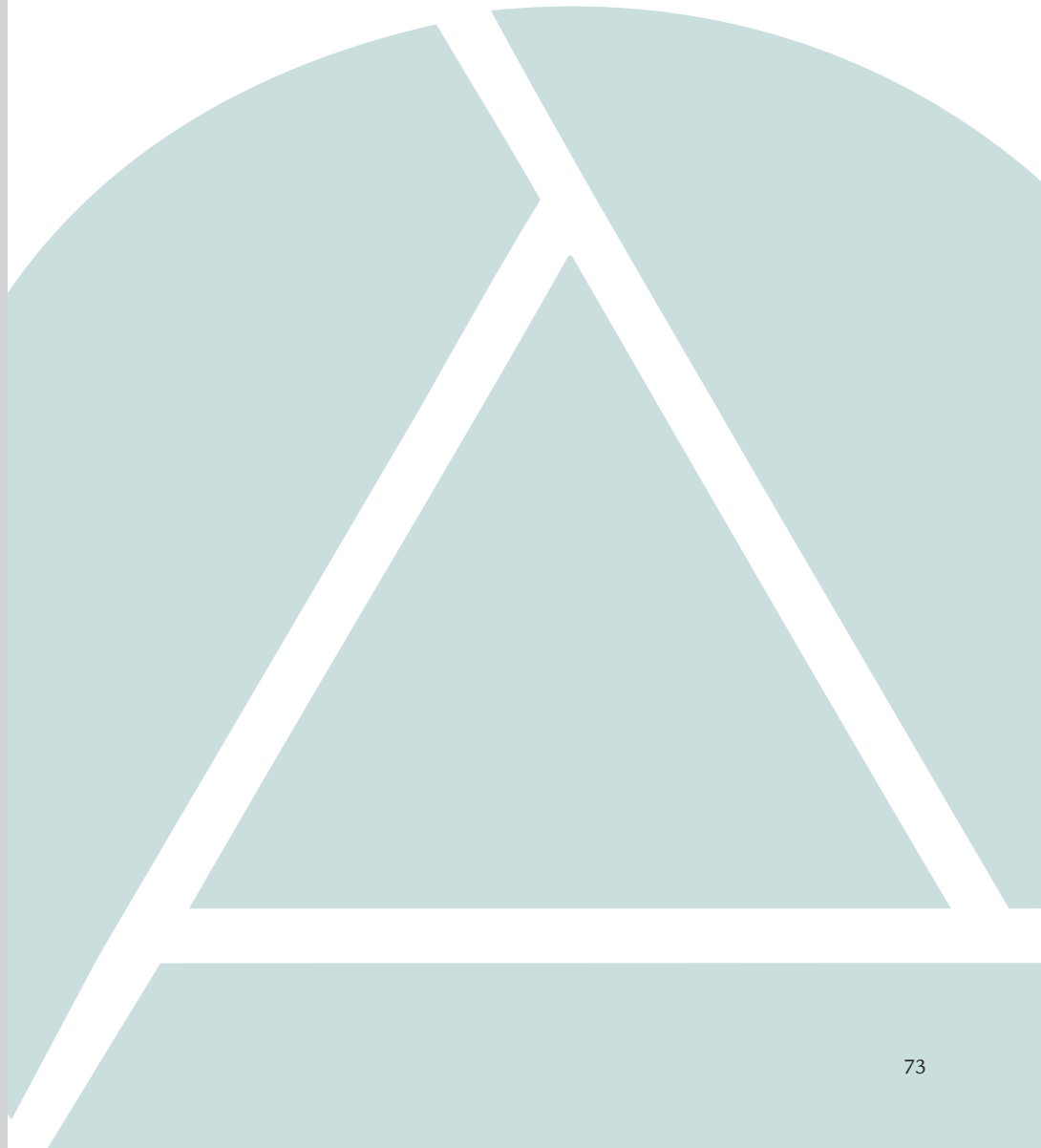


Response from the Government of British Columbia



Response from the Government of British Columbia

October 1, 2004

Morris Sydor
Senior Principal
Office of the Auditor General of British Columbia
2nd Floor, 8 Bastion Square
PO BOX 9036 STN PROV GOVT
Victoria, BC V8W9A2

Dear Mr. Sydor:

I am pleased to provide a copy of the response of the British Columbia government to your office's upcoming report ***Salmon Forever: An Assessment of the Provincial Role in Sustaining Wild Salmon***. This response was prepared by staff from the Ministries of Agriculture, Food and Fisheries, Water, Land and Air Protection, and Sustainable Resource Management. The response has been reviewed and approved by the Cabinet Committee on Environment and Resource Development.

We appreciate the considerable effort that your staff have put into preparing this report and their courteous interaction with staff from our Ministries. We look forward to working with our colleagues at the Department of Fisheries and Oceans to implement the recommendations to sustain wild salmon populations on the Pacific coast.

I understand that we will be provided with copies of the final report prior to its release.

