

FINANCIAL STATEMENT  
AUDIT COVERAGE PLAN

2016/17 - 2018/19

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OFFICE OF THE  
**Auditor General**  
of British Columbia

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# AUDITOR GENERAL'S MESSAGE

My Office's annual audit of Government's Summary Financial Statements is the largest audit in British Columbia. It encompasses central government and 145 other government entities such as universities, colleges, school districts, health authorities and similar organizations that are controlled by, or accountable to, the provincial government. Annual revenue and expenditures each total approximately \$60 billion and assets and liabilities each total just over \$100 billion. Given the magnitude of this audit and our limited capacity, we work with private-sector auditors to complete this audit.

This *Financial Statement Audit Coverage Plan for Fiscal Years 2016/17 through 2018/19* outlines our three-year plan, as required in the *Auditor General Act* (the Act), for determining which government entities our Office will audit directly and which will be audited by a private-sector firm.

As required by the Act, this plan covers the next three fiscal years and is prepared for the Select Standing Committee on Public Accounts.

With the committee's approval, the plan informs our presentation to the Select Standing Committee on Finance and Government Services, which is where we submit our annual budget request.

One of the goals of this plan is to ensure our Office has the right depth and breadth of knowledge of the business of government so we can focus our efforts on risk areas and best fulfill our role as the independent audit office of the provincial government.

Increasing the number of entities that our Office could audit directly would be the most effective way to decrease risk and increase our knowledge of government's operations. However, audit coverage has to be balanced with our Office's capacity to complete a large quantity of work that is seasonal in nature.



CAROL BELLRINGER, FCPA, FCA  
*Auditor General*

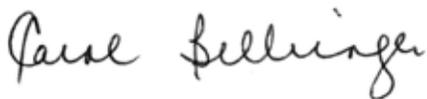
## AUDITOR GENERAL'S MESSAGE

Our audit of the Summary Financial Statements will be conducted in accordance with Canadian generally accepted auditing standards (GAAS) as prescribed by the Chartered Professional Accountants of Canada. GAAS require that we have an appropriate understanding of the business processes of the government reporting entity to ensure that the information contained within the Summary Financial Statements is complete and has been fairly presented.

This plan meets the professional requirements under GAAS, and will allow me to sign the audit opinion on government's Summary Financial Statements.

We expect the work can be done within a budget envelope very similar to that which was recommended last year by the Select Standing Committee on Finance and Government Services.

This plan presents all of the information required by the Act, and is presented to the Select Standing Committee on Public Accounts for its review and approval.



Carol Bellringer, FCPA, FCA  
Auditor General  
Victoria, B.C.  
October 2015

# APPROVALS REQUESTED

The Office of the Auditor General of British Columbia requests that the Select Standing Committee on Public Accounts approve the:

1. Financial Statement Audit Coverage Plan for the fiscal years 2016/17 through 2018/19, as shown in [Appendix A \(see page 20\)](#)
2. Auditor General continuing as the appointed auditor for 10 government organizations where the engagement term exceeds five consecutive fiscal years ([see pages 16-17](#))
3. Auditor General being appointed auditor for one organization outside the government reporting entity: The Provincial Employees Community Services Fund ([see page 18](#))

# BACKGROUND

**ACCORDING TO THE** *Auditor General Act* (the Act), section 10(1), the Auditor General is the auditor of the government reporting entity (GRE), which includes central government (e.g., ministries) and 145 other government entities such as Crowns, universities, colleges, school districts, health authorities and similar organizations that are controlled by the provincial government.

The Auditor General must report annually, in accordance with Canadian generally accepted auditing and assurance standards (GAAS), to the Legislative Assembly on the financial statements of the GRE. This annual audit of Government's Summary Financial Statements is the largest audit performed in the province and provides assurance to legislators, credit rating agencies and the people of British Columbia as to whether the financial statements present fairly the financial position and operating results of the Province.

