public Accounts; Ministry of Finance and Corporate Relations; B.C. Statistics

## Interest Bite

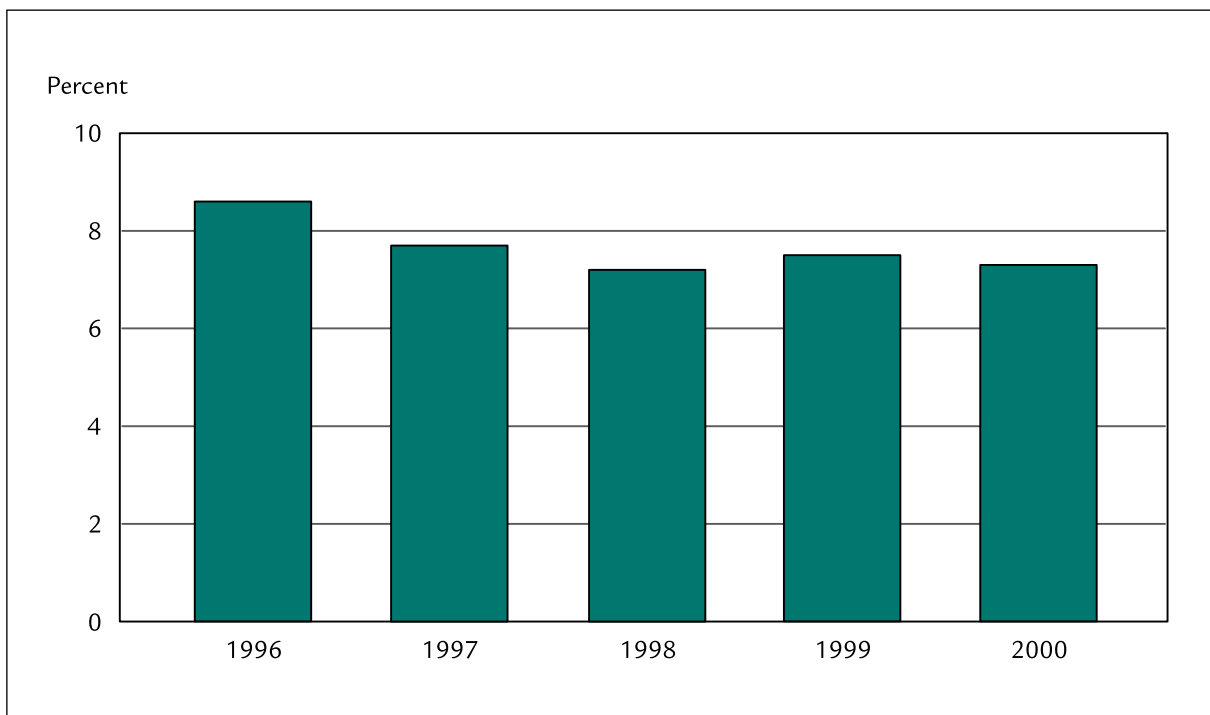
As more money goes to pay the interest on debt, less money is left over to pay for government programs such as health care, education and social services. This is referred to as the *interest bite*.

Exhibit 2.6 shows a five-year trend for the *interest bite*. We calculated the *interest bite* of the Province to be approximately 7.3 cents for the 1999/2000 fiscal year (compared to 7.5 cents in 1998/99). This means that the rate of increase in revenue has been a little higher than the rate of increase in debt servicing costs. The government has reported the interest bite for 1999/2000 as 7.5 cents per dollar. The difference is due to accounting for the increased revenue of the SUCH sector.

### Exhibit 2.6

#### Public Debt Charges to Revenues (the "Interest Bite")

*Debt interest expense as a percentage of total provincial revenue, 1996 to 2000*



Source: Source: The Public Accounts; Office of the Auditor General of British Columbia

## Cost of Debt Servicing

Two measures relate to the interest cost of public debt: *total cost of debt servicing* and *rate of interest*.

### Total Cost of Debt Servicing

The *total cost of debt servicing*, or the Province's cost of borrowing, represents the interest paid on public debt, plus incidental costs associated with the administration of debt, less any investment income from sinking funds. It does not, however, include the costs of contributing to sinking funds or repayments of principal.

The Summary Financial Statements for the 1999/2000 fiscal year reported the annual debt servicing expense as \$2,444 million (compared to \$2,365 million in 1998/99). This is not, however, the Province's total cost of debt servicing because it does not include interest paid on monies directly borrowed by government enterprises and the SUCH sector. Adding these costs to those reported in the Summary Financial Statements results in a total cost of debt servicing of \$2,588 million in 1999/2000 (compared to \$2,477 million in 1998/99).

### Rate of Interest

The *rate of interest* is calculated by dividing the total cost of debt servicing into the average balance of public debt outstanding during the year. It measures the effective rate of interest paid by the government on its borrowings and can be compared to market rates, to prior years, and to other jurisdictions.

Debt Statistics 1999/2000 reported the taxpayer-supported interest rate to be 7.4% for the fiscal year ending March 31, 2000 (compared to 7.7% for fiscal 1998/99).

## Changes in Public Debt

The total public debt of the Province increased by \$2.2 billion during the 1999/2000 fiscal year. To monitor changes in debt would require an analysis of the sources of borrowing and of how and why debt changed. A statement of changes in public debt should adequately explain why, and from whom, the Province has been borrowing.

Financing the annual deficit of the government through borrowing is of particular interest to the Members of the Legislative Assembly and the public. A government may also borrow to finance capital asset acquisitions, new investment and lending programs, or simply to have funds available for future needs (warehousing program).

Exhibit 2.7 shows the annual change in total public debt compared to the annual deficit or surplus. During 1997, the government, in addition to borrowing approximately \$555 million, drew down \$795 million of funds it had previously borrowed and kept as warehouse borrowing. Warehouse borrowing increased the total debt during 1996, but the funds were not put to use until 1997. For 1998, the increase in government debt included \$112 million that the government had borrowed and warehoused previously; in 1999, the warehouse debt increased by an additional \$446 million. During 1999/2000, there was additional warehouse program borrowing of \$662 million. As at March 31, 2000, the balance of amounts borrowed and warehoused for use at a later date was \$1,320 million.

The increase in warehouse debt of \$662 million explains only a part of the difference between the increase in borrowing of \$2.2 billion during 1999/2000 and the small accounting surplus in the same time period. Changes in the government's working capital and other non-cash accounting transactions also account for some of the difference. An overall reconciliation between the government's surplus for the year and the change in public debt during fiscal 1999/2000 can be found in the 1999/2000 Public Accounts (page 92). According to the reconciliation, in addition to increasing the warehouse debt, the government spent approximately \$2.0 billion on the purchase of capital assets for taxpayer-supported activities.

Exhibit 2.8 shows the details of the increase in public debt by organization. The largest change in debt of government agencies occurred in BC Ferry Corporation. The responsibility to repay \$1,080 million of that corporation's debt was transferred to the CRF.

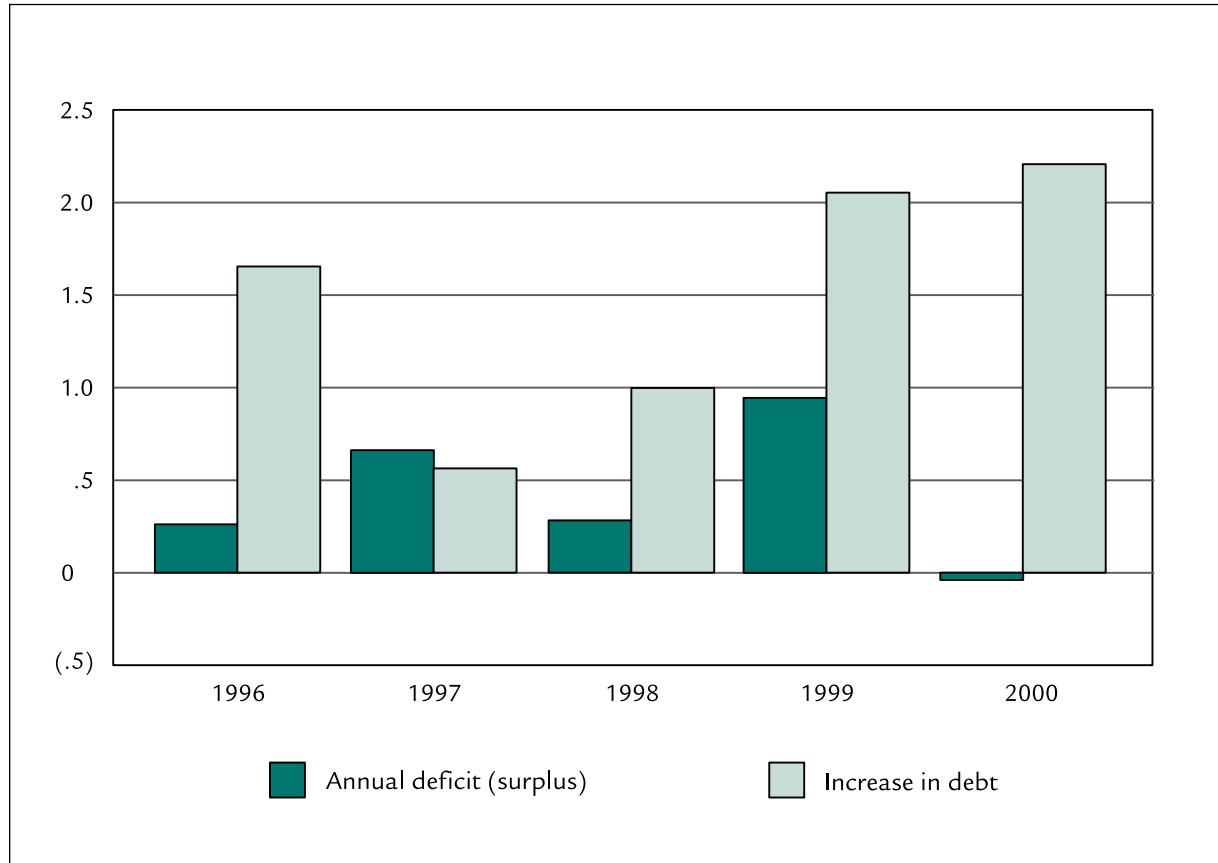
Debt Statistics 1999/2000 provides adequate information about the sources of borrowing during the year, and an analysis of changes in public debt during the year. We encourage the government to continue, and to improve upon, the reporting of those changes.



