



FINANCIAL STATEMENTS 2020/21



STATEMENT OF MANAGEMENT RESPONSIBILITY

The accompanying financial statements of the Office of the Auditor General are the responsibility of management.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise, since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it considers most appropriate in the circumstances to ensure that the financial statements are presented fairly in all material respects.

We have developed and maintain systems of internal control that give reasonable assurance that the office has:

- operated within its authorized limits
- safeguarded assets
- kept complete and accurate financial records.

The Select Standing Committee on Finance and Government Services of the Legislative Assembly appointed BDO Canada LLP, Chartered Professional Accountants, to audit the accounts of the office for the year ended March 31, 2021.



Michael Pickup FCPA, FCA
Auditor General



John McNeill, CPA, CA
Manager, Finance and Administration

The Office of the Auditor General of British Columbia would like to acknowledge with respect that we conduct our work on Coast Salish territories. Primarily, this is on the Lkwungen-speaking people's (Esquimalt and Songhees) traditional lands, now known as Victoria, and the WSÁNEĆ people's (Pauquachin, Tsartlip, Tsawout, Tseycum) traditional lands, now known as Saanich.

EXTERNAL AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS



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Independent Auditor's Report

To the Auditor General of British Columbia

Opinion

We have audited the accompanying financial statements of The Office of the Auditor General of British Columbia (the "Office"), which comprise the Statement of Financial Position as at March 31, 2021, the Statements of Operations, Changes in Net Debt and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Office as at March 31, 2021, and the results of its operations, changes in net debt, and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally-accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. We are independent of the Office in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Office's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Office or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Office's financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Office's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Office to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants

Vancouver, British Columbia
June 23, 2021

OUR FINANCES

Statement of Financial Position

As at March 31, 2021 (in \$000s)	Note	2021	2020
Financial assets			
Petty cash		2	2
Due from consolidated revenue fund	3	59	-
Total financial assets		61	2
Liabilities			
Accounts payable and accrued liabilities		749	374
Due to consolidated revenue fund	3	-	82
Total liabilities		749	456
Net debt		(688)	(454)
Non-financial assets			
Tangible capital assets	4	941	828
Prepaid expenses	5	688	454
Total non-financial assets		1,629	1,282
Accumulated surplus	6	941	828

Approved by:



Michael Pickup FCPA, FCA, ICD.D
Auditor General



John McNeill, CPA, CA
Manager, Finance and Administration

Contractual obligations (note 10)

Impact of COVID-19 (note 13)

The accompanying notes are an integral part of these financial statements.

Statement of Operations

For the fiscal year ended March 31, 2021 (in \$000s)				
	Note		2021	2020
	7	Budget	Actual	Actual
Operations				
Revenue				
Operating appropriation		18,575	18,478	17,437
Expenses				
Audit services	11	18,575	18,478	17,437
Net results of operations		-	-	-
Capital				
Revenue				
Operating appropriation		393	376	156
Expenses				
Purchase of tangible capital assets		393	376	156
Net result of capital		-	-	-

Statement of Changes in Net Debt

For the fiscal year ended March 31, 2021 (in \$000s)		
	2021	2020
Acquisition of prepaid expenses	(688)	(454)
Use of prepaid expenses	454	356
	(234)	(98)
Increase in net debt	(234)	(98)
Net debt at beginning of year	(454)	(356)
Net debt at end of year	(688)	(454)

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows

For the fiscal year ended March 31, 2021 (in \$000s)	Note	2021	2020
Operating transactions			
Paid to employees		(13,739)	(12,918)
Paid to suppliers		(4,336)	(4,434)
Miscellaneous receipts	9	3	14
		(18,072)	(17,338)
Capital transactions			
Acquisition of tangible capital assets		(376)	(156)
Appropriation for tangible capital assets		376	156
		-	-
Financing activities			
Current year appropriation		18,213	17,145
Increase/(Decrease) in due from consolidated revenue fund		141	(193)
Due (to)/from consolidated revenue fund, beginning of year		(82)	111
Due from/(to) consolidated revenue fund, end of year		59	(82)

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2021 (tabular amounts in \$000s)

1. Nature of operations

The Auditor General is an Officer of the Legislature of British Columbia appointed under the *Auditor General Act*. The *Auditor General Act*, amended March 13, 2013, allows for the appointment of an auditor general for a single eight-year term by the legislative assembly. Non-partisan, objective and independent of the government of the day, the auditor general reports impartial assessments of government accountability and performance to the assembly.