Sincerely,

Original Signed By

Rory McAlpine
Deputy Minister

pc: Gordon Macatee, Deputy Minister
Ministry of Water, Land and Air Protection

Chris Trumpy, Deputy Minister
Ministry of Sustainable Resource Management

Salmon Forever: An Assessment of the Provincial Role in Sustaining Wild Salmon

The Ministries of Agriculture, Food and Fisheries, Water, Land and Air Protection and Sustainable Resource Management, would like to thank the Office of the Auditor General for the hard work and diligence in preparing this audit on provincial programs to sustain wild salmon in British Columbia. We welcome the opportunity to provide a response to the report's key findings and recommendations. This response has been reviewed by the Cabinet Committee on Environment and Resource Development and is made on behalf of government.

Ministries appreciate that the audit report recognizes the jurisdictional complexity in managing wild salmon stocks to ensure their sustainability, and that constitutional responsibility for wild salmon rests with the government of Canada through Fisheries and Oceans Canada (DFO). We also appreciate that this audit has been undertaken in close cooperation with the Auditor General of Canada. Ministries recognize the important role that provincial policies and programs for land use and resource management have on the sustainability of wild salmon and welcome this audit as a means of evaluating their effectiveness.

The provincial government shares the audit's concern over the long term sustainability of wild salmon and the difficulty in overcoming differing views among orders of government and stakeholders in carrying out our shared responsibilities. We agree that the "foundation of a good wild salmon sustainability framework is a clear vision of sustainable development" and would note that this must be a shared vision between governments, First Nations, the fisheries sector, and communities of interest. A priority for the provincial government is to work more closely with DFO and other federal agencies to increase the province's influence over federal policy and the management of Pacific fisheries to secure their sustainability and the associated benefits to the province. Through the new Pacific Council of Fisheries and Aquaculture Ministers (PCFAM), we will be actively seeking a new working relationship that supports shared decision-making for the management of BC's wild fishery resources in a manner that respects federal constitutional authorities.

Response from the Government of British Columbia

Ministries note that the report recognizes the considerable progress that has been made in recent years in improving the management of the salmon aquaculture sector and that there are a variety of provincially led mechanisms and programs already in place to protect and restore salmon habitats in freshwater. We agree that it will be important to continuously improve our science and information resources and to develop evaluative measures for reporting the effectiveness of programs and our progress towards a shared vision of wild salmon sustainability.

The Audit's Key Findings

A Clear Vision for Wild Salmon Sustainability

As noted, the provincial government agrees that a clear and shared vision is an essential foundation for wild salmon sustainability. This will be particularly important as the federal government finalizes its "Wild Salmon Policy" to ensure that it reflects provincial perspectives and objectives for wild fisheries. The Ministry of Agriculture, Food and Fisheries (MAFF), has been designated as the lead provincial agency to pursue the development of this common vision with the government of Canada through the new PCFAM. Joint work is underway to develop a workplan for approval by Ministers to advance this objective. MAFF is working closely with the Ministry of Water, Land and Air Protection (MWLAP), as the lead agency for habitat protection and biodiversity, to ensure that provincial programs fulfill our commitment to wild salmon sustainability. Both of these Ministries work through the Deputy Minister's Committee on Environment and Resource Development to ensure consistency and coordination in the delivery of provincial fisheries programs, and that other ministries' natural resource management policies and programs are sensitive to the needs of fish.

It is also intended that the new arrangements through the PCFAM will facilitate the rationalization of the many mechanisms for inter-jurisdictional cooperation that currently exist between the federal and provincial governments. Some of the new innovative mechanisms for sharing responsibility and decision making are being seen as a model by other Canadian jurisdictions.

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Provincial Activities to Protect and Restore Salmon Habitat

The provincial government uses ecosystem and watershed approaches to manage the land and water base for the sustainability of all natural resource components - including salmon, and our strategies, policies and legislation are focused on the whole environment, not just a single species. In the long-term, these broad approaches should be effective mechanisms for protecting and sustaining salmon and will serve as the basis for interaction with federal policy and program frameworks. The provincial focus has principally been on freshwater fish and freshwater habitats, and salmon considerations were, and are, taken into account as an important component of the freshwater ecosystem. While the province clearly has a vested interest in maintaining sustainable salmon populations, BC has never had a direct role in managing salmon per se, where management infers responsibility for establishing production goals and allocations.

Ministries agree that no single piece of provincial legislation has been developed to protect salmon, rather provisions to protect fish and their habitats exist in a number of provincial resource management statutes including the *Water Act*, *Forest and Range Practices Act*, *Fish Protection Act*, and the *Environmental Management Act* (formerly the *Waste Management Act*). Federal departments, particularly DFO, have been actively engaged in the development and review of this legislation and associated regulations to ensure consistency in the intent and equivalency of provincial measures with the provisions of the *Fisheries Act (Canada)*.