## Exhibit 2.7

### Deficit (Surplus) Compared to Increase in Debt

Annual deficit (surplus) compared to the annual increase in total provincial public debt, 1996 to 2000  
(\$ Billions)



Source: The Public Accounts; Office of the Auditor General of British Columbia

## Exhibit 2.8

### Changes in Total Provincial Public Debt

Detailed list of change in total provincial public debt in the 1999/2000 fiscal year (\$ Millions)

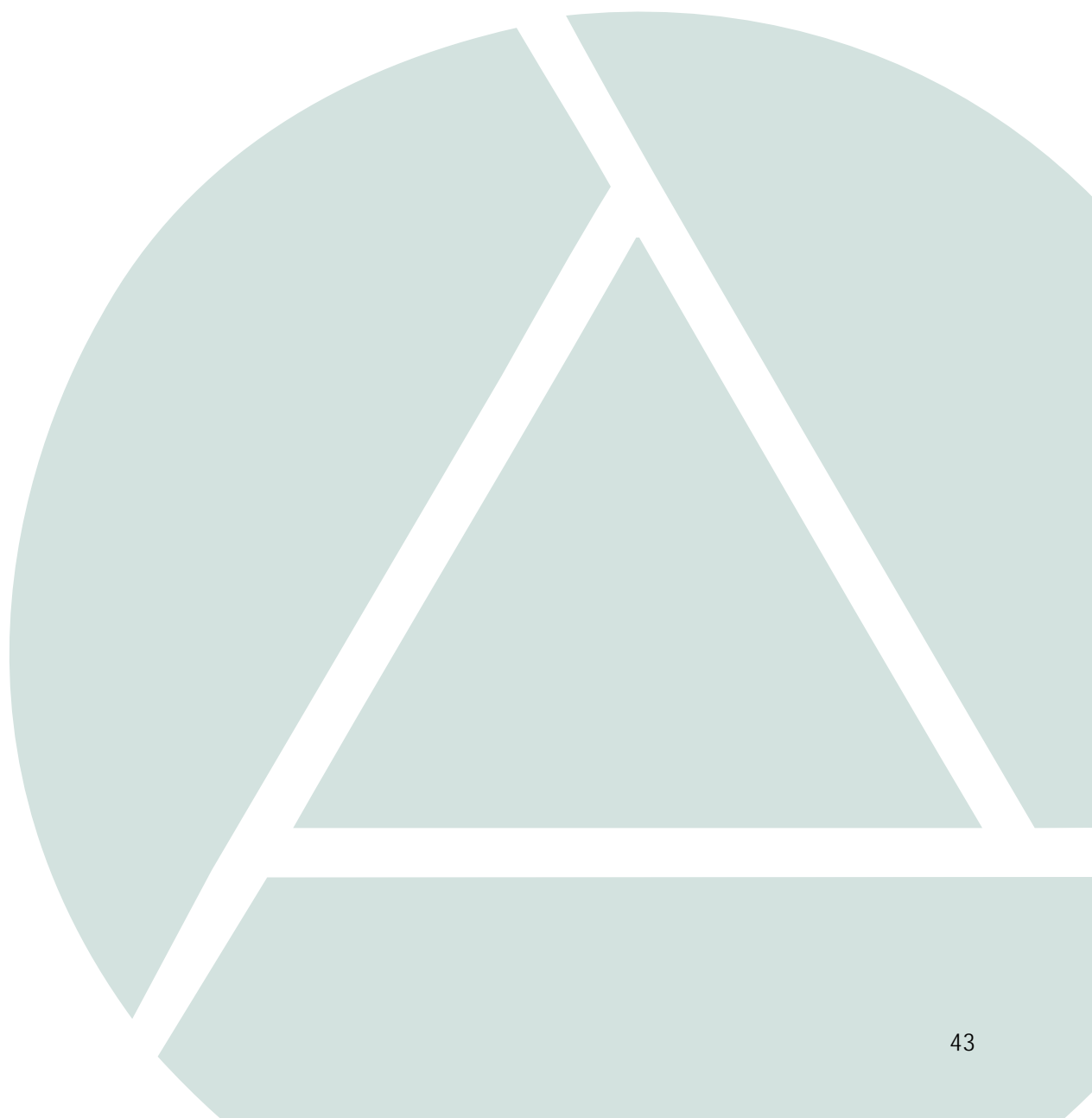
	Debt as at March 31, 2000	Debt as at March 31, 1999	Increase/ (Decrease) in Debt
<b>Direct debt of Consolidated Revenue Fund</b>			
Operating purposes	13,833	12,190	1,643
Capital financing purposes	7,869	6,999	870
	<b>21,702</b>	<b>19,189</b>	<b>2,513</b>
<b>Debt of Warehouse Borrowing Program</b>	<b>1,320</b>	<b>658</b>	<b>662</b>
<b>Debt of government agencies</b>			
552513 British Columbia Ltd. <sup>1</sup>	280	221	59
577315 British Columbia Ltd. <sup>2</sup>	62	–	62
580440 British Columbia Ltd. <sup>3</sup>	3	29	(26)
BC Transportation Financing Authority	1843	1,433	410
British Columbia Assessment Authority	5	4	1
British Columbia Buildings Corporation	615	715	(100)
British Columbia Ferry Corporation	24	972	(948)
British Columbia Housing Management Commission	62	44	18
British Columbia Hydro and Power Authority	6,945	7,474	(529)
British Columbia Liquor Distribution Branch	3	3	–
British Columbia Railway Company	655	607	48
British Columbia Transit	79	59	20
Columbia Basin Trust	47	47	–
Columbia Power Corporation	47	47	–
Educational Institutions	177	175	2
Homeowner Protection Office	32	11	21
Improvement Districts	9	4	5
Legal Services Society	1	–	1
Pacific National Exhibition	7	–	7
Pacific Racing Association	5	5	–
Provincial Rental Housing Corporation	143	139	4
Rapid Transit Project 2000 Ltd.	101	57	44
Regional Hospital Districts	299	318	(19)
School Districts	29	27	2
Victoria Line Ltd.	3	3	–
	<b>11,476</b>	<b>12,394</b>	<b>(918)</b>
<b>Third-party guaranteed debt</b>	<b>98</b>	<b>149</b>	<b>(51)</b>
<b>Total provincial public debt</b>	<b>34,596</b>	<b>32,390</b>	<b>2,206</b>

<sup>1</sup>This company owns shares in Skeena Cellulose Inc.  
<sup>2</sup>This company owns shares in Western Star Trucks.  
<sup>3</sup>This company provides funding to the Vancouver Trade and Convention Centre Authority.

Source: The Public Accounts; Ministry of Finance and Corporate Relations



part III:  
report on the  
1999/2000 public accounts





# part III: report on the 1999/2000 public accounts

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## Introduction

This report contains comments and observations arising from the Auditor General's audit of the financial statements of the Province for the fiscal year ended March 31, 2000.

The Auditor General is required, under the provisions of the Auditor General Act, to examine the government's accounts and records and to report annually to the Legislative Assembly on the financial statements of the Province. In the report on the financial statements, the Auditor General must state:

- whether all the information and explanations required have been received;
- whether the statements present fairly the financial position, results of operations, and changes in financial position of the Province in accordance with the accounting policies stated in them; and
- whether the financial statements are on a basis consistent with that of the preceding year.

If the Auditor General is unable to express his or her opinion without reservation, the reason should be stated in the report on the financial statements of the Province.

The Auditor General must also make an assessment as to whether the financial statements of the Province are prepared in accordance with the most appropriate basis of accounting for the purpose of fair presentation and disclosure. If the assessment is that such was not the case, the Auditor General must explain how the financial statements would have been affected had the most appropriate basis been used.

The Auditor General is eligible to be appointed auditor of any Crown corporation, Crown agency or public body. While the Act does not specify what is required of the Auditor General in the conduct of such audits, the work is typically carried out in a manner and with the same objectives as those applied to the audit of the financial statements of the Province of British Columbia. Comments relating to the financial statement audits of various Crown corporations and other public bodies, in particular those for which the Auditor General is the appointed auditor, are included in this report.

As well, the Act directs the Auditor General to report on cases where: accounting records are not sufficient or properly kept; internal controls are not adequate to protect the assets of the Crown or ensure the proper collection of revenue and making of expenditure; or public money is spent for purposes other than those approved by the Legislature.

The Auditor General also has the mandate to comment on whether government programs are being administered economically and efficiently. This the Auditor General does periodically, in other public reports.

## The Province's Public Accounts and Financial Statements

The Province's Public Accounts are an important component of the financial accountability discipline imposed on the government by the Legislative Assembly. These annual accounts are the primary means by which the government reports its stewardship of public funds to British Columbians.

The legal requirement for the Public Accounts, previously under the Financial Administration Act, is now set out in the Budget Transparency and Accountability Act—legislation that resulted from the recommendations made by the Budget Process Review Panel in September 1999. According to the Act, the Minister of Finance and Corporate Relations must release the Public Accounts by August 31—five months after the fiscal year-end. These accounts must contain specific information required by law, including the Province's annual financial statements. The government may, however, also include other information in the Public Accounts.

### Public Accounts

The Public Accounts for the 1999/2000 fiscal year were tabled in the House on August 15, 2000, more than two weeks earlier than in the previous year. We commend the government for continuing to improve the timeliness of publishing this important document. For the 2000/01 fiscal year, the government is planning to issue the Public Accounts by August 1, 2001. We continue to support the government in this regard.

The 1999/2000 Public Accounts comprise the following:

- A summary overview of the Province's financial results and their reporting.