The opinion on the Summary Financial Statements is the Auditor General's alone, but in British Columbia, the audit of the GRE is accomplished through the combined work of the Office of the Auditor General and private-sector auditors. The Auditor General audits directly the ministries of government, but most of the other organizations and trust funds that make up the GRE are audited by the private sector. The Auditor General is responsible for overseeing this process and determining what level of involvement the Office will have with each organization.

This report is provided to the Select Standing Committee on Public Accounts (PAC) in accordance with section 10(6) of the Act. According to section 10(7) of the Act, this plan must include:

- a) a list of the government organizations and trust funds for which the Auditor General proposes that the Auditor General be appointed
- b) a list of the government organizations and trust funds for which the Auditor General proposes that other auditors be appointed
- c) the implications of the plan on the budget of the Auditor General
- d) a request for exemption from the prohibition against being appointed the auditor of a government organization or a trust fund for a period of more than 5 consecutive fiscal years
- e) the criteria and selection process for the appointment of the auditors of government organizations and trust funds
- f) the involvement of the Auditor General in the audit process for government organizations and trust funds, for which auditors other than the Auditor General are the auditors
- g) a summary of consultations with respect to the plan, with officials of those government organizations and trust funds referred to in paragraph (b)

The selection process for determining the Auditor General's level of involvement with each entity is risk-based and aligns with GAAS specific to the audit

## BACKGROUND

of group financial statements. GAAS require us to be involved in the audit of all significant components of the Summary Financial Statements. This plan details the levels of involvement we use to gain knowledge of organizations and sectors during the overall audit of the Summary Financial Statements.

This *2016/17 – 2018/19 Financial Statement Audit Coverage Plan* (the plan) has been prepared in accordance with the requirements of the Act, to inform PAC as it fulfills its responsibility under section 10(9) to review and approve the plan.

# PLAN FOUNDATION AND PREPARATION

**THIS PLAN IS** devoted primarily to identifying our level of involvement with each organization in the government reporting entity so that the Auditor General will have the necessary knowledge to sign the opinion on the audit of government's Summary Financial Statements. It also shows the underlying process of how we determine which entities we will audit directly, and which will require the work of private-sector auditors.

The Province's Summary Financial Statements are a consolidation of two distinct components of the GRE:

- 1. Core government operations, which form the consolidated revenue fund.** Under section 10(2) of the Act, the Auditor General is the auditor of all ministries of government, officers of the legislature, and other funds or appropriations that form part of the consolidated revenue fund (CRF).
- 2. Government organizations that are included in the GRE.** Canadian public sector accounting standards establish criteria for determining whether organizations should be included in the GRE. Currently, as presented in [Appendix A](#), there are 141 organizations in the GRE, not including the trusts, ministries and a few other organizations that form the CRF; these organizations have over 80 subsidiaries. Sections 10(3), 10(4), 10(5) and 10(11) of the Act establish the auditor appointment process for these government organizations, each of which prepares its own annual financial statements. The audited financial statements of these government organizations are consolidated into Government's Summary Financial Statements.

Assurance standards require that we develop an appropriate understanding of the GRE to assess potential risks related to our audit of the Summary Financial Statements. This understanding is acquired through the:

1. audit of the consolidation of the government reporting entity
2. audit of the accounts of central government (the ministries in the CRF)
3. audit of the financial statements of government organizations and trust funds
4. oversight of audits performed by private sector auditors for the financial statements of government organizations and trust funds
5. audits of economy, efficiency, effectiveness, accountability, and statutory, regulatory and contractual compliance, undertaken under sections 11(8), 12 and 13 of the Act

## PLAN FOUNDATION AND PREPARATION

### AUDIT OF THE CONSOLIDATION OF THE GRE

Section 10(1) of the Act appoints the Auditor General as the auditor of the GRE. However, because there are too many entities for the Office of the Auditor General (OAG) to audit directly, private-sector auditors audit most of the entities. The OAG then audits government's compilation of these entity's financial statements, along with the CRF. Together, this is known as our audit of government's Summary Financial Statements.