For example, DFO is actively working with the Ministry of Forests (MOF), and MWLAP to ensure that the new regulations under the *Forest and Range Practices Act* will assist DFO in fulfilling its habitat protection mandate. An action plan to address remaining issues was recently approved by the MOF/MWLAP/DFO Joint Steering Committee at the Assistant Deputy Minister level. British Columbia and DFO have followed a similar collaborative process in the development of the new Riparian Areas Regulation under the provincial *Fish Protection Act*; a results-based approach to protecting riparian fish habitat in urban areas. Another example acknowledged in the audit, is the close partnership that has developed between fisheries agencies and the agriculture sector under the Agricultural Environment Partnership Committee and

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through the Environmental Farm Planning initiative which will serve as a proactive tool to prevent damage to fish habitat and wild fish populations before it happens, as a preferred approach over repairing damage after it has already occurred. Similar efforts will continue through the auspices of PCFAM and we agree with the recommendation to review the effectiveness of legislation that affects wild salmon.

Both the provincial government and DFO are actively engaged in changing business practices relating to salmon habitat protection to results-based approaches. In making this transition, the province is undertaking a referral management strategy to ensure that where habitat protection objectives can be more efficiently achieved, particularly for activities that pose a low risk to fish habitat, the province will use a results-based approach that relies on guidelines, standards and best management practices. DFO is moving in a very similar direction under its "5 Point Plan for Environmental Modernization" and the associated Risk Management Framework. The Canada/BC Environmental Regulatory Reform Committee, composed of provincial Deputy Ministers and federal Regional Director Generals has approved a joint workplan to implement these initiatives on a collaborative basis. The shared goal is the identification and application of common decision support tools for decision-making respecting fish habitat.

In undertaking programs to restore fish habitat previously impacted by human activities or natural disasters, Ministries agree that it is important to establish priorities and to develop strategic watershed restoration plans. The province has indicated previously that its priorities for anadromous fisheries are the steelhead bearing systems of the Greater Georgia Basin and the Fraser and Thompson Rivers, which are also important rivers for critical salmon populations, and the sockeye populations of the mid-coast. In this regard we have actively supported strategic planning to set restoration priorities within watersheds through the Canada/BC Watershed Fish Sustainability Planning framework or similar planning models. Many watershed plans are already complete and moving into the implementation phases.

Previous investments in habitat restoration over the past decade continue to provide benefits and the provincial

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government has recently committed an additional \$5 million for programs to protect and restore watersheds as part of the Living Rivers Strategy. This is in addition to the \$2M allocated to the Living Rivers Trust Fund which was established in 2002. The province will work with the Vancouver Foundation as trustee of the original fund, as well as other third parties, to develop priorities and program delivery systems that complement federally supported programs such as the Pacific Salmon Endowment Fund, and international funds such as the Pacific Salmon Commission's northern and southern restoration and enhancement funds. The new provincial money will also work with resources available from the provincial Forest Investment Account, the Habitat Conservation Trust Fund, BC Hydro's three compensation programs and other federal and provincial programs to undertake specific restoration projects on a priority basis.

Effectiveness evaluation of watershed restoration activities has occurred in specific watersheds. The best example is the multi-year research investigation of the effectiveness of instream habitat restoration on the Keogh River that is still ongoing. Further, the province has worked with the Pacific Salmon Foundation to develop a monitoring strategy for recovery efforts being conducted under the Pacific Salmon Endowment Fund. Further advances in effectiveness evaluation are expected through the implementation of the new Water Use Plans associated with BC Hydro's water licenses, and monitoring and evaluation undertaken in association with the new Riparian Areas Regulation under the *Fish Protection Act*.

Addressing the Impacts Of Salmon Aquaculture

Ministries note the audit's conclusion that the province has made considerable progress over the last decade in putting in place the conditions for a sustainable salmon aquaculture industry, particularly in the areas of waste management, escape prevention, fish health, and compliance and enforcement. MAFF recognizes that there remains issues associated with management of finfish aquaculture and have committed resources to continue to explore these issues. The management regime for finfish aquaculture is under continuous refinement and improvement, and as new information becomes available government will modify management regimes and regulations accordingly.

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The provincial government has concluded that the 1997 Environmental Assessment Office review of the salmon aquaculture industry correctly identified the risks associated with the salmon aquaculture industry and made appropriate recommendations to further minimize them. Government accepted these recommendations in its Salmon Aquaculture Policy framework, and has largely addressed the recommendations in the new management and regulatory framework developed for the finfish aquaculture industry.

The audit states that there are "...gaps and uncertainty in knowledge about the interactions between salmon aquaculture and wild salmon...". While ongoing research is always useful, the provincial government is confident that informed decisions can be made with existing information regarding the level of risk posed to wild salmon. We are committed however, to continue to evaluate new information with the goal of continual improvement of our management and regulatory regime. Gaps in our scientific knowledge about potential effects of salmon aquaculture are being actively addressed by government, industry and academia. MAFF has committed significant resources to research, undertaken with UBC to create a Chair for Sustainable Aquaculture, and will continue to work through the BC Aquaculture Research and Development Committee and Aqua-net to prioritize our research activities. In cooperation with the government of Canada and Western Economic Diversification, the Ministry recently established the new British Columbia Centre for Aquatic Health Sciences in Campbell River with \$2.4 million in funding to coordinate and provide applied research and services addressing health, safety and welfare issues for wild and cultured fish and their environments.