The auditor general's mandate is established by the *Auditor General Act*. The act requires the auditor general to audit the government's annual Summary Financial Statements and allows the auditor general to be appointed as the financial auditor of any government organization or trust fund. The act also allows the auditor general to carry out examinations focusing, among other things, on whether government or a government organization is operating economically, efficiently, and effectively; and whether the accountability information provided to the legislative assembly by the government or a government organization with respect to the results of its programs is adequate.

Funding for the Office of the Auditor General (the office) comes from a voted appropriation (the vote) of the legislative assembly.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian public sector accounting standards (PSAS).

a) Legislative appropriations

The vote provides separately for operating expenses and capital acquisitions. Any unused appropriation cannot be carried forward for use in subsequent years.

b) Financial instruments

It is management's opinion that the office is not exposed to significant interest, currency or credit risk arising from these instruments.

A statement of remeasurement gains and losses has not been prepared as there are no such gains or losses.

c) Tangible capital assets

Tangible capital assets are recorded at historical cost less accumulated amortization. Amortization begins when the assets are put into use and is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Computer hardware and software	3 years
Mainframe hardware and software	5 years
Furniture and equipment	5 years
Tenant improvements	Term of lease (20 years)

d) Employee future benefits

i) Pension benefits

All eligible employees participate in a multi-employer defined benefit pension plan. Defined contribution plan accounting has been applied to the plan as the office has insufficient information to apply defined benefit plan accounting. Accordingly, the office's contributions are expensed in the year in which the employees' services are rendered. These contributions represent the office's total obligation for pension benefits.

ii) Other future benefits

Eligible employees are entitled to post-employment health care and other benefits as provided under terms of employment or collective agreements. The cost of these benefits is recorded as employees render the services necessary to earn them.

iii) Leave liability

Eligible employees are entitled to accumulate earned, unused vacation and other eligible leave entitlements as provided under terms of employment or collective agreements. The liability for the leave is managed and held by the BC Public Service Agency.

e) Measurement uncertainty

These financial statements are prepared in accordance with PSAS, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The estimated useful lives of tangible capital assets are the most significant item for which estimates are used. Actual results could differ from those estimates. These estimates are reviewed annually, and as adjustments become necessary, they are recognized in the financial statements in the period in which they become known.

3. Due (to)/from the Consolidated Revenue Fund

The office does not have its own bank account or hold cash or cash equivalents. All monetary transactions of the office are processed through the Consolidated Revenue Fund (CRF) of the Province of British Columbia. This balance is reflective of differences in the timing of events that obligate the Office, and therefore the CRF to distribute funds, and the receipt of the benefit from disbursing those funds.

	March 31, 2021	March 31, 2020
Balance, beginning of year	(82)	111
Cash provided for operations	18,213	17,145
Cash provided from miscellaneous receipts	3	14
Cash provided for the acquisition of tangible capital assets	376	156
	18,510	17,426
Expenses during year		
Paid to employees	(13,739)	(12,918)
Paid to suppliers	(4,336)	(4,434)
Paid for the acquisition of tangible capital assets	(376)	(156)
	(18,451)	(17,508)
Balance, end of year	59	(82)

4. Tangible capital assets

	Computer hardware and software	Mainframe hardware and software	Furniture and equipment	Tenant improvements	Total
Year ended March 31, 2020					
Opening net book value	187	374	95	295	951
Additions	106	49	1	-	156
Disposals	-	-	-	-	-
Amortization	(100)	(111)	(49)	(19)	(279)
Closing net book value	193	312	47	276	828
At March 31, 2020					
Cost	833	877	602	370	2,682
Accumulated amortization	(640)	(565)	(555)	(94)	(1,854)
Net book value	193	312	47	276	828
Year ended March 31, 2021					
Opening net book value	193	312	47	276	828
Additions	231	44	16	85	376
Disposals	-	-	-	-	-
Amortization	(112)	(110)	(20)	(21)	(263)
Closing net book value	312	246	43	340	941
At March 31, 2021					
Cost	1,064	921	618	455	3,058
Accumulated amortization	(752)	(675)	(575)	(115)	(2,117)
Net book value	312	246	43	340	941

5. Prepaid expenses

	March 31, 2021	March 31, 2020
Other	71	24
Software and hardware maintenance	420	303
Rent	197	127
Total	<u>688</u>	<u>454</u>

6. Accumulated surplus

The accumulated surplus balance represents tangible capital assets that have been funded through appropriations.

