



NEWS RELEASE

For Immediate Release

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Government should follow generally accepted accounting principles, says new auditor general report

VICTORIA – The Office of the Auditor General of British Columbia has released its [*Report on Financial Audit Work for the 2019/20 Fiscal Year*](#).

The report discusses the results of the financial audit of the Province’s summary financial statements and related audit work.

The report explains the office’s audit opinion, which states that the summary financial statements present government’s financial position and performance fairly, except for one qualification (or concern). As of March 31, 2020, government has understated its revenue, annual surplus and accumulated surplus by \$5.7 billion and overstated its liabilities and net liabilities by \$5.7 billion. Correct financial statements would have shown a 2019/20 reported surplus of \$5.4 billion, rather than a deficit of \$0.3 billion.

“This is the ninth consecutive year that my office has disagreed with government’s method of accounting for funds received, primarily from the federal government, for capital projects,” said Michael Pickup, auditor general.

“Government does not record this revenue according to Canadian independent accounting standards, which are necessary to create consistency in financial reporting. The standards also allow the financial statements of the Province to be more easily compared with those of other Canadian jurisdictions. Not following the standards results in under-reporting revenues, which clouds the Province’s true financial position.”

The report also discusses some of the audit impacts of the pandemic. The office found that government had to make estimates for revenues at a time when the full economic impact of COVID-19 was still unknown. For example, it recorded \$10.657 million for personal income tax revenue, with a measurement uncertainty of plus or minus \$500 million.

The report identified matters of note, including:

- Government’s purchase of Fortis BC’s interest in a power project for \$991 million. Government borrowed money to make the purchase, noting it will ensure local ownership of all hydroelectric projects and secure increased revenue for the future.
- \$505 million has been recorded in the summary financial statements for the estimated cost of environmental cleanup of contaminated sites. Actual costs are unknown until remediation occurs.
 - 62% of the estimated clean-up costs relate to mine sites.
 - The number of oil and gas orphan sites is also increasing along with related liabilities.



OFFICE OF THE
Auditor General
of British Columbia

Finally, the report touches on new accounting standards that will be implemented over the next few years.

Background

The office's annual audit of government's summary financial statements is the largest audit in British Columbia. The audit includes over 160 organizations that form the government reporting entity (GRE), with an effort that took over 50,000 hours of office staff and contractor time to complete. The summary financial statements are important to the people of B.C., as they indicate the financial well-being of the Province.

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About the Office of the Auditor General of British Columbia

The auditor general is a non-partisan, independent officer of the legislature who reports directly to the legislative assembly. The *Auditor General Act* empowers the auditor general and staff to conduct audits, report findings and make recommendations.

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