With regard to the science-based criteria used to evaluate farm siting, locations are evaluated using information provided by the applicant on the fisheries habitat values and oceanographic conditions of the site and surrounding area. Reviews examine the current data, the habitat values, the nature of the bottom substrate and the positioning of the net-pen array in addition to the biomass being proposed for the site. A benthic loading model called "Depomod" is used to evaluate the potential footprint of the farm, and determine if the farm can operate and be consistent with the

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waste management standards and whether sensitive habitat will be impacted. The report correctly notes that good siting criteria are one of the best risk reduction approaches and current siting guidelines developed by the Province are an important safeguard to protect wild fish populations. These siting guidelines were developed using professional judgment supported by risk management principles and we will work continue to work actively with DFO and stakeholders to improve siting criteria and decision making processes. We will also continue to encourage DFO to complete their environmental reviews so that relocations can occur in a timely fashion.

Reporting on Progress to Sustain Wild Salmon

The audit concludes with a recommendation to develop a monitoring system and indicators to measure and report progress on wild salmon sustainability. It is the province's view that this will be most effectively accomplished cooperatively with the federal government through work sponsored by PCFAM. The federal and provincial governments have worked extensively in the past on cooperative efforts for state of environment reporting and the recently concluded *Memorandum of Understanding Respecting the Implementation of Canada's Oceans Strategy on the Pacific Coast of Canada* contains provisions to advance the cooperative development of indicators for the marine environment and associated ecosystems.

Ministries would again like to thank the Auditor General and his staff for their diligent and professional work in preparing this audit and look forward to working cooperatively with the Government of Canada and colleagues in Fisheries and Oceans Canada to implement the recommendations to sustain wild salmon populations on the Pacific coast.



Glossary

Glossary

Acre-foot	The volume of water covering 1 acre at a depth of one foot. One acre- foot equals 1.23 million litres or 325,000 imperial gallons
Anadromous	Fish that must ascend freshwater rivers and streams from the sea in order to spawn.
Escape	A farmed salmon that has escaped into the marine environment from the cage structure in which it is cultured and housed
Fish-bearing stream	A stream in which fish are present or potentially present at some time during the year if introduced barriers or obstructions are either removed or made passable for fish
Fish habitat	The areas in and about a stream or river, such as spawning grounds and nursery, rearing, food supply and migration areas, on which fish depend directly or indirectly to carry out their life cycle processes
Fish-sensitive zone	Side and back channels, ponds and swamps, seasonally flooded depressions, lake littoral zones and estuaries that are seasonally occupied by over wintering anadromous fish
Freshwater habitat	The generic term used to identify the various habitat types found within a given river, creek or stream, such as holding, instream, off-channel, over wintering, rearing, riparian and spawning habitat
Habitat	The areas in and about a stream including (a) the quantity and quality of water on which fish or wildlife depend directly or indirectly to carry out their life processes, and (b) spawning grounds and the nursery, rearing, food supply and migration areas
Instream habitat	The wetted perimeter of a river, creek or stream used by salmon to carry out their life functions. Instream habitat consists of stream channels that vary in size, composition and depth and that have been shaped by rocks and pieces of wood found in the channel
Life cycle processes	The series of changes in form (stages) through which an organism develops from a fertilized ovum through to the fertilized ovum of the next generation. The length of time taken by an organism to go through this set series of changes
Rearing Habitat	Areas in rivers or streams where juvenile salmon find food and shelter to live and grow to prepare for their migration out to sea
Rehabilitation	The process of producing conditions more favourable to particular groups of organisms, especially the economic valuable or aesthetically desirable components of native flora and fauna, without necessarily returning the system to its undisturbed condition