7. Voted, unused and used appropriation

The office receives approval from the legislative assembly to spend funds through an appropriation that includes two components—operating and capital. Any unused appropriations lapse at the fiscal year-end.

The budget for expenses shown on the Statement of Operations includes amortization of tangible capital assets and is based on the budgeted expenses that the Select Standing Committee on Finance and Government Services approved on December 16, 2019.

The following table compares the office’s actual expenditures to the approved appropriations.

Year ended March 31	2021		2020	
	Operating	Capital	Operating	Capital
Appropriation (Vote 2)	18,575	393	18,216	185
Total operating expenses	(18,478)	-	(17,437)	-
Capital acquisitions	-	(376)	-	(156)
Unused appropriation	<u>97</u>	<u>17</u>	<u>779</u>	<u>29</u>

8. Employee future benefits

The office and all eligible employees contribute to the Public Service Pension Plan, a multi-employer, defined benefit, and joint trusteeship plan, established for certain British Columbia public service employees. The British Columbia Pension Corporation administers the plan, including payments of pension benefits to eligible employees. A board of trustees, representing plan members and employers, is responsible for overseeing the management of the plan, including investment of assets and administration of benefits.

The plan is contributory, and its basic benefits are based on years of service and average earnings at retirement. Under joint trusteeship, the risks and rewards associated with the plan's unfunded liability or surplus is shared between the employers and the plan members and will be reflected in their future contributions.

Every three years an actuarial valuation is performed to assess the financial position of the pension plan and the adequacy of the funding. The latest actuarial valuation as at March 31, 2020 reported the fund was 110% funded with assets of \$30,452 million and liabilities of \$27,785 million.

Expenses related to employee future benefits incurred during the year were \$979,818

9. Miscellaneous receipts

Miscellaneous receipts include the repayment of funds to the office for expenditures made to employees and suppliers.

10. Contractual obligations

The office leases three multifunction devices and two photocopiers under agreements that terminate in June 2023.

The office entered into a 20-year lease agreement for newly built office space, commencing November 1, 2014.

The total future minimum lease payments for the duration of the lease are \$19.6 million.

Future minimum payments for each of the next five years under the terms of the commitments, as of March 31, 2021, are as follows:

Fiscal year	Commitment
2021/22	1,551
2022/23	1,543
2023/24	1,541
2024/25	1,541
2025/26	1,710
Total	7,886

11. Audit services

Classification of audit service expenses by object:

Year ended March 31	2021		2020
	Budget	Actual	Actual
Salaries and benefits	13,242	14,007	12,890
Professional services	1,759	1,537	1,156
Occupancy costs	1,490	1,503	1,504
Travel	689	3	541
Information technology	624	700	528
Office expenses	481	385	469
Amortization	220	263	279
Research grants	70	70	70
Vehicle expenses	-	10	-
	18,575	18,478	17,437
	18,575	18,478	17,437

12. Related party transactions

The office is related because of common ownership to all Province of British Columbia ministries, agencies, Crown corporations and all other public sector entities. Transactions with entities are recorded on an accrual basis and are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

13. Impact of COVID-19

For over a year, the spread of COVID-19 has impacted economies around the world. British Columbia's economy has been likewise impacted. Measures continue to be taken to reduce the spread of the virus, and these measures continue to result in economic disruption. A nationwide vaccination program is currently underway. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses remains unclear. While the organization has continued to deliver services and fulfil its mandate, the ongoing and evolving nature of this crisis creates uncertainties in the office's future operations.



OFFICE OF THE
Auditor General
of British Columbia

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This report and others are available on our website, which also contains further information about the office.

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