The OAG contacts each entity's auditor to communicate expectations, the information required and deadlines. In addition to obtaining information about audit planning and completion, and the audited financial statements, we also review the management letters that the private-sector auditors issue to each entity to assess if there are any systemic weaknesses or breakdowns in controls that government should address.

### AUDIT OF THE ACCOUNTS OF CENTRAL GOVERNMENT

Section 10(2) requires the Auditor General to audit government ministries, officers of the legislature, and other funds or appropriations that form part of the consolidated revenue fund. Ministries and most of the officers do not currently produce their own financial statements, although they share a common financial reporting system. This work is conducted directly by the OAG.

To support our audit of the accounts of central government, the OAG invests significantly in gaining knowledge of the business – the operating and financial processes, systems and controls that form the basis for assessments of risk that are required under GAAS.

The OAG's financial accounts are part of central government. Our financial statements are audited by an independent auditor appointed by PAC.

# PLAN FOUNDATION AND PREPARATION

## AUDIT OF THE FINANCIAL STATEMENTS OF GOVERNMENT ORGANIZATIONS AND TRUST FUNDS

The opinion on the Summary Financial Statements is the Auditor General's alone; however, the audit of the GRE is accomplished through the combined work of the OAG and private-sector auditors.

There are three levels of involvement of the Auditor General in the financial statement audits of government organizations:

1. **High (direct) involvement:**

The audit is conducted directly either by staff of the Auditor General or by a private-sector firm under contract. In either case, the Office of the Auditor General is responsible for the audit and signs the audit opinion. Direct audit involvement provides us with the greatest understanding of the auditee's business.

2. **Moderate (oversight) involvement:**

The audit is conducted by a private-sector firm. The Auditor General conducts extended procedures to better understand the business of, the issues in, and the audit risk involved with these organizations. These extended procedures include attending audit committee meetings and reviewing the appointed auditor's audit

plans and year-end audit files. As well as providing us with information about the audited organization, these procedures also allow us to determine if the audit work is sufficient for the Auditor General to form an opinion on Government's Summary Financial Statements.

3. **Low (limited) involvement:** The audit is conducted by a private-sector firm. To meet professional requirements, the Auditor General informs the appointed auditor that we will be relying on their work, and may direct or review the audit work as required. The OAG will also work with the auditor if there is a specific issue in the organization or sector that needs to be addressed, as we may be able to provide specific information around the issue, or request that additional audit work be performed if required. As well, a sample of the auditor's files may be reviewed.

## PLAN FOUNDATION AND PREPARATION

### THE FINANCIAL STATEMENT AUDIT PROCESS

Regardless of whether the Auditor General or a private-sector firm is the auditor, a financial statement audit encompasses five steps:

1. **Pre-engagement procedures:** Before the audit commences, the auditor performs procedures such as an independence assessment and a pre-engagement audit risk assessment. The auditor confirms his/ her independence from the client and also issues an engagement letter setting out the objectives, scope and limitations of the audit engagement, the responsibilities of management and the auditor and other matters.
2. **Risk assessment:** While planning for the audit, the auditor gathers information about the client and its operating environment, including an understanding of the internal controls and business processes.
3. **Risk response:** Having assessed the audit risks (i.e., the areas where errors are more likely to occur than others), the auditor performs audit procedures to verify the accuracy of the figures in the financial statement.
4. **Reporting:** In addition to the opinion on the financial statements, the auditor issues a report on the findings to management and the audit committee.

5. **Follow-up:** Issues that were identified during the audit will be followed up in next year's audit to see if recommendations were implemented.

For more information, see "[What to Expect from a Financial Audit](#)" on the OAG website.