- Summary Financial Statements of the Province, as audited by the Auditor General.
- Unaudited information on the results of health and education organizations that were excluded from the Province's Summary Financial Statements.
- Unaudited financial information extracts relating to the activities of the Province's Consolidated Revenue Fund (CRF), reflecting the operations of government ministries and legislative offices. The extracts include a comparison of actual results of the fund operation with intended results as approved by the Legislative Assembly in the Estimates. The audited results of the CRF are included in the Province's Summary Financial Statements noted above.
- Overview information relating to provincial debt, including the audited Summary of Provincial Net Debt, Key Indicators of Provincial Debt and Summary of Key Benchmarks.

The 1999/2000 Public Accounts were published in one volume. They are also posted on the Ministry of Finance and Corporate Relations' web site at <http://www.fin.gov.bc.ca>.

The web site also provides the following additional information, much of which is required to be reported publicly:

- Consolidated Revenue Fund schedules, extracts of which are included in the Public Accounts, as noted above.
- A detailed schedule of payments to employees, suppliers and grant recipients.
- Financial statements of Crown corporations and agencies included in the Summary Financial Statements of the Province.
- Trust funds financial statements.
- Summaries of financial statements of corporations and agencies to which the Financial Information Act applies.

## Summary Financial Statements

The Summary Financial Statements of the Province provide the most complete information about the operating results and financial position of the Province of British Columbia. A copy of these statements, together with the Auditor General's report on them, appears in Appendix C of this report.

The Summary Financial Statements consolidate the financial position and results of operation of the Province's General and Special Funds—collectively referred to as the Consolidated Revenue Fund—with the financial position and operating results of government entities owned or controlled by the Province (see pages 54 and 55 of Appendix C of this report for a complete list).

### *Consolidated Revenue Fund*

Established by the Financial Administration Act, the Consolidated Revenue Fund (CRF) accounts for the financial activities of central government undertaken through ministries, special offices and other appropriations. All public money, other than trust funds administered by the government, must be paid into this fund. These activities are recorded in the General Fund of the CRF.

The CRF also includes the accounts of the Natural Resource Community Fund. This Special Fund was established in April 1992 under the Natural Resource Community Fund Act. Its purpose is to assist communities largely dependent on a single resource industry to adjust to severe economic declines that result in business closures or industry workforce reductions. The fund receives as income 0.5% of all revenues, other than fines, collected under a number of statutes dealing with natural resources. Its value is not to exceed \$25 million, the amount at which it has remained over the last several years after transfers to the General Fund.

### *Government Entities*

Depending on the nature of their operations, government entities are referred to as either “taxpayer-supported Crown corporations and agencies” (government organizations), “self-supported Crown corporations and agencies” (government enterprises), or “government partnerships.”

*Government organizations* include corporations, associations, boards, foundations, societies and similar entities that are separated from the operations of central government mainly for administrative reasons. They also include subsidized corporations and partnerships that provide goods or services to the public. *Government enterprises*, on the other hand, earn or are expected to earn sufficient revenue from goods or services they provide to the public to pay for their operations. *Government partnerships* are contractual arrangements with parties outside the government, sharing in business goals, decision-making, monetary contribution, and benefits and risks.



In preparing the Summary Financial Statements, the government uses different methods to consolidate the results of government organizations, enterprises and partnerships:

- *Government organizations'* accounts are fully consolidated with those of central government, on a line-by-line basis and after being adjusted for compliance with the government's stated accounting policies.
- *Government enterprises'* accounts are consolidated on a modified equity basis. This means that the original cost of the government's investment in these business enterprises is adjusted each year to include net earnings or losses and other net equity changes of each enterprise. Government enterprises follow accounting policies that are generally accepted for commercial operations. This accounting treatment is accompanied by disclosure, in the notes to financial statements, of assets, liabilities, expense and revenue of government's commercial enterprises.
- Provincial interests in *government partnerships* are consolidated on a proportionate basis according to the Province's share of total contributions to the partnerships.

The composition of the government reporting entity was significantly expanded in the 1995/96 fiscal year so that universities, colleges and institutes, school districts, regional hospital districts, and public health care organizations were included in the Summary Financial Statements of the Province. But since then, the government has excluded their accounts from the Province's Summary Financial Statements. The government acknowledges that this practice is inconsistent with generally accepted accounting principles for senior governments, as recommended by the Canadian Institute of Chartered Accountants (CICA), and shows its associated financial impact in the Province's Summary Financial Statements separately, (as required by the Budget Transparency and Accountability Act). The effect of the exclusion on the 1999/2000 Summary Financial Statements of the Province is also explained in the reservation paragraph of the Auditor General's Report on those statements. This matter is discussed later below.

## Other Comments

The Government of British Columbia is reaching the final stages of recording the stock of its physical assets on the summary balance sheet as "tangible capital assets" (not charging their cost to operation as it used to do in the past). This will help legislators and the public to be kept adequately

informed of the extent to which infrastructure is being built up or worn down. It also illustrates the magnitude of government’s responsibilities, including those for education and health.

It is widely believed that what gets measured gets managed better. Recording physical assets as fixed assets and charging only their depreciation expense to the operating cost facilitates a better financial management of government programs and makes them comparable from period to period.

Virtually all significant tangible capital assets of the Province, whether purchased or acquired through exchange of assets, have been capitalized. The government expects to have substantially completed recording its capital assets by the end of the 2001/02 fiscal year. Exhibit 3.1 shows the government’s schedule for capitalizing the remaining tangible capital assets over the next two years.

Another change by the government, started in the 1999/2000 fiscal year, was to calculate its pension expense in accordance with the CICA. The new method is based on an estimate of earned employee benefits and net interest earnings of the pension plan rather than on cash payments.

“Net liabilities,” the difference between the Province’s liabilities and its financial assets (discussed in Part I of this report), is an important indicator of the Province’s financial condition. Because the balance sheet no longer differentiates between “financial” and “non-financial” assets, a reconciliation is provided in Note 25 of the 1999/2000 Summary Financial Statements to show the Province’s net liabilities at the end of the fiscal year.

### Exhibit 3.1

#### Tangible Capital Assets Capitalization Schedule

*The government plans to capitalize the remaining classes of tangible capital assets acquired by the Consolidated Revenue Fund by the year 2002*

Fiscal Year	Asset Class
2000/01	Office Furniture and Equipment
2001/02	Dams and Water Management Systems Land Improvements
*Land, other than parkland, is capitalized along with its associated asset (e.g. buildings, roads).	

Source: Memorandum of Understanding between Minister of Finance and Corporate Relations and the Auditor General

## The Auditor General's Reports

### Auditor's Report on Summary Financial Statements

On June 25, 2000, the Auditor General issued his auditor's report on the Province's Summary Financial Statements for the fiscal year ended March 31, 2000. The report appears with the Province's financial statements published in the Public Accounts.

In Appendix A of this report, we explain the format and content of a standard auditor's report as recommended by the CICA. Also included in the appendix are comments on the significance of the auditor's opinion and on the process employed in reaching that opinion.

The Auditor General's report on the Summary Financial Statements for the fiscal year ended March 31, 2000, was issued with one reservation, or qualification, as to the fair presentation of those statements. The following two paragraphs explain the reasons for, and the effect of, the reservation on the financial statements of the Province.

*In note 1 to these financial statements, the Government reports that its stated accounting policies are not fully consistent with generally accepted accounting principles for senior governments as recommended by the Canadian Institute of Chartered Accountants. Consequently, these financial statements do not include the complete financial results of school districts, universities, colleges and institutes, public health care organizations and regional hospital districts.*

*Had a complete accounting been provided as at March 31, 2000 (as disclosed in note 1c), total assets would increase by \$4,718 million (\$4,467 million at March 31, 1999), total liabilities would increase by \$2,147 million (\$1,886 million at March 31, 1999), and the net deficiency would decrease by \$2,571 million (\$2,581 million at March 31, 1999). Similarly, for the year ended March 31, 2000, total revenues would increase by \$1,881 million (\$1,704 million for 1999), total expenses would increase by \$1,894 million (\$1,646 million for 1999), and the annual surplus would decrease by \$13 million (deficit decrease of \$58 million for 1999).*

Further comments on the above-mentioned matter can be found on page 53 of this report, in the section titled "Changes in the Composition of the Summary Financial Reporting Entity."

In the 1999/2000 fiscal year, the Auditor General report also included a section entitled "Other Comments" to highlight other important matters concerning the Summary Financial Statements.

*The Canadian Institute of Chartered Accountants recommends that government financial statements include a comparison of planned and actual revenues and expenses. Such a comparison provides an important basis for understanding, assessing and asking questions about a government's management.*

*In these summary financial statements, the Government provides a partial comparison of planned and actual revenues and expenses. This is reasonable for this year because the Government has only recently made the commitment to prepare and use a full financial planning framework that encompasses its overall operations.*

*The Institute also recommends that government financial statements include an accounting of net liabilities as an integral part of the balance sheet. Net liabilities is the difference between a government's liabilities and financial assets. Net liabilities is a key indicator of financial position because it provides important information on whether a government's future revenue requirements are increasing or decreasing as a result of past transactions and events.*

*In these financial statements, the Government has chosen to provide separate disclosure and reconciliation of its net liabilities rather than reporting this key indicator as an integral part of its balance sheet. As a result, the state of the Government's finances is more difficult to analyse and to compare from one period to the next and from one jurisdiction to another.*

*In these statements, the Government provides complex reconciling schedules to explain the consequences of not fully following generally accepted accounting principles for senior governments as recommended by the Canadian Institute of Chartered Accountants. I urge the Government to adopt the accounting principles recommended by the Institute. Following accounting principles recommended by an independent and authoritative standard-setting body is essential to the credibility and comparability of financial statements.*

The Auditor General believes that the Summary Financial Statements (as presented by the government), together with information contained in his reservation paragraph and the comments noted above, would provide the reader of the statements with adequate information to better assess the financial position and results of operations of the Province.