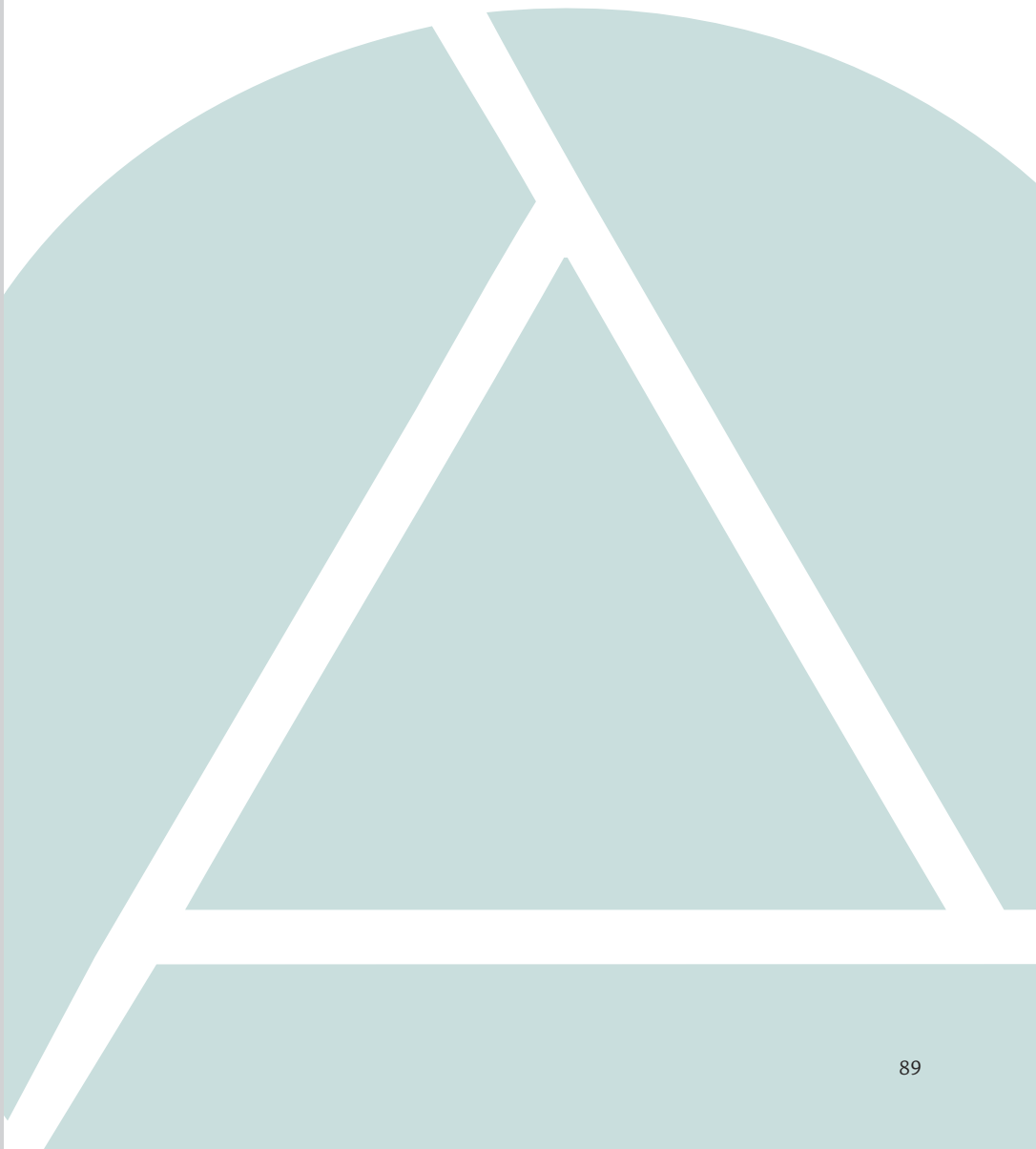
Glossary

Restoration	The process of returning ecosystems or habitat to their original structure and species composition
Riparian habitat	The area adjacent to a stream that may be subject to temporary, frequent or seasonal flooding; it supports plant species typical of an area of inundated or saturated soil conditions, and that are distinct from plant species on freely drained adjacent upland sites
Runs	The seasonal migration undertaken by fish usually as part of their life history
Sensitive stream	A stream designated under section 6 of the Fish Protection Act that includes the tributaries of the designated stream unless otherwise stated
Spawning	The fish reproduction process, characterized by females and males depositing eggs and sperm into the water simultaneously or in succession to fertilize the eggs
Stream	A watercourse formed when water flows between continuous, definable banks. The flow in the channel may be perennial or intermittent
Stock	A fish spawning in a particular lake or stream that is genetically self-sustaining and isolated geographically or temporally during reproduction
Watershed	An area of land (the catchment or drainage basin), bounded by a topographic height of land, that delivers water along a stream channel to a common outlet. Watersheds are the natural landscape units from which hierarchical drainage networks are formed
Wild salmon	A large, soft-finned, anadromous fish of the genus <i>Onchorhynchus</i> indigenous to northern latitude countries. Seven species are found in British Columbia: chinook, chum, coho, sea-run cutthroat, pink, sockeye and steelhead

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



Appendices



Appendix A

A Sample of Guidebooks and Best Management Practices Related to Managing Impacts on Fish Habitat from Land Use and Resource Development Activities

Document	Descriptions
Channel Assessment Procedures (1996)	Presents a number of methods and procedures to identify and classify the characteristics of disturbed channels and reaches within channels
Fish-Stream Crossing Guidebook (2002)	Identifies methods to plan, prescribe and implement sound practices for fish-stream crossings consistent with the federal Fisheries Act and the Forest Practices Code
Fish-Stream identification Guidebook (1998)	Addresses the identification of streams on the basis of fish presence to ensure the protection of fish populations and habitats during forest harvesting operations
Forest Road Engineering Guidebook (2002)	Identifies a variety of road engineering field practices to meet statutory and regulatory requirements including road design, drainage, bridges, culverts and deactivation methods
Gully Assessment Procedure Guidebook (2001)	Describes methods to prevent gully erosion and slope failures to protect stream and fish habitat
Mapping and Assessing Terrain Stability (1999)	Identifies relevant standards and procedures for mapping and assessing terrain stability for landslides, debris flows and drainage networks
Regional Lake Classification and Lakeshore Management Guidebook (1996)	Describes management planning requirements for lakes larger than 5 hectares in size that can directly impact fish habitat
Riparian Assessment and Prescription Procedures (1999)	Outlines the procedures necessary to identify the loss of riparian function due to past logging practices
Riparian Management Area Guidebook (1995)	Provides guidance on planning and conducting operations within the riparian management area and fisheries and marine sensitive zones
Watershed Assessment Procedures Guidebook (1999)	Focuses on procedures to assess changes in peak flows and the potential for landslides, accelerated surface erosion and changes to channel riparian buffers