### AUDITS OF ECONOMY, EFFICIENCY, EFFECTIVENESS, ACCOUNTABILITY, AND STATUTORY, REGULATORY AND CONTRACTUAL COMPLIANCE

Each year we conduct a body of work known as *performance audit*, much of which provides support for our opinion on the Summary Financial Statements. The information we gain from these reports, in areas such as financial management, IT security and planning, governance, risk management, P3s and others, is integral to our understanding of the functioning of the reporting entity and assessing financial risk. In turn, this assists us in meeting requirements under GAAS when we audit the Summary Financial Statements.

# PLAN FOUNDATION AND PREPARATION

## HOW THE OAG PREPARES THE PLAN

In designing the plan, audit coverage decisions are made in three stages.

First, for each organization, we perform a risk assessment to determine if it should be considered as a significant component of the Summary Financial Statements. This is determined based on the financial size of the organization, as well as other relevant risks such as whether the organization:

- ◆ delivers a core service
- ◆ has a high level of public interest
- ◆ has a high inherent risk to government (with respect to programs delivered or roles fulfilled)
- ◆ is a complex organization
- ◆ likely has future issues that could materially impact the Summary Financial Statements
- ◆ has other risk factors

For organizations that are significant components of the Summary Financial Statements, assurance standards require that we have more than a low level of involvement. As well, in some cases, based on these assessments of risk, we have determined that our involvement must extend beyond five years.

Second, for each type of organization (e.g., health authorities, school districts, Crown corporations) we determine the sufficient level of direct audit involvement and oversight involvement to understand issues that are common to the group. This may result in

direct or oversight involvement with organizations not assessed as significant. The plan rotates involvement through these organizations on a two- to five-year cycle. This allows us to keep abreast of risks and issues in and across each of these groups.

Finally, all new or planned government organizations and trust funds are assessed for significance and risk to determine if they should be audited directly for the first three years, consistent with section 10(4) of the Act.

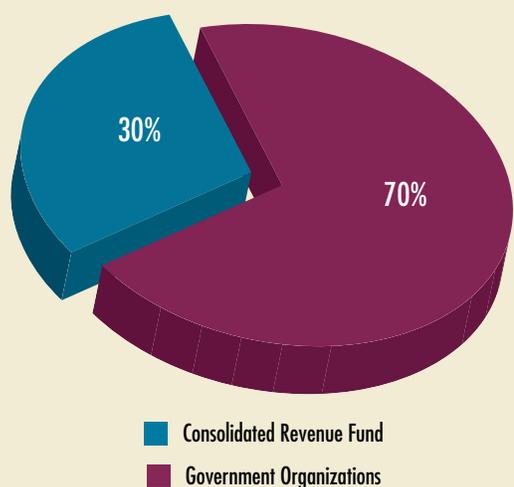
The requirement to appoint auditors is usually specified in the enabling legislation, constitution or bylaws of each organization. Accordingly, once PAC approves the plan, with or without amendments, we contact the organizations affected and arrange to be appointed as their auditor in accordance with the relevant authority.

Due to the changing risks involved with such a large audit, we have made two changes to the plan approved last year by the committee. These changes are detailed in [Appendix B](#).

# THE PLAN FOR 2016/17 - 2018/19

**THIS PLAN ADDRESSES** the audit of entities in the GRE that are not reported through the consolidated revenue fund (CRF). As shown in Exhibit 1, approximately two thirds, or 70%, of government expenses flow through these entities. CRF expenditures account for 30% of government expenditures, after excluding transfers from the CRF to fund government entities.

**Exhibit 1:** 2015 total government expenses



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

The proposed three-year audit coverage for fiscal years 2016/17 through 2018/19 for entities included in the GRE is summarized in Exhibit 2. The figures in this table, along with our involvement with other organizations, are presented in detail in [Appendix A](#), starting on page 20.

There are more than 80 additional organizations that are controlled subsidiaries of government organizations presented in this plan. The financial results of these additional organizations are consolidated into the financial statements of the parent organization and, typically, the auditor of the parent organization is also the auditor of the subsidiary organization. Unless otherwise noted in [Appendix A](#), subsidiaries of government organizations are not presented in these figures.