## Other Reports

While conducting our financial statement audits, we encounter numerous items that call for study and corrective action by ministries, central agencies and government entities. We deal with these matters by having direct contact with officials of these organizations.

Some issues, however, are considered of sufficient significance to warrant the attention of the Legislative Assembly and to be included in this report. Those arising as a result of our audit of the government financial statements appear in a section of this report entitled “Comments on Government Accounting Policies and Practices.” Those relating to our audit of government entities are contained in a report section entitled “Audit of Financial Statements of Government Entities, Trust Funds and Other Organizations.”

## Changes in the Composition of the Summary Financial Reporting Entity

A detailed schedule of organizations and enterprises included in the government reporting entity is shown on pages 54 and 55 of Appendix C of this report. New organizations created and added to the reporting entity during the year were 577315 British Columbia Ltd., British Columbia Investment Management Corporation, Forensic Psychiatric Services Commission, and Organized Crime Agency of British Columbia Society. As well, the Private Post-Secondary Education Commission—an already existing organization—was added to the government reporting entity.

A brief description of these organizations and their operations is provided in the section “Audit of Financial Statements of Government Entities, Trust Funds and Other Organizations” of this report.

The government excludes from its summary reporting entity many education and health care organizations. If it did not, the reporting of the Province’s financial position and operations for the fiscal year 1999/2000 would be affected as follows:

- The government has shown as assets a total of \$6.5 billion classified as prepaid capital advances. These amounts relate to the unamortized balances of funds provided over the years to advanced education institutions, school districts and health care organizations for the acquisition of tangible capital assets. Had these organizations been included in the government reporting entity, the assets would not need to be reported (because they would represent inter-government transactions). Instead, the government financial statements would reflect the current book value of all tangible capital assets of these organizations. The tangible capital assets of educational and health care organizations currently not aggregated in the Summary Financial Statements amount to approximately \$9.0 billion.

- Approximately \$2.2 billion and \$1.8 billion would be added to “other assets” and “other liabilities,” respectively. These amounts would reflect cash and bank balances, accounts receivable, accounts payable and accrued liabilities of advanced education institutions, school districts and health care organizations at March 31, 2000.
- The net deficiency (accumulated deficit) of the Province would be reported at \$2.4 billion, lower than necessary by approximately \$2.5 billion.
- “Revenue” and “expense” of the government would both be larger by approximately \$1.9 billion. These differences would take into account such revenues as tuition fees and patient charges that the educational and health care organizations collect to assist them in delivering their programs and services.
- The annual deficit would decrease by approximately \$13 million.

Exhibit 3.2 summarizes the above differences and shows the significance of the information currently being excluded from the Province’s financial statements.

## Comments on Government Accounting Policies and Practices

### Basis of Accounting

The Summary Financial Statements for the 1999/2000 fiscal year have been prepared in accordance with the government’s stated accounting policies as established by Treasury Board. The Budget Transparency and Accountability Act (Sec. 9(e)) requires the Public Accounts to disclose any material variance of those policies from generally accepted accounting principles for senior governments as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

As at March 31, 2000, note 1(c), entitled “Basis of Accounting” reported how the Summary Financial Statements were affected by the government using accounting policies that are not in accordance with generally accepted accounting principles for senior governments. The departures from the PSAB standards are:

- Exclusion of school districts, universities, colleges and health care authorities (SUCH sectors) from the reporting entity.

## Exhibit 3.2

### The Overall Effect of the SUCH sector in the Reporting Entity

Effect of expanding the government reporting entity to include health care organizations, regional hospital districts, universities, colleges and institutes, and school districts (\$ Billions)

<b>Condensed Summary Financial Statements</b>		
Province of British Columbia		
March 31, 2000		
<b>Balance Sheet</b>		
	<u>Existing<sup>1</sup></u>	<u>Pro Forma<sup>2</sup></u>
<b>Assets</b>		
Other assets	14.8	17.0
Equity in government enterprises	2.7	2.7
Prepaid capital advances	6.5	–
Tangible capital assets	10.2	19.2
	<u>34.2</u>	<u>38.9</u>
<b>Liabilities</b>		
Other liabilities	5.6	7.4
Debt	33.5	33.9
	<u>39.1</u>	<u>41.3</u>
Net deficiency	(4.9)	(2.4)
	<u>34.2</u>	<u>38.9</u>
<b>Statement of Operations</b>		
	<u>Existing<sup>1</sup></u>	<u>Pro Forma<sup>2</sup></u>
<b>Revenue</b>	24.5	26.4
<b>Expense</b>	24.5	26.4
Consolidated net expense for the year	<u>–</u>	<u>–<sup>3</sup></u>
<p><sup>1</sup> Existing summary reporting entity comprising government organizations (excluding health care organizations, regional hospital districts, universities, colleges and institutes, and school districts) and government enterprises.</p> <p><sup>2</sup> The summary reporting entity as in <sup>(1)</sup> above, and including health care organizations, regional hospital districts, universities, colleges and institutes, and school districts.</p> <p><sup>2</sup> The consolidated net expense for the year (annual deficit) would decrease by approximately \$13 million.</p>		

Source: The Public Accounts and financial statements of excluded organizations

- Recording amounts paid to the SUCH sector for capital asset acquisition as prepaid capital advances (PCAs).
- Capitalization of government-owned tangible capital assets.

Note 1(c) to the Summary Financial Statements explains that had the Summary Financial Statements included the SUCH sectors in the reporting entity, and had the statements been prepared on expenditure basis of accounting—where PCAs and tangible capital assets are charged to the fiscal year expenditure—the total assets would decrease by \$14.5 billion, total liabilities would increase by \$2.2 billion, and the net equity would decrease by \$16.7 billion. The total revenue, total expense and annual surplus would decrease by \$1.9 billion, \$2.7 billion and \$0.8 billion, respectively.

We recognize the need for the government to have some flexibility in implementing the PSAB standards. This flexibility, however, should only allow for use of emerging standards where they improve the presentation of financial information, and not where they lead to unfettered departure from generally accepted accounting principles.

### *Recommendation*

***We recommend that the government amend the Budget Transparency and Accountability Act so that it requires the government to establish its accounting policies in accordance with generally accepted accounting principles for senior governments in Canada.***

### Pension Expense

The government changed its accounting policy for pension costs and liabilities starting in its 1999/2000 financial statements. The new policy reflects the recommendations of PSAB.

Prior to the change, the government calculated its pension cost based on the annual cash contributions made by the Province into the plans, with some adjustments for future plans requirements. Under the new policy, pension cost is based on the annual accrued benefits earned by government employees, with adjustments related to the investment earnings of the plans. This method provides a better estimate of expected pension costs for the reporting period than did the previous method.

To date, the difference between cash contributions and the benefits earned by employees has not been significant. However, high earnings of plan investments in recent years



have resulted in growing estimates of surpluses. Under the old accounting method, this would have resulted in a significant overstatement of the government's pension costs. The effect of the change is a \$350 million reduction in the government's pension expense for 1999/2000.

***We concur with this change in accounting policy.***

## Small Business Forest Enterprise Program

During the year 1999/2000, the government started recording, as cost of goods sold, certain costs it previously expensed in delivering the Small Business Forest Enterprise program (SBFEP). These costs include those for road building, timber development and marketing.

This change in accounting treatment was made retroactive to the 1995/96 fiscal year.

The net effect in 1999/2000 of the change in accounting is an increase in inventory by \$134 million, an increase in the current year's surplus by \$22 million, and a decrease in the accumulated deficit by \$112 million.

***We concur with this accounting treatment.***

## Tangible Capital Assets

### *Land Database*

Until recently, the government treated the cost of physical assets as operating expense in the year it acquired them. Because they were fully expensed, the accounting records maintained no running total of the book value of these assets. The change that took place about five years ago in the accounting policy for physical assets requires that the historical costs of such assets be recorded as capital expenses, and that the cost be amortized over the useful lives of those assets. Since it has started capitalizing physical assets in 1996, the government has identified most of its physical assets, verified their existence and ownership of them, and recorded their historical costs (or an estimate of them).

In many cases, particularly for land, the determination of historical cost has proven to be difficult. One reason is that the land databases maintained by the Land Titles Office and the British Columbia Assessment Authority have not been designed to track the land acquired and owned by the Province. Another reason is that complete and accurate cost information is not often readily available.

To resolve this significant issue, the government decided (starting in the 1997/98 fiscal year) to capitalize land along with its associated asset. Given that the accounting standards for physical assets do not require Crown land to be capitalized, and that land purchased for resale has always been included as inventory in the financial statements of the Province, we believe the approach taken by the government is reasonable. In this way, the government has been able to record much of the land acquired by the government over many decades for highways, buildings and developing parks.

The government has committed itself to developing a special land database to give management proper access to sufficient accurate information about land owned by the Province. We understand that the government has started work in this area by initiating a data-sharing partnership with municipalities and utility companies.

### *Recommendation*

***We recommend that the government continue its efforts to develop a centralized database of relevant information on all land owned by the Province and, once the database is completed, maintain and update the information on a timely basis.***

## Liability for Post-retirement Benefits

Many retired members of the Public Service Pension Plan and other government-funded pension plans receive benefits paid for by their former employers. These benefits are over and above the amount retired employees receive as pension. For example, these employers may pay all or a portion of the pensioners' premiums for public health care plans. As an employer, the Province is responsible, under existing pension agreements, for paying the Medical Services Plan and Extended Health Care premiums for its current and retired employees. This fact is disclosed in the notes to the government's financial statements.

For a number of years, we have commented on the way the government records the Province's obligation for post-retirement benefits in the financial statements.

Currently, the cost of these benefits is recorded only when the benefits are actually paid. The liability for unpaid benefits earned by retired and current employees is not recorded in the Province's financial statements. We believe that post-retirement benefits earned by an employee who is a member of a statutory pension plan should be accounted for in the financial statements

to the extent the Province is liable for. The government agrees that a liability for employee post-retirement benefits exists, but has not recorded it in the Province's financial statements.