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

Appendix B

A Sample of Watershed and Stream Restoration Best Management Practices

Document	Descriptions
Channel Conditions and Prescription Assessment (1996)	Provides procedures to assess stream channel morphology and prescription methods
Fish Habitat Assessment Procedures (1996)	Outlines methods for evaluating poor forest harvesting practices and the impacts they have on fish and aquatic resources
Fish Habitat Rehabilitation Procedures (1997)	Outlines procedures for planning and restoring the rehabilitation of watersheds and streams
Fish Passage Culvert Inspection Procedures (2000)	Provides information on providing access at fish-bearing crossings including tributary streams, lakes, off-channels, back channels, ponds and sloughs
Framework for Conducting Effectiveness Evaluations of Watershed Restoration Projects (1999)	Outlines how to develop a framework to develop restoration evaluation plans for roads, gullies, landslides, riparian areas and streams
Guidelines for Planning Watershed Restoration Projects (1995)	Provides local stakeholders with a framework for restoring fish habitat through resource assessment and by implementing effective activities
Road Rehabilitation Handbook: Planning and Implementation Guidelines Parts 1 & 2 (1994)	Provides technical information and methodologies for planning resource road rehabilitation projects including upgrading and deactivation in areas of past use

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

Appendix C

A Sample of Fish and Fish Habitat Related Databases and Data Capture Tools Managed by the B.C. Ministry of Sustainable Resource Management

Database/Data Capture Tool	Descriptions
Bathymetric Maps (BATH)	BATH is a database stores information about bathymetric (depth) maps of surveyed lakes
Canada-B.C. Data Warehouse	This is a joint federal-provincial project to share datasets of common interest
Field Data Information System (FDIS)	FDIS is a data capture and reporting tool for fish and fish habitat information collected to Resource Information Standards Committee standards. It includes data for lakes and streams
Fish and Fish Habitat Inventory Reports Index	This index provides access to all electronic products (such as reports and databases) from Forest Renewal BC and other fish and fish habitat projects
Fish Habitat Inventory Initiative Program (FHIP)	FHIP consists largely of Forest Renewal BC datasets for stream information
Fisheries Data Warehouse (FDW)	FDW combines data from different kinds of computers and different software into one integrated fisheries database
Fisheries Information Summary System (FISS)	FISS stores summary-level information about fish and fish habitat at a 1:50,000 scale from a variety of computerized and hard copy reports
Fisheries Project Registry (FPR)	FPR provides historical record of where large projects have occurred up until most of 2001
Lake Survey Database	This database stores detailed lake survey information using lake inventory standards developed prior to 1997
Resource Analysis Branch (RAB) Stream Surveys	RAB consists of stream data collected during the 1970s and plotted with aquatic mapping standards
Stream Survey System	Developed through the FHIP, this database stores detailed streams surveys done from 1985 to 1996
Watershed Atlas	This database is a collection of Arcview maps and Oracle data that produces an intelligent stream network used as a framework for referencing all other fisheries data and information (1:50,000 scale)
Watershed Dictionary	This document contains information extracted from the Watershed Atlas about lakes, streams, wetlands and watersheds

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

Appendix D

A Sample of Standards and Best Practices Used to Assess Fish Presence, Habitat Characteristics and Attributes by the B.C. Ministry of Sustainable Resource Management

Document	Descriptions
Aerial Photography and Videography Standards for Fish Habitat Channel Assessment (1996)	Presents a set of standards and procedures for collecting remotely sensed data for the inventory, maintenance and enhancement of fisheries streams throughout British Columbia.
Ambient Freshwater and Effluent Sampling Manual (1997)	Covers the minimum requirements to ensure quality and consistency of the field aspects of ambient water and effluent data collection
Automated Water Quality Monitoring Field Manual, Version #1 (1999)	Addresses the minimum requirements for establishing and operating a reliable automated water quality monitoring program
Bathymetric Standards for Lake Inventories (1999)	Describes the standards and procedures used to carry out a bathymetric survey and produce a lake bathymetric map according to the Fisheries program standards
Freshwater Biological Sampling Manual (1997)	Covers the minimum requirements to ensure quality and consistency of the field aspects of biological data collection
Guidelines for Interpreting Water Quality Data (1998)	Presents minimum requirements for interpreting and reporting water quality data
Guidelines for Monitoring Fine Sediment Deposition in Streams, Version #3 (2002)	Outlines sediment deposit collection techniques, data analysis, sediment monitoring and reporting protocols
Lake and Stream Bottom Sediment Sampling Manual (1997)	Covers the minimum requirements to ensure quality and consistency of the field aspects of lake and stream bottom sediment data collection
Overview Fish and Fish Habitat Inventory Methodology, Version #1 (1999)	Describes the standards for fish and fish habitat inventory methodologies for large watersheds as defined from the 1:50,000 Watershed Atlas
Reconnaissance Fish and Fish Habitat Inventory – Fish Collection	Provides instructions for recording relevant fish sampling data required on the fish collection form and the individual fish data card Form Field Guide (2000)
Reconnaissance Fish and Fish Habitat Inventory Standards and Procedures (2001)	Describes reconnaissance level survey requirements at 1:20000 scale for entire watersheds, including all phases of inventory, pre-field data review, data compilation, and preparation of final reports and maps
Standards for Fish and Fish Habitat Maps, Version #3 (2001)	Presents guidelines to standardize map formats, content and presentation of fish and fish habitat information on aquatic inventory maps at a range of scales