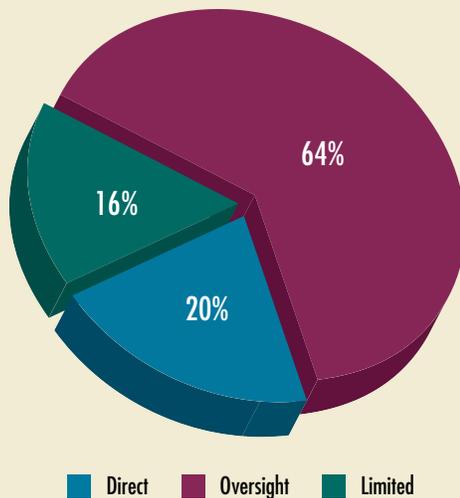
**Exhibit 2:** Summary of proposed audit coverage for 2016/17-2018/19

Entity Types	Expected # of Entities 2015/16	2016/17 Level of Involvement			2017/18 Level of Involvement			2018/19 Level of Involvement		
		Limited	Oversight	Direct	Limited	Oversight	Direct	Limited	Oversight	Direct
School districts	60	52	3	5	52	3	5	52	3	5
Universities, colleges and institutes	26	16	8	2	17	7	2	17	7	2
Health authorities	7	1	5	1	1	5	1	1	5	1
Hospital societies	7	6	1	0	6	1	0	6	1	0
Crown corporations	41	21	9	11	20	10	11	20	10	11
Trust funds	4	4	0	0	4	0	0	4	0	0
<b>Total</b>	<b>145</b>	<b>100</b>	<b>26</b>	<b>19</b>	<b>100</b>	<b>26</b>	<b>19</b>	<b>100</b>	<b>26</b>	<b>19</b>

## THE PLAN FOR 2016/17 - 2018/19

Since many entities are selected based on the magnitude of risk to the GRE as a whole, they also tend to be more significant in terms of expenditures. As shown in Exhibit 3, the Auditor General had either a direct or oversight level of involvement for 84% of government organization expenses for the 2014/15 fiscal year (as reported in the financial statements of individual government organizations). Note that Exhibits 3 and 4 exclude the expenses of core government operations, which are all audited directly by the Auditor General.

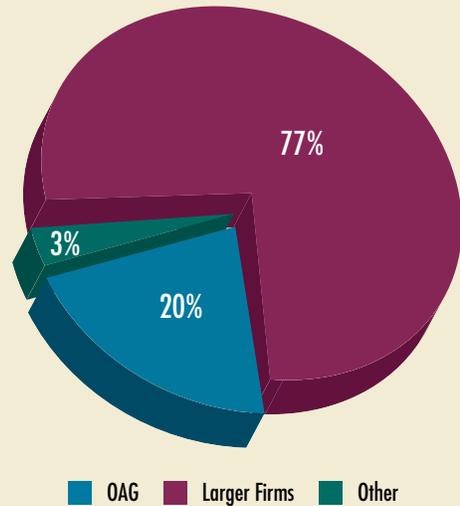
**Exhibit 3:** 2015 government organization expenses by level of audit involvement



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

As shown in Exhibit 4, of the entities where the Auditor General is not the appointed auditor, the vast majority of government reporting entities are audited by the larger auditing firms (BDO Canada LLP, Deloitte LLP, Grant Thornton LLP, KPMG LLP and PricewaterhouseCoopers LLP). We work closely with these firms regarding their involvement in auditing government organizations.

**Exhibit 4:** Proportion of 2015 government organization expenses audited by the OAG compared to other auditors



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

[Appendix A](#) shows the Auditor General's proposed audit coverage by level of involvement for each government organization and trust fund, by each year of the plan. It also includes, for comparison, the implemented coverage levels for 2014/15 and 2015/16.

Each year, we revisit our risk and coverage assessments and revise the plan where needed. [Appendix B](#) presents a summary of all government organizations where the current year coverage (fiscal 2015/16) and proposed coverage for 2016/17 through 2017/18 differ from the plan approved by PAC in October 2014. A brief explanation is given for each difference.