The government said in the past that it was waiting for a more definitive accounting policy pronouncement from the CICA on how to value employee future benefits. In March 1999, the CICA issued new accounting standards for recording employee future benefits. As well, PSAB is moving to put similar standards in place for senior governments. These standards require the accrual and recording, over the term of employees' service lives, of all benefits—not only pension income, but also other benefits such as life insurance, medical and dental plans—earned by the employees.

### *Recommendation*

***We recommend that a reasonable estimate of post-retirement benefits for which the government is liable be included in the Province's financial statements.***

## Contingent Liability for Environmental Clean-up Costs

The Province is responsible for the restoration of a number of contaminated sites around British Columbia—an undertaking that could be very costly. Common examples of these sites are government highway work yards, gravel pits, forestry work camps, and forestry work yards. Common contaminants include gas, oil and chemicals.

For several years, the government has made financial provision in the Province's books for cleaning up and restoring provincial sites known to be contaminated. The balance of such provision at March 31, 1999, was \$44 million. We noted that, at year-end, neither the Office of the Comptroller General nor ministries had carried out many procedures to determine whether this amount was a reasonable sum for cleaning up the sites identified.

The government explains, in a note to the Summary Financial Statements, that the lack of adequate evaluations has made it difficult to determine the amount of environmental clean-up liability remaining for other contaminated sites. However, through the British Columbia Buildings Corporation, efforts are now underway to review suspected provincial sites so that the extent of contamination can be assessed and the costs associated with the clean-up estimated.

*Recommendation*

**We recommend that the government ensure that all contaminated sites for which the Province is responsible be identified and the level of contamination evaluated so that the total liability for restoring contaminated sites can be determined. The government should also establish formal procedures for reviewing annually the reasonableness of the environmental clean-up liability recorded in the Public Accounts.**

British Columbia Hydro and Power Authority:  
The Rate Stabilization Fund

On March 30, 2000, British Columbia Hydro and Power Authority (BC Hydro) established a rate stabilization account to mitigate the impact of volatile earnings on consumers. The company transferred \$129 million to that account in the 1999/2000 fiscal year.

In BC Hydro's financial statements for the year ended March 31, 2000, the transfer to the rate stabilization account was accounted for as a deduction from the company's income before arriving at the net income. This resulted in reporting a lower net income for the year, \$416 million rather than \$545 million.

Although BC Hydro is a Crown corporation and the Utilities Commission is a regulatory body, the two are related organizations subject to common control by the government. Thus, under the circumstances, we believe that the transfer of funds to the rate stabilization account should be regarded as voluntary appropriation from BC Hydro's retained earnings rather than an outgoing charge against its income.

In calculating the value of the Province's equity in BC Hydro, the government has adjusted the company's net income in the Summary Financial Statements to \$545 million. We concur with the adjustment made in the financial statements because we believe treating the transfers to the rate stabilization account as an appropriation from corporate retained earnings reflect properly the underlying economic substance of the transaction.

*Recommendation*

**We recommend that the government direct BC Hydro to review its accounting policies regarding the rate stabilization account transfer, to ensure the underlying economic substance of the transaction is properly reflected in the Corporation's financial statements.**

## Sale of the Right to Operate BC Online

During the 1999/2000 fiscal year, the Province sold MacDonal Detwiler and Associates (MDA) a 10-year right to operate BC OnLine. Prior to the \$55 million sale, BC Online operated as an electronic information link between several provincial databases and the diverse users of this information on a fee-for-service basis. As a result of the sale contract, this service, which permits users to access such information as land titles and corporate registry data, will now be provided by MDA.

The government has recognized the \$55 million sales price as revenue in its Statements of Operation for the 1999/2000 fiscal year. In our view, an estimated \$20 million of this revenue should have been deferred and recognized over the term of the agreement.

We were unable to reach agreement on this accounting issue with the Office of the Comptroller General, partly because of the uncertainties inherent in the unique and complex nature of this agreement and partly because government accounting policies are not clear on how the sales to third parties of the right to access publicly owned intangible assets should be accounted for.

### *Recommendation*

***We recommend that the government improve guidance relating to the revenue recognition principles that apply when rights to access publicly owned information and other intangible assets are sold to third parties.***

## Accounting for Government Enterprises in Summary Financial Statements

On page 49, we defined “government organizations” and “government enterprises” and explained how their results are consolidated in the Summary Financial Statements. *Government organizations* are fully consolidated in the Summary Financial Statements, which means that all their revenues, expenses, assets and liabilities are aggregated on a line-by-line basis after they are adjusted for compliance with the government’s stated accounting policies. *Government enterprises*, on the other hand, are recorded on the modified equity basis, meaning that the Summary Financial Statements include only the original cost of the government’s investment in these entities, adjusted annually for their net earnings, losses and other equity changes.

We believe that information on financial position and operations of the government’s commercial enterprises is important and should not be netted in the way it is currently

done. One reason is that excluding these government enterprises from full consolidation in the Summary Financial Statements results in a significant amount of revenues, expenses, assets and liabilities under government stewardship not being aggregated. This hinders the proper evaluation of the full extent of the government's financial activities.

Another reason is that, although government commercial enterprises are expected to be self-sufficient and reliant on their capacity to do business, they are invariably also given responsibility to implement major public policies. Essentially this makes them equivalent to other government programs captured and reported in the Summary Financial Statements. For example, British Columbia Hydro and Power Authority, established in 1962 as a Crown corporation, has a corporate mission to provide integrated energy solutions to its customers in an environmentally and socially responsible manner. Similarly, the British Columbia Lottery Corporation, as an agent of the Crown, is the authority designated by the Province to conduct and manage lottery games.

Recording in the Summary Financial Statements only the adjusted value of the Consolidated Revenue Fund's investments in government commercial enterprises is inconsistent with the gross basis of accounting—a policy that has been adopted by the government and stated in the Province's financial statements.

Over the last few years, the government has changed the basis of consolidation for some entities that were formerly accounted for on a modified equity basis. For example, in previous fiscal years, the government consolidated the financial activities of British Columbia Ferry Corporation, British Columbia Assets and Land Corporation, and B.C. Community Financial Services Corporation on a line-by-line basis. The financial activities of other government enterprises, however, continue to be recorded on a modified equity basis on the grounds they do not depend on the government to subsidize their operations. These enterprises include a number of large corporations such as British Columbia Hydro and Power Authority, British Columbia Railway Company, and the Insurance Corporation of British Columbia.

While the accounting policy the government applies to its commercial enterprises is consistent with the current recommendations of PSAB, we believe that there is room—as we discussed in Part I of this report—for better disclosure of this type of government's business activities in its Summary Financial Statements.

# Audit of Financial Statements of Government Entities, Trust Funds and Other Organizations

## Changes in Government Entities

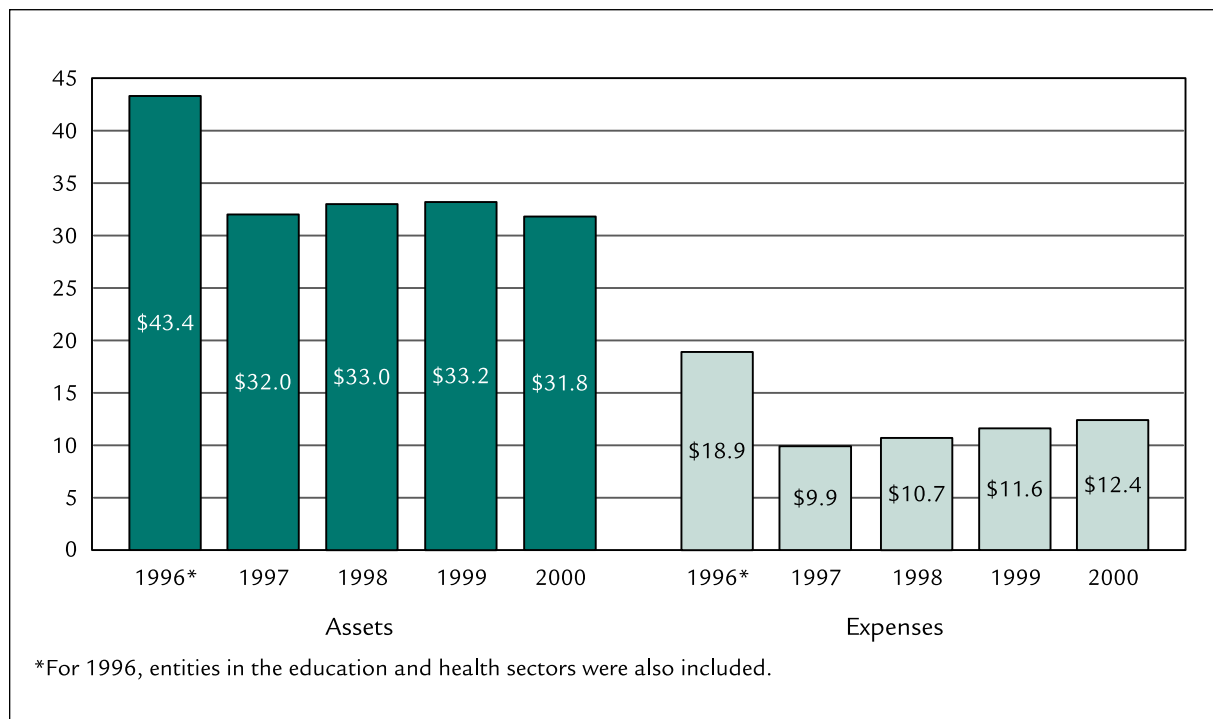
The Summary Financial Statements of the Province for the 1999/2000 fiscal year include the results of the financial activities and operations of 56 government organizations and enterprises (collectively referred to in this section as government entities). These entities are listed in Appendix B.

The assets and expenses of the 56 government organizations and enterprises mentioned above amounted to \$31.8 billion and \$12.4 billion, respectively. Exhibit 3.3 shows the changes in total assets and expenses of these government entities from 1996 to 2000. Not all of the assets and expenses of these entities are aggregated in the Summary Financial Statement of the Province. The reason is that, for some entities, only the investment cost and net earnings or losses are included.

