

REPORT AT A GLANCE

Why we did this report

There is more to our audit of the government's financial statements than the audit opinion. In this report we take you behind the scenes of the audit to share some interesting matters we worked on.

Financial audit mandate

To report to the Legislative Assembly whether the summary financial statements of the British Columbia government present fairly the financial position of the government and its operations as at March 31, 2021, in accordance with Canadian public sector accounting standards.

Audit Period: Fiscal year 2020/21 – Auditor's Report signed July 16, 2021

Audit opinion

For fiscal year 2020/21 the summary financial statements present fairly, in all material respects, the financial position of the government and its operations as at March 31, 2021, except as described in the *Basis for Qualified Opinion* section.

Report Highlights

Overall, because of our audit, the government corrected errors that resulted in a \$550-million increase in the deficit.

Basis for qualified opinion

Deferral of revenue – For the year ended March 31, 2021, the government's liability for deferred revenue is overstated by nearly \$6 billion, implying the government owes that amount. This is not the case.

Other key audit matters

- Determining which public sector organizations to include in the summary financial statements can be challenging.
- Estimating personal income tax revenue is complex.
- COVID-19 introduced risks into government operations and financial reporting.

Other financial issues of interest

- St. Paul's Hospital was sold for \$850 million.
- Provincial Health Services Authority wrote off \$66 million in personal protective equipment.
- The Public Sector Employers' Council froze CEO pay for 2020/21.

Management letters (i.e. things to improve)

- Two ministries, nine Crown organizations, and the Office of the Comptroller General have significant areas for improvement identified in this report.
- Financial accounting and control can be strengthened.
- The Royal BC Museum's treatment of its non-profit foundation resulted in an audit opinion qualification.



Report Highlights (continued)

COVID-19 program expenditure observations

- **BC Emergency Benefit for Workers (\$700 million 2020/21)**
- **BC Recovery Benefit for Families and Individuals (\$1.3 billion in 2020/21)**
- **Small and Medium Sized Business Recovery Grant (\$88 million in 2020/21)**
- Eligibility controls for the emergency benefit for workers were not sufficient to mitigate potential fraud. To get payments out quickly government accepted people saying they were eligible.
- Government audits to verify eligibility are planned for all three programs.
- We did not find any problems with controls over the accuracy and completeness of financial transactions, or with the processes to make payments for the three programs.

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

1. *Why should people care that the audit opinion is qualified?*
2. *How will government resolve the problems that caused the qualified opinion?*
3. *How concerned should government be about significant management letter items?*
4. *How are management letter points resolved?*
5. *When will government verification audits for COVID-19 programs be completed?*