# ADDITIONAL REPORTING REQUIREMENTS UNDER THE ACT

## AUDITOR GENERAL APPOINTMENTS EXCEEDING FIVE YEARS

Section 10(7)(d) of the Act requires PAC's approval for the Auditor General to be appointed as auditor of a government organization or trust fund for a period of more than five consecutive fiscal years. This provision recognizes the need to manage inherent audit risk by providing a mechanism to extend the Auditor General's involvement beyond five years where necessary.

When the *Auditor General Act* was revised in 2003, the higher standards being considered for the accounting and auditing profession at the time included limiting firms to be the auditors of organizations for only five years. The intent was to minimize the risk associated with a potential lack of independence between the auditors and those they were auditing. Since then, however, the profession has instead adopted a regime of senior staff rotation on audit engagements, in addition to other safeguards to protect independence. In British Columbia, the lead engagement partner on the audit of a financial statement of an entity listed on a stock exchange must rotate off the engagement after a period not normally exceeding seven years.

The Office of the Auditor General has a policy of rotating senior staff every five years on assurance engagements of government organizations that are considered to be significant.

In our monitoring of the auditor appointment process, we have noted that frequent audit firm rotation can be challenging in locations where there are only a few qualified audit firms to select from, or for audits where significant technical expertise must be maintained. In some cases, regular audit firm rotation is not feasible and objectivity is instead maintained through senior staff rotation.

The foundation of the plan requires that our audit coverage is such that we are able to maintain the knowledge required to assess potential risks and appropriately plan our audit of the Summary Financial Statements. Therefore, in this plan we are attempting to balance the benefits achieved through auditor rotation with professional standards that require us to maintain appropriate knowledge and experience as necessary to fulfil our mandate. Assurance standards specific to the audit of "group financial statements" require that we maintain involvement, either directly or in an oversight capacity, with any entity determined to be significant to the Summary Financial Statements. By definition, this necessitates some audit engagements to exceed five years. This same logic applies to the ministries of government, where the Act mandates the Auditor General as auditor in perpetuity.

## ADDITIONAL REPORTING REQUIREMENTS UNDER THE ACT

When preparing this plan, we review each OAG appointment exceeding five years and consider if our continued appointment is warranted. This year, we are requesting PAC's approval to continue as the appointed auditor for 10 government organizations

where the terms as presented in the plan will exceed five years. The rationale for extending each appointment is listed in Exhibit 5:

Exhibit 5: Auditor General appointments exceeding five years	
Organization	Rationale for exceeding five years
<b>1</b> BC Immigrant Investment Fund Ltd.	This corporation receives and manages B.C.'s allocation of funds under the federal Immigrant Investor Program. BC Immigrant Investment Fund Ltd. continues to undergo substantial changes, including the recent federal government's announcement of its intention to terminate the Immigrant Investor Program. Therefore, our continued direct involvement is warranted.
<b>2</b> B.C. Pavilion Corporation	This corporation manages public facilities including BC Place Stadium and the Vancouver Convention Centre. The corporation is involved in significant and sometimes complex transactions including the Site 10A development. The significance and risks associated with these activities warrant our continued direct involvement.
<b>3</b> BC Transportation Financing Authority	<p>This organization is responsible for the significant capital financing of highway infrastructure projects. The significance and risks associated with these activities warrant our continued direct involvement.</p> <p>This organization's audit opinions since 2011 have been qualified, and so our assessment of the financial reporting risk continues to be high.</p> <p>There is also a high degree of administrative integration with the Ministry of Transportation and Infrastructure. As well, the Authority is financing the province's contribution to a number of federal-provincial cost-sharing agreements that are audited separately by the OAG. It is more efficient for the audits of the ministry and the Authority to be conducted by the same auditor, and the Auditor General is, by legislation, the auditor of the ministry.</p>
<b>4</b> British Columbia Railway Company	The company is a significant subsidiary of BC Transportation Financing Authority, which is audited by the OAG. The Auditor General is responsible for the audit opinion; however, we conduct this audit by contracting with a private-sector auditor.
<b>5</b> British Columbia Enterprise Corporation	This corporation is a non-active company managed by the Ministry of Jobs, Tourism and Skills Training – which we already audit. Due to the high degree of integration with the ministry, it is more efficient for the Auditor General to continue as the auditor.
<b>6</b> British Columbia Liquor Distribution Branch	<p>The British Columbia Liquor Distribution Branch is a branch of the Ministry of Small Business and Red Tape Reduction. Therefore, the Auditor General of British Columbia is the auditor of record by statute.</p> <p>However, as our continued direct involvement is not warranted on the basis of risk, we conduct this audit by contracting with a private-sector auditor.</p>

