



Report at a glance

Why we did this report

- We are required, by law, to report to the Legislative Assembly whether government's "financial statements are fairly presented in accordance with generally accepted accounting principles."
- This report explains our audit of the 2022/23 Summary Financial Statements.
- This report gives MLAs – specifically the public accounts committee – a tool for scrutinizing the \$80 billion of government financial activity last year.

We qualified our independent auditor's report: why it matters

- We qualified our audit report because of three significant areas (material misstatements) where government's financial statements don't adhere to Canadian Public Sector Accounting Standards.
- Qualified audit reports are rare.
- MLAs using the statements to assess accountability and for decision making can't depend on the accuracy of them without considering the misstatements.
- Other accounting errors were identified and reported to the comptroller general. The resulting corrections added \$134 million to the surplus.
- We have issued a qualified Independent Auditor's Report in each of the past 16 years with 38 material misstatements over that period.

The three material misstatements

1. Accounting for revenues subject to restrictions

- Money from the federal government (or other non-provincial sources) for a specific purpose, such as a new hospital, is a "restricted contribution."
- The Canadian standards require the money be counted as revenue as soon as the hospital has been built.
- B.C. reports it differently, instead counting a portion each year as revenue across the entire life of the hospital.
- It means B.C. appears to have greater financial obligations than it actually does.
- As a result, last year's revenues were understated by \$6.97 billion. Net liabilities were overstated by \$6.97 billion.

2. Future financial commitments are understated

- The Summary Financial Statements don't disclose all the money government is committed, under contract, to spend in the future.
- Disclosures for these types of future expenses are understated by about \$4.9 billion.
- This means MLAs don't have the full picture of the money already committed to be spent in future budgets.

3. Accounting for the BC First Nations Gaming Revenue Sharing Agreement

- The financial statements don't include gaming revenues earned and transferred under the BC First Nations Gaming Revenue Sharing Agreement.
- Revenues and expenses were each understated by \$113.6 million in the Consolidated Statement of Operations.
- Government's reporting of this transaction isn't transparent: it doesn't show all revenues received and amounts paid under the agreement.
- This means MLAs have an incomplete presentation of the money government takes in and spends.

Report at a glance *(continued)*

Impact

- The material misstatements call attention to the reliability of information for economic decision-making.
- MLAs may base decisions on reported assets and liabilities, and how much money will be generated in the future. It's vital to record all transactions and estimates accurately.
- Restricted revenues and future contract obligations affect government's spending decisions.

Key audit matters

- Key audit matters include areas that are difficult to audit, such as complex accounting estimates that are subject to a high degree of uncertainty.
- Our Independent Auditor's Report includes four key audit matters:
 1. Estimates of personal and corporate income taxation revenues.
 2. Valuation of plan assets and pension benefits for pension plans.
 3. Asset retirement obligations.
 4. Financial instruments.

Forthcoming report

- This is the first of two reports related to government's Summary Financial Statements and our qualified Independent Auditor's Report.
- The second report will discuss other audit items of interest to MLAs (e.g., income tax revenue estimates).
- Together, these two reports aim to enhance MLAs' understanding of government financial reporting as they carry out their role in ensuring accountability and transparency.

After reading the report, you may want to ask the following questions of government:

1. After 16 consecutive years of qualified Independent Auditor's Reports, why is the government willing to accept financial statements that do not follow Canadian Public Sector Accounting Standards?
2. What would it take for government to produce financial statements without qualifications?
3. What is government doing to reduce the number of errors that require adjustment?