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

Criteria for Siting New Finfish Aquaculture Facilities

Under the current provincial regulatory regime in British Columbia, development proposals for new salmon farms must meet the following requirements and be located:

1. At least 1 km in all directions from a First Nations reserve (unless consent is received from the First Nation)
2. At least 1 km from the mouth of a salmon-bearing stream determined as significant in consultation with DFO and the Province
3. At least 1 km from herring spawning areas designated as having “vital,” “major” or “high” importance
4. At least 300m from inter-tidal shellfish beds that are exposed to water flow from a salmon farm and which have regular or traditional use by First Nations, recreational, or commercial fisheries
5. At least 125m from all other wild shellfish beds and commercial shellfish growing operations
6. An appropriate distance from areas of “sensitive fish habitat”, as determined by DFO and the Province
7. An appropriate distance from the areas used extensively by marine mammals, as determined by DFO and the Province
8. At least 30m from the edge of the approach channel to a small craft harbour, federal wharf or dock
9. At least 1 km from ecological reserves smaller than 1,000ha
10. Not within a 1km line of sight from existing federal, provincial or regional parks or marine protected areas (or approved proposals for these)
11. Not within the infringement area on a riparian rights owner, without consent, for the term of the tenure licence
12. Not in areas that would pre-empt important Aboriginal, commercial or recreational fisheries as determined by the province in consultation with First Nations and DFO
13. Not in areas of cultural or heritage significance as determined in the Heritage Conservation Act
14. Consistent with approved local government bylaws for land use planning and zoning
15. At least 3 km from any existing finfish aquaculture site, or in accordance with a local area plan or Coastal Zone Management Plan

Source: B.C. Ministry of Agriculture, Food and Fisheries

Office of the Auditor General: Risk Auditing Objectives and Methodology

The Office has three lines of business:

- Attesting to the reliability of government financial statements;
- Assessing the quality of government service plan reports;
- Examining how government manages its key risks.

Each of these lines of business have certain objectives that are expected to be achieved, and each employs a particular methodology to reach those objectives. The following is a brief outline of the objectives and methodology applied by the Office for assessing the management of risk within government programs and services, that is, risk auditing.

Risk Auditing

What are Risk Audits?

Risk audits (also known as performance or value-for-money audits) examine whether money is being spent wisely by government—whether value is received for the money spent. Specifically, they look at the organizational and program elements of government performance, whether government is achieving something that needs doing at a reasonable cost, and consider whether government managers are:

- making the best use of public funds; and
- adequately accounting for the prudent and effective management of the resources entrusted to them.

The aim of these audits is to provide the Legislature with independent assessments about whether government programs are implemented and administered economically, efficiently and effectively, and whether Members of the Legislative Assembly and the public are being provided with fair, reliable accountability information with respect to organizational and program performance.

Appendix F

In completing these audits, we collect and analyze information about how resources are managed; that is, how they are acquired and how they are used. We also assess whether legislators and the public have been given an adequate explanation of what has been accomplished with the resources provided to government managers.

Focus of Our Work

A risk audit has been described as:

...the independent, objective assessment of the fairness of management's representations on organizational and program performance, or the assessment of management performance, against criteria, reported to a governing body or others with similar responsibilities.

This definition recognizes that there are two forms of reporting used in risk auditing. The first—referred to as attestation reporting—is the provision of audit opinions as to the fairness of management's publicly reported accountability information on matters of economy, efficiency and effectiveness. This approach has been used to a very limited degree in British Columbia because the organizations we audit do not yet provide comprehensive accountability reports on their organizational and program performance.

We believe that government reporting along with independent audit is the best way of meeting accountability responsibilities. Consequently, we have been encouraging the use of this model in the British Columbia public sector, and will apply it where comprehensive accountability information on performance is made available by management.

As the risk audits conducted in British Columbia use the second form of reporting—direct reporting—the description that follows explains that model.