## ADDITIONAL REPORTING REQUIREMENTS UNDER THE ACT

	Organization	Rationale for exceeding five years
7	British Columbia Transit	British Columbia Transit is an important organization in the transportation sector, with operations covering the entire province, except the Lower Mainland. The scope of the organization's activities warrants our continued direct involvement.
8	Columbia Power Corporation	Columbia Power Corporation plays a significant role in energy infrastructure projects, most recently the Waneta Dam. Management of these projects can have a large impact on stakeholders in the province. The risks associated with this corporation's operations warrant our continued direct involvement.
9	Oil and Gas Commission	The oil and gas industry is significant to the province and there are several high-profile issues including potential pipeline projects. Our continued direct involvement in the commission is warranted so that we stay informed of the industry activities that may have a significant public impact.
10	Transportation Investment Corporation	This corporation is responsible for the construction and operation of the new Port Mann Bridge, which became operational in fiscal 2013 and is now in the operations phase. The construction phase is winding down, with final completion expected in fiscal 2015/16. As the risks in the construction phase and the operations phase are unique, our continued direct involvement is warranted.

## SUMMARY OF CONSULTATIONS

Section 10(7) (g) of the Act requires a summary of consultations made with respect to the plan.

Our annual consultation process starts with a discussion of proposed changes with governing boards and senior management of organizations that will be impacted by changes to the plan from the previously approved version. This consultation occurs during drafting of the plan. The form of consultation varies, but may include discussions with senior management and audit committee chairs or equivalent, and attendance and discussion at audit committee meetings.

We have finished consulting with all organizations affected by changes to this recommended plan, and all

parties understand the proposed audit coverage. After the plan has been reviewed and approved by PAC, we will communicate in writing with those organizations impacted by changes to the plan. Periodically, we communicate with all government organizations to provide information on the Financial Statement Audit Coverage Plan process.

## IMPLICATIONS FOR THE OAG BUDGET

Section 10(7) (c) of the *Auditor General Act* requires the plan to describe how this proposal will affect the OAG's budget.

In our assessment, proposed changes to the audit coverage will have negligible impact on our budgeted cost for each of the fiscal years from 2016/2017 to

## ADDITIONAL REPORTING REQUIREMENTS UNDER THE ACT

2018/2019. This is because changes to the overall level of audit coverage are generally small and incremental. As well, as previously described, audit coverage involvement is only part of the year-round stream of activity relating to our audit of the Province's Summary Financial Statements.

Accounting standards in Canada have changed, and as a result, virtually all government entities have now changed to a different financial reporting framework. As described in our report *Observations on Financial Reporting: 2012/13 Summary Financial Statements*, government's issuance of the Restricted Contributions Regulation modified Public Sector Accounting Standards. As a result, many government organizations reported on a compliance (or non-GAAP<sup>1</sup>) basis in their financial statements. However, under the Act, the Auditor General must report each year on whether the Province's Summary Financial Statements are presented fairly in accordance with Canadian generally accepted accounting principles. This means that many government organizations consolidated into the Summary Financial Statements have to be audited based on two different accounting standards for the reporting of contributions revenue – one for the preparation of their financial statements and then in accordance with Public Sector Accounting Standards for consolidation into the Summary Financial Statements.