### Exhibit 3.3

#### Changes in Assets and Expenses

*Assets and expenses of government entities, 1996 to 2000 (\$ Billions)*



Source: Financial statements of government entities

Last year, the Province's financial statements included 55 such entities. The changes in the composition of the government reporting entity from last year are summarized earlier in this part of the report. Exhibit 3.4 provides a brief description of the organizations added to the reporting entity, and their operations.

## Exhibit 3.4

### Organizations Added to the Government Reporting Entity in 1999/2000

*Brief description of organizations and their operations*

#### 577315 British Columbia Ltd.

577315 British Columbia Ltd. was incorporated on December 29, 1998, under the Company Act of British Columbia. Its objective was to purchase and hold \$60 million equity in redeemable, convertible retractable preferred shares of Western Star Trucks Holdings Ltd. (Western Star).

The corporation is accountable to the Minister of Employment and Investment, and has two board members who are provincial government employees. The corporation does not have its own staff. The Ministry of Employment and Investment provides the corporation with administrative and accounting services at no cost.

Subsequent to March 31, 2000, Western Star was sold. As part of the sales agreement, the government converted \$20 million of its preferred shares into common shares of Western Star, and sold those shares. Western Star redeemed the remaining \$40 million in preferred shares at face value.

#### British Columbia Investment Management Corporation

The British Columbia Investment Management Corporation was created through the Public Sector Pension Plans Act in November 1999. It is authorized to carry on trust business and provide investment management services to government and other provincial organizations and agencies. Previously, these services were provided directly through the Ministry of Finance and Corporate Relations, which transferred its investment operations to the corporation on January 1, 2000.

The corporation's board, referred to as the investment management board, has seven members: four appointed by the boards of the College, Municipal, Public Sector and Teachers' Pension plans; two appointed by the Minister of Finance and Corporate Relations to represent other clients; and the Deputy Minister of Finance, who acts as the Chair of the investment management board. The board administratively is accountable to the pension boards and trustees and other persons responsible for the funds managed by the corporation on their behalf.

As at March 31, 2000, the corporation had assets under administration of approximately \$61 billion.

#### Forensic Psychiatric Services Commission

The Forensic Psychiatric Services Commission was established under the Forensic Psychiatry Act on April 1, 1999. As an agent of government, the commission operates the Forensic Psychiatric Institute that conducts fitness assessments for individuals appearing before the courts, and provides treatment to those found not guilty by reason of mental disorder.

The Act stipulates that the board of the commission include at least five persons appointed by government. At the start of its operations, the commission assumed the budget and staff resources formally provided by the Ministry of Health.

– continued



The commission is funded primarily through grants from the Ministry of Health and fees from the Medical Service Plan. These revenues totalled \$43 million for the year ended March 31, 2000.

#### Organized Crime Agency of British Columbia Society

The Organized Crime Agency of British Columbia Society was incorporated on March 15, 1999, under the Society Act of British Columbia. The purpose of the society is to provide designated policy and law enforcement services directed at reducing and eliminating organized crime and other significant criminal activity in British Columbia. The society was established following the disbanding of the Co-ordinated Law Enforcement Unit.

The board of the society is made up of seven directors, appointed by the Attorney General of British Columbia.

Funding for this society is obtained through contributions received from the Province of British Columbia and the Royal Canadian Mounted Police, and donated services provided by federal and municipal police organizations. For the year ended March 31, 2000, these contributions amounted to \$5.2 million.

#### Private Post-Secondary Education Commission

The Private Post-Secondary Education Commission was created on July 27, 1990, under the Private Post-Secondary Education Act. Its purpose is to develop and administer a mandatory registration system and voluntary accreditation program for private post-secondary educational institutions in the Province of British Columbia.

The board of the commission is to consist of no more than 15 members appointed and accountable to the Minister of Advance Education, Training and Technology and Minister responsible for Youth.

The operations of the commission are funded primarily through registration and accreditation fees levied on private post-secondary educational institutions. These fees totalled \$1.2 million for the 1999/2000 fiscal year.

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## Auditors of Crown Corporations, Agencies and Other Public Bodies

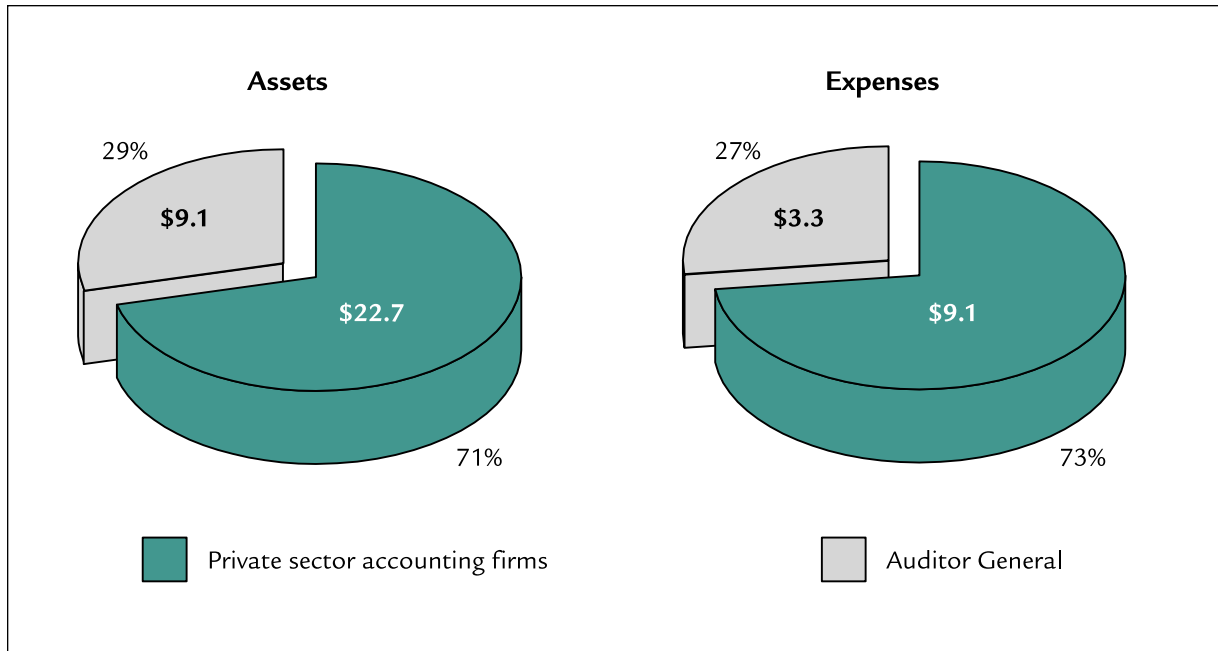
**Exhibit 3.5 shows, for the government entities included in the 1999/2000 Summary Financial Statements of the Province, the asset and expense amounts audited by the Auditor General and those audited by private sector accounting firms. The Auditor General audited 26 such entities, which had total assets of \$9.1 billion and expenses of \$3.3 billion. Private sector accounting firms audited 29 government entities, which had combined assets and expenses of \$22.7 billion and \$9.1 billion, respectively. One small entity did not require an audit.**

**The Auditor General audited, in addition to the government entities included in the Summary Financial Statements of the Province, a further 58 government entities with assets of \$99.7 billion and expenses (including financing**

## Exhibit 3.5

### Distribution of Financial Statement Attest Audits

*Asset and expense amounts audited by private sector accounting firms and by the Auditor General (for government entities), 1996 to 2000 (\$ Billions)*



Source: Financial statements of government entities

transactions) of \$35.2 billion. Among these were 38 trust and investment funds, including pension and superannuation plans, administered by the government.

Appendix B of this report lists all the government entities referred to above.

With the exception of two entities, the auditor's reports on the financial statements of government entities included in the 1999/2000 Summary Financial Statements were issued without reservations. The exception relates to two small entities, whose auditor's reports noted that some revenues and expenditures could not be satisfactorily verified.

For the 29 government entities audited by private sector accounting firms, we need to rely on their audit work and reports. We must, however, take reasonable care to assure ourselves that our reliance on other auditors is justified. We do this by meeting annually with some of the private sector auditors and reviewing their working papers to the extent we

consider necessary. This process also provides us with a good understanding of the nature of the audit work being undertaken in the public sector, which in turn helps us to provide further advice to the Minister and the Legislative Assembly about audit issues.

## Accounting Standards for School and Regional Hospital Districts

When appropriate accounting standards are applied consistently by similar entities within the public sector, it enhances comparability between them and with similar organizations in the private sector. Such comparisons may also provide important information to users about the performance of a public sector entity.

An organization will select the accounting standards that most fairly portray its activities. The two main sources that public sector entities usually refer to for accounting guidance are the Accounting Standards Board (AcSB) and PSAB. Generally, most public sector entities look to the generally accepted accounting principles as set by the AcSB, when selecting the basis for financial reporting by their organizations. Certain public sector entities, however, may apply the PSAB recommendations either when they are most appropriate to their objectives and circumstances, or when the AcSB's standards require that.

Below, we discuss the need for improved financial reporting for schools and regional hospital districts.

### *School Districts Need Better Accounting Standards*

Under the School Act, every school district is required to prepare audited financial statements. The Act broadly specifies the format, content and timing of the financial statements. The Ministry of Education provides detailed instructions and guidelines for the school districts to follow in their preparation of financial statements.

In our report on the 1997/98 Public Accounts, we reported our concerns with the appropriateness of certain accounting policies adopted by school districts, and with the consistency of accounting principles and financial statement reporting standards followed by them. Unless all districts record and present the results of their operations in an appropriate and consistent manner, the users of school district financial statements are hampered in making any meaningful comparison of financial management and performance

between the various school districts within the province. We recommended that the government conduct a comprehensive review of accounting for school districts, with the purpose of improving their financial accountability.

Last year we reported that the Ministry of Education had initiated a comprehensive review to improve the accounting and reporting for school districts, and was hoping to complete its review and implementation of the necessary changes by July 2000. The completion timeline has been deferred to the end of the 2001/2002 school year.