Our “direct reporting” risk audits are not designed to question whether government policies are appropriate and effective (that is achieve their intended outcomes). Rather, as directed by the Auditor General Act, these audits assess whether the programs implemented to achieve government policies are

Appendix F

being administered economically and efficiently. They also evaluate whether Members of the Legislative Assembly and the public are being provided with appropriate accountability information about government programs.

When undertaking risk audits, we look for information about results to determine whether government organizations and programs actually provide value for money. If they do not, or if we are unable to assess results directly, we then examine management's processes to determine what problems exist or whether the processes are capable of ensuring that value is received for money spent.

Selecting Audits

All of government, including Crown corporations and other government organizations, are included in the universe we consider when selecting audits. We also may undertake reviews of provincial participation in organizations outside of government if they carry on significant government programs and receive substantial provincial funding.

When selecting the audit subjects we will examine, we base our decision on the significance and interest of an area or topic to our primary clients, the Members of the Legislative Assembly and the public. We consider both the significance and risk in our evaluation. We aim to provide fair, independent assessments of the quality of government administration and to identify opportunities to improve the performance of government. Therefore, we do not focus exclusively on areas of high risk or known problems.

We select for audit either programs or functions administered by a specific ministry or government organization, or cross-government programs or functions that apply to many government entities. A large number of such programs and functions exist throughout government. We examine the larger and more significant of these on a cyclical basis.

Our view is that, in the absence of comprehensive accountability information being made available by government, risk audits using the direct reporting approach should be undertaken on a five- to six- year cycle so that Members of the Legislative Assembly and the public receive assessments of all significant government operations over a reasonable time period. We strive to achieve this schedule, but it is affected by the availability of time and resources.

Appendix F

Planning and Conducting Audits

A risk audit comprises four phases—preliminary study, planning, conducting and reporting. The core values of the Office—independence, due care and public trust—are inherent in all aspects of the audit work.

Preliminary Study

Before an audit starts, we undertake a preliminary study to identify issues and gather sufficient information to decide whether an audit is warranted.

At this time, we also determine the audit team. The audit team must be made up of individuals who have the knowledge and competence necessary to carry out the particular audit. In most cases, we use our own professionals, who have training and experience in a variety of fields. As well, we often supplement the knowledge and competence of our staff by engaging one or more consultants to be part of the audit team.

In examining a particular aspect of an organization to audit, auditors can look either at results, to assess whether value for money is actually achieved, or at management's processes, to determine whether those processes should ensure that value is received for money spent. Neither approach alone can answer all the questions of legislators and the public, particularly if problems are found during the audit. We therefore try to combine both approaches wherever we can. However, because acceptable results-oriented information and criteria are often not available, our risk audits frequently concentrate on management's processes for achieving value for money.

If a preliminary study does not lead to an audit, the results of the study may still be reported to the Legislature.

Planning

In the planning phase, the key tasks are to develop audit criteria—"standards of performance"—and an audit plan outlining how the audit team will obtain the information necessary to assess the organization's performance against the criteria. In establishing the criteria, we do not expect theoretical perfection from public sector managers; rather, we reflect what we believe to be the reasonable expectations of legislators and the public.

Appendix F

Conducting

The conducting phase of the audit involves gathering, analyzing and synthesizing information to assess the organization's performance against the audit criteria. We use a variety of techniques to obtain such information, including surveys, and questionnaires, interviews and document reviews.

Reporting Audits

We discuss the draft report with the organization's representatives and consider their comments before the report is formally issued to the Legislative Assembly. In writing the audit report, we ensure that recommendations are significant, practical and specific, but not so specific as to infringe on management's responsibility for managing. The final report is tabled in the Legislative Assembly and referred to the Public Accounts Committee, where it serves as a basis for the Committee's deliberations.

Reports on risk audits are published throughout the year as they are completed, and tabled in the Legislature at the earliest opportunity. We report our audit findings in two parts: an Auditor General's Comments section and a more detailed report. The overall conclusion constitutes the Auditor General's independent assessment of how well the organization has met performance expectations. The more detailed report provides background information and a description of what we found. When appropriate, we also make recommendations as to how the issues identified may be remedied.

It takes time to implement the recommendations that arise from risk audits. Consequently, when management first responds to an audit report, it is often only able to indicate its intention to resolve the matters raised, rather than to describe exactly what it plans to do.

Without further information, however, legislators and the public would not be aware of the nature, extent, and results of management's remedial actions. Therefore, we publish updates of management's responses to the risk audits. In addition, when it is useful to do so, we will conduct follow-up audits. The results of these are also reported to the Legislature.



Appendix G

Office of the Auditor General: 2004/05 Reports Issued to Date

Report 1

Follow-up of Performance Reports, April 2004

Report 2

In Sickness and in Health: Healthy Workplaces
for British Columbia's Health Care Workers

Report 3

Preventing and Managing Diabetes in British Columbia

Report 4

Internal Audit in Health Authorities:
A Status Report

Report 5

Salmon Forever: An Assessment of the Provincial Role
in Sustaining Wild Salmon

This report and others are available on our website at
<http://www.bcauditor.com>



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