### *Recommendation*

***We recommend that the government improve financial reporting by school districts.***

### *Regional Hospital Districts Need Better Accounting Standards*

For the year ended March 31, 2000, the regional hospital districts showed in their financial statements revenues aggregating \$114 million, primarily made up of provincial contributions of \$49 million and taxation revenue of \$62 million. The financial statements as at March 31, 2000, also show total capital funding of \$376 million that the districts had received from the Province and Municipal Financing Authority (MFA) for financing capital projects undertaken by health authorities.

We reviewed the annual audited financial statements of regional hospital districts and noted many inconsistencies in how the districts had interpreted and applied accounting and reporting standards. For example, different hospital districts accounted for the monies received for the purchase of capital assets and paid to health authorities in different ways. Some districts recorded such transactions on a cash basis, while others used the accrual basis of accounting for amounts due to be received or paid out as at year-end. In still other cases, some districts recorded the full amount of capital funding as prepaid capital advances—irrespective of the source—and some recorded only the MFA portion paid to health authorities as prepaid capital advances.

We also noted inconsistencies in the disclosure and presentation of financial information in the regional hospital districts' financial statements. Some of these inconsistencies related to the details of significant accounting policies underlying the financial statements, the inclusion or exclusion of consolidated fund statements, and the details pertaining to taxation revenue.

These inconsistencies make it difficult for users of the regional hospital districts' financial statements to draw meaningful comparisons between various districts within the province.

*Recommendation*

***We recommend that the government conduct a comprehensive review of financial reporting by regional hospital districts.***

Memorandum of Understanding  
with the Minister of Finance and Corporate Relations

The provisions of the Memorandum of Understanding between the Minister of Finance and Corporate Relations and the Auditor General are designed to provide a rational audit process that allows the Auditor General to fulfill the duties imposed by the current Auditor General Act.

The memorandum goes some way to rationalize who should perform the financial statement audits of government organizations, and gives the Auditor General the opportunity to provide guidance to private sector auditors. In the memorandum, the Minister has agreed that the auditor selection process will reflect the judgement of the Auditor General with respect to:

- the persons appointed as auditor;
- the nature and extent of the audit work undertaken; and
- the standards adhered to in conducting the audit.

The memorandum applies to audit appointments requiring the approval of the Minister, and also to appointments made by Order-in-Council. Therefore, the memorandum covers almost all Crown corporations, colleges, regional health boards, community health councils and community health services societies. It is supported by an implementation plan that provides for the Auditor General to be the auditor of some organizations and to relinquish that role in other cases to the private sector. New audits assumed by the Office enable us to increase our knowledge of government organizations and audit issues relating to them. Audits are usually taken on for a five-year period and then returned to the private sector.

For the 1999/2000 fiscal year the Office employed agents for the following:

- British Columbia Assessment Authority

- British Columbia Institute of Technology
- Creston Valley Wildlife Management Authority Trust Fund
- Legal Services Society
- Provincial Capital Commission
- Royal Roads University (new agency arrangement started in 1999/2000)
- Simon Fraser University
- University of Northern British Columbia
- University of Victoria

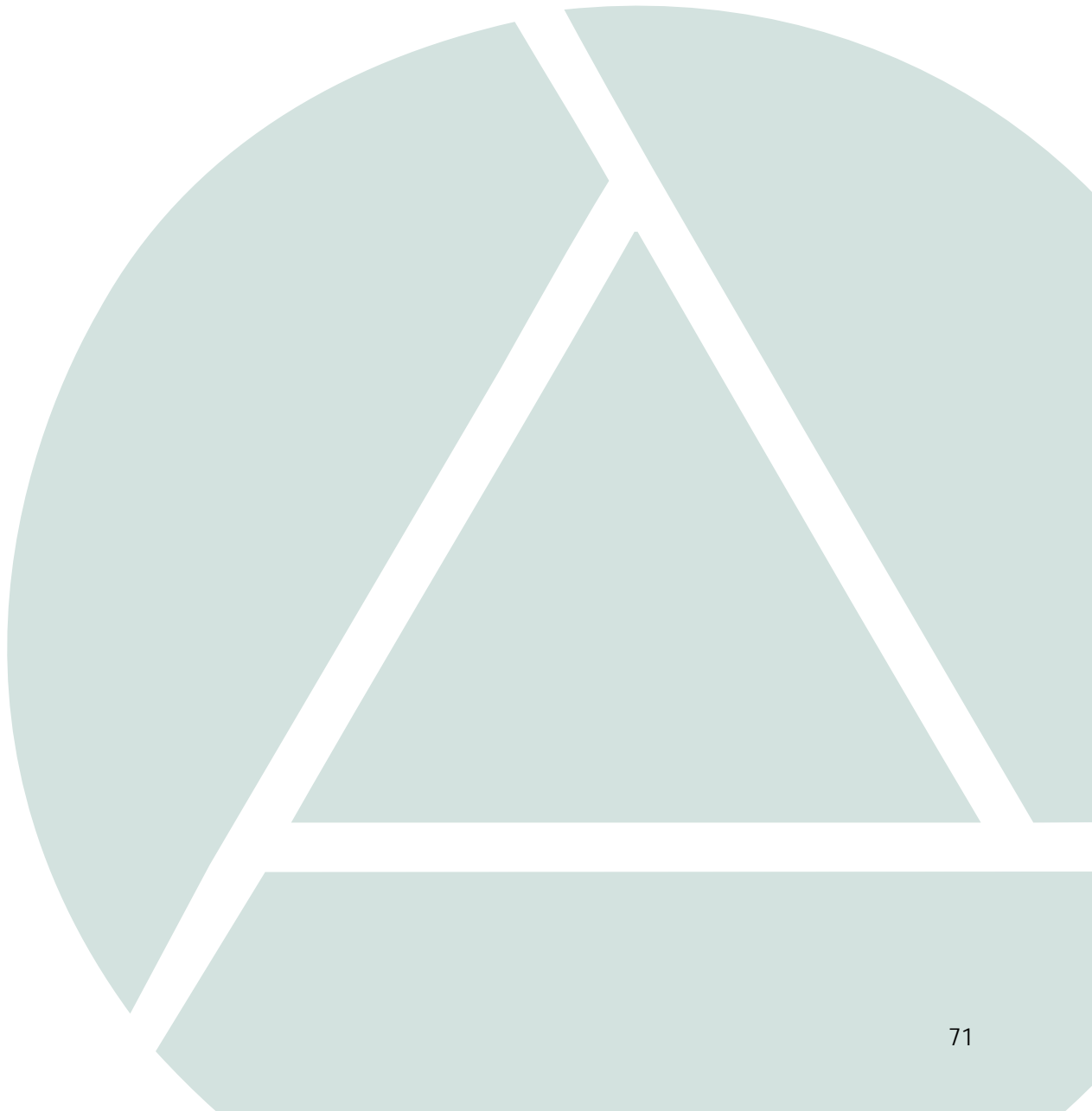
In 1999/2000, we released the audit of another community health services society to private sector auditors, and were appointed auditor for the following new organizations:

- 577315 British Columbia Ltd.
- British Columbia Investment Management Corporation

In keeping with the terms of the memorandum, we provide not only the Minister but also management with advice on the appointment of auditors. At the start of the auditor appointment process, we advise management about the various factors to be included in the Request for Proposal that goes to audit firms, and review the draft request and offer suggestions for improvement. We then review the process undertaken by the government organization, analyze the short list of suggested auditors, and provide our advice on the audit appointment to the Minister.



# appendices







# appendix a

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## Financial Statement Audit Objectives and Methodology, Office of the Auditor General

### Purposes of Financial Statement Audits

An independent audit of financial statements has several purposes. The main one is to add credibility to the statements, thus enhancing their value to the ultimate users. Evidence of this is provided in the form of an auditor's report that accompanies the financial statements, and in which the auditor's opinion expresses whether the statements are presented fairly in accordance with an appropriate, disclosed basis of accounting.

Another benefit of such an annual audit is that its very existence provides a constant stimulus to an organization to ensure sound financial management. In addition, the auditor is frequently able to provide helpful assistance and advice to an organization as a direct result of findings developed during the audit.

### Reporting the Results of Audits

As noted above, a financial statement audit results in the issuance of a report on those statements. These reports are addressed to whoever appointed or engaged the auditor to do the work, such as the organization's owner, the shareholders or some appropriate representative of those with a stake in the organization. In the case of the government financial statements examined by this Office, the Auditor General addresses his or her reports to the Legislative Assembly. The reports issued on the statements of Crown corporations and other government organizations are addressed to various parties, according to applicable appointment or engagement arrangements.

The auditor's report constitutes the auditor's professional opinion on the financial statements, and usually consists of three paragraphs.

The first paragraph identifies the financial statements that have been audited. It also points out that the statements are the responsibility of management, and that the auditor's responsibility is to express an opinion on the statements.

Next is the “scope” paragraph, which describes the nature and extent of the auditor’s work and the degree of assurance that the auditor’s report provides. Also, it refers to generally accepted auditing standards and describes some of the important procedures which the auditor undertakes.

The third paragraph, frequently referred to as the “opinion” paragraph, contains the auditor’s conclusion based on the audit conducted.

If the auditor is unable to provide an opinion without reservation on the financial statements, the report must include another paragraph. In that paragraph, which would appear between the scope and the opinion paragraphs, the auditor advises the reader as to the reasons for the reservation, and the effects or possible effects on the financial statements of the matters giving rise to the reservation.

Finally, should the auditor wish to present additional information or explanations concerning the financial statements—information that does not constitute a reservation in the audit opinion—this will appear in a further, explanatory paragraph to the report.

## Auditing Standards

When undertaking examination procedures for the purpose of expressing an opinion on financial statements, auditors are expected to comply with established professional standards, referred to as generally accepted auditing standards. The principal source of these standards in Canada is the Canadian Institute of Chartered Accountants (CICA).

Generally accepted auditing standards consist of three main areas. There are general requirements that the auditor be properly qualified to conduct and report on an audit, and that he or she carry out the duties with an objective state of mind. Further standards outline the key technical elements to be observed in the conduct of an audit. Finally, reporting standards set out the essential framework of the auditor’s report on the financial statements.

In addition to these broad standards, the CICA makes other, more detailed, recommendations related to matters of auditing practice. As well, the CICA, through its Public Sector Accounting Board, makes recommendations that relate specifically to the audit of entities in the public sector.

## Application of the Standards

We carry out extensive examinations of the accounts and records maintained by the ministries and central agencies of government, and by the Crown corporations and other public bodies of which the Auditor General is the auditor.

Also, with respect to Crown corporations that are audited by other auditors and that form part of the Province's Summary Financial Statements, we obtain various information and assurances from those other auditors which enable us to rely on their work in conducting our audit of the government's accounts. This information is supplemented by periodic reviews by our staff of those auditors' working paper files and audit procedures.

Throughout these examinations, the Office of the Auditor General complies with all prescribed auditing standards in the conduct of its work. It must be realized, however, that the Auditor General's opinion on a set of financial statements does not guarantee the absolute accuracy of those statements. In the audit of any large organization, it is neither feasible nor economically desirable to examine every transaction. Instead, the auditor, using knowledge of an organization's business, methods of operation and systems of internal control, assesses the risk of error occurring and then designs audit procedures to provide reasonable assurance that any errors contained in the financial statements are not, in total, significant enough to mislead the reader as to the organization's financial position or results of operations.

When determining the nature and extent of work required to provide such assurance, we consider two main factors: *materiality*, which is expressed in dollar terms, and *overall audit assurance*, expressed in percentage terms.

- *Materiality* relates to the aggregate dollar amount which, if in error, would affect the substance of the information reported in the financial statements, to the extent that a knowledgeable reader's judgement, based on the information contained in the statements, would be influenced.

In our audit of the Province's financial statements, we have assumed that an error in the current year's operating results in excess of one-half of 1% of the gross expense of the government would be considered material. For our audits of government organizations, materiality is established based on the nature of the organization and an appropriate percentage (or combination of percentages) of expense, assets or surplus/deficit.

- *Overall audit assurance* represents, in percentage terms, how certain the auditor wants to be that the audit will discover errors, if any, in the financial statements, which in total exceed materiality.

In our audit of the Province's financial statements, we planned our work so as to achieve an overall audit assurance of 95% that the audit would detect total error in excess of materiality. For our audits of other government organizations, our planned overall audit assurance ranges between 95 and 97.5%. In choosing the level of assurance, we consider factors such as the expectations of the users of the financial statements and the nature of the audit evidence available.

In planning our audits of financial statements, we exercise professional judgment in determining the application of *these* two key factors. Professional judgment is influenced by our knowledge of the requirements of readers of the financial statements, and by what is generally accepted as being appropriate by auditors of similar organizations.



# appendix b

## Government Entities and Trust Funds—Their Inclusion in, or Exclusion from, the Province’s 1999/2000 Financial Statements, and Their Auditors

### Entities Included in the Summary Financial Statements

	Audited by	
	Auditor General	Private Sector Auditors
552513 British Columbia Ltd.	✓	
577315 British Columbia Ltd.	✓	
580440 B.C. Ltd.	✓	
B.C. Community Financial Services Corporation		✓
B.C. Festival of the Arts Society		✓
B.C. Games Society		✓
B.C. Health Care Risk Management Society		✓
B.C. Pavilion Corporation		✓
BC Society for the Distribution of Gaming Revenue to Charities	✓	
BC Transportation Financing Authority	✓	
BCIF Management Ltd.		✓
British Columbia Arts Council <sup>1</sup>		✓
British Columbia Assessment Authority	✓	
British Columbia Assets and Land Corporation	✓	
British Columbia Buildings Corporation	✓	
British Columbia Enterprise Corporation	✓	
British Columbia Ferry Corporation		✓
British Columbia Health Research Foundation		✓
British Columbia Heritage Trust		✓
British Columbia Housing Management Commission		✓
British Columbia Hydro and Power Authority		✓
British Columbia Investment Management Corporation	✓	
British Columbia Liquor Distribution Branch <sup>2</sup>	✓	
British Columbia Lottery Corporation		✓

<sup>1</sup>The entity's financial statements were unaudited.

<sup>2</sup>Branch of Ministry of Small Business, Tourism and Culture.

	Audited by	
	Auditor General	Private Sector Auditors
British Columbia Railway Company		✓
British Columbia Securities Commission	✓	
British Columbia Systems Corporation		✓
British Columbia Trade Development Corporation		✓
British Columbia Transit		✓
Canadian Blood Services		✓
Columbia Basin Trust		✓
Columbia Power Corporation	✓	
Creston Valley Wildlife Management Authority Trust Fund	✓	
Discovery Enterprises Inc.		✓
Duke Point Development Limited	✓	
First Peoples' Heritage, Language and Cultural Council		✓
Fisheries Renewal BC	✓	
Forensic Psychiatric Services Commission		✓
Forest Renewal BC	✓	
Health Facilities Association of British Columbia	✓	
Homeowner Protection Office	✓	
Industry Training and Apprenticeship Commission	✓	
Insurance Corporation of British Columbia		✓
Legal Services Society	✓	
Oil and Gas Commission	✓	
Okanagan Valley Tree Fruit Authority		✓
Organized Crime Agency of British Columbia Society		✓
Pacific National Exhibition		✓
Private Post-Secondary Education Commission		✓
Provincial Capital Commission	✓	
Provincial Rental Housing Corporation		✓
Rapid Transit Project 2000 Ltd.		✓
Science Council of British Columbia		✓
Tourism British Columbia	✓	
Vancouver Trade and Convention Centre Authority	✓	
Victoria Line Ltd.	✓	

## Entities Not Included in the Summary Financial Statements

	Audited by	
	Auditor General	Private Sector Auditors
British Columbia Institute of Technology	✓	
Campbell River/Nootka Community Health Council	✓	
Coast Garibaldi Community Health Services Society	✓	
Kwantlen University College	✓	
Royal Roads University	✓	
Simon Fraser University	✓	
Technical University of British Columbia	✓	
The University of British Columbia	✓	
University of Northern British Columbia	✓	
University of Victoria	✓	
University Foundations:		
Foundation for the University of Victoria	✓	
Simon Fraser University Foundation	✓	
The University of British Columbia Foundation	✓	
University of Northern British Columbia Foundation	✓	
Other Education and Health Sector Entities		
Colleges and Advanced Education Institutes (20 entities)		✓
Community Health Councils (32 entities)		✓
Community Health Services Societies (6 entities)		✓
Health Care Organizations (13 entities)		✓
Health Regions/Regional Health Boards (11 entities)		✓
Regional Hospital Districts (34 entities)		✓
School Districts (60 entities)		✓

## Trust Funds Disclosed in the Summary Financial Statements

	Audited by	
	Auditor General	Private Sector Auditors
BC Rail Ltd. Pension Plan	✓	
British Columbia Hydro and Power Authority Pension Plan		✓
British Columbia Investment Fund Ltd.		✓
British Columbia Public Service Long Term Disability Plan	✓	
College Pension Plan	✓	
Credit Union Deposit Insurance Corporation of British Columbia		✓
Members of the Legislative Assembly Superannuation Account	✓	
Municipal Pension Plan	✓	
British Columbia Investment Management Corporation		
Pooled Investment Portfolios:		
Active Canadian Equity Fund	✓	
Active U. S. Equity Fund	✓	
Asian Equity Fund	✓	
British Columbia Focus Fund	✓	
Canadian Money Market Fund ST1	✓	
Canadian Money Market Fund ST2	✓	
U. S. Dollar Money Market Fund ST3	✓	
Canadian Corporate Bond Fund	✓	
Construction Mortgage Fund	✓	
European Equity Fund	✓	
Fixed Term Mortgage Fund	✓	
Indexed Canadian Equity Fund	✓	
Indexed Government Bond Fund	✓	
International Equity Fund	✓	
Long Term Bond Fund	✓	
Pension Bond Fund	✓	
Private Placement Fund 1995	✓	
Private Placement Fund 1996	✓	
Private Placement Fund 1997	✓	
Private Placement Fund 1998	✓	



	Audited by	
	Auditor General	Private Sector Auditors
Private Placement Fund 1999	✓	
Private Placement Fund 1999A	✓	
Realpool Investment Fund	✓	
Realpool International Vintage Fund 1999	✓	
S & P 500 Index Equity Fund	✓	
Short Term Bond Fund	✓	
Specialty Mortgage Fund	✓	
TSE 100 Index Equity Fund	✓	
U.S. Index Enhanced Equity Fund	✓	
Public Service Pension Plan	✓	
Teachers' Pension Plan	✓	
Workers' Compensation Board of British Columbia	✓	
Workers' Compensation Board Superannuation Plan	✓	





# appendix c

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## Excerpts from the 1999/2000 Public Accounts

The material that forms Appendix C is from the Public Accounts of British Columbia for the fiscal year ended March 31, 2000. It consists of the Summary Financial Statements of the Province and the Auditor General's Report on them.

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# appendix d

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## Excerpts from Debt Statistics 1999/2000

Section I of the Debt Statistics 1999/2000 titled *Province of British Columbia Debt Report* contains the Auditor General's Report on Summary of Provincial Net Debt, Key Indicators of Provincial Debt and Summary of Key Benchmarks.



# appendix e

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## Office of the Auditor General: 2000/01 Reports Issued to Date

**Report 1**

Fostering A Safe Environment: How the British Columbia School System is Doing

**Report 2**

Report on the Implementation of the Recommendations of the Budget Process Review Panel

**Report 3**

Follow-up of Performance and Compliance Reports

**Report 4**

Management Consulting Engagements in Government

**Report 5**

Monitoring Credit Unions and Trust Companies in British Columbia

**Report 6**

Report on Government Financial Accountability for the 1999/2000 Fiscal Year



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