## REQUEST FOR APPROVAL TO AUDIT ORGANIZATIONS OUTSIDE THE GRE

Section 14 of the Act allows the Auditor General, with the consent of PAC, to be appointed auditor of an organization or trust fund that is not part of the Province's Summary Financial Statements.

Therefore, we request approval to continue to be the appointed auditor for the following organization that is outside the GRE:

1. **Provincial Employees Community Services Fund** – This organization is a small charitable employee trust that collects donations from provincial employees and distributes them to charities in B.C. The OAG conducts a review of the annual financial statements, for which no fee is charged, to support the organization.

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<sup>1</sup> Not in accordance with generally accepted accounting principles

## ADDITIONAL REPORTING REQUIREMENTS UNDER THE ACT

### ADMINISTRATION OF THE AUDITOR APPOINTMENT PROCESS

Once we have communicated PAC's decisions, each governing board appoints its financial statement auditor according to the approved coverage plan – either the Auditor General or a private-sector auditor selected by the governing board.

Through our oversight involvement in the audit process of many government organizations, we monitor how this process is operating and how well it aligns with the mandate of the OAG. As part of our risk analysis, we also monitor length of appointment, audit cost, and frequency of competitive process across the government reporting entity.

We assist boards and audit committees in the selection and appointment of auditors by:

- ♦ making available a template for a request for proposal process, including a model service agreement for audit services
- ♦ being available to provide advice on specific issues or to provide more active advisory participation in the selection and appointment process

We require that governing boards of government organizations include provisions for the appropriate involvement of the Auditor General in the service agreements with their financial statement auditors. We also recommend selection criteria based largely on auditor capability, audit strategy and price.

# APPENDIX A:

## DETAILED COVERAGE PLAN FOR 2016/17 - 2018/19

### PLAN LEGEND

- OAG:** **High involvement** – Audit performed by the Auditor General using existing staff (OAG-Direct) or private sector audit firms under contract (OAG-Contract).
- Oversight:** **Moderate involvement** – Auditors other than the Auditor General are the appointed auditors. However, the Auditor General conducts oversight procedures.
- Blank:** **Low involvement** – Auditors other than the Auditor General are the appointed auditors. The Auditor General has limited involvement, but may conduct work as required.

Organization	Historical Coverage		Proposed 3 Year Coverage		
	year ending in 2015	year ending in 2016	year ending in 2017	year ending in 2018	year ending in 2019
<b>School districts</b>					
Board of Education School District No. 5 (South East Kootenay)					
Board of Education School District No. 6 (Rocky Mountain)					
Board of Education School District No. 8 (Kootenay Lake)					
Board of Education School District No. 10 (Arrow Lakes)					
Board of Education School District No. 19 (Revelstoke)		Oversight	Oversight		
Board of Education School District No. 20 (Kootenay-Columbia)					
Board of Education School District No. 22 (Vernon)				Oversight	Oversight
Board of Education School District No. 23 (Central Okanagan)					
Board of Education School District No. 27 (Cariboo-Chilcotin)					
Board of Education School District No. 28 (Quesnel)					
Board of Education School District No. 33 (Chilliwack)					

## APPENDIX A: DETAILED COVERAGE PLAN FOR 2016/17 - 2018/19

Organization	Historical Coverage		Proposed 3 Year Coverage		
	year ending in 2015	year ending in 2016	year ending in 2017	year ending in 2018	year ending in 2019
Board of Education School District No. 34 (Abbotsford)					
Board of Education School District No. 35 (Langley)	OAG-Direct				
Board of Education School District No. 36 (Surrey)					
Board of Education School District No. 37 (Delta)		Oversight	Oversight		
Board of Education School District No. 38 (Richmond)					
Board of Education School District No. 39 (Vancouver)	Oversight	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct
Board of Education School District No. 40 (New Westminister)					
Board of Education School District No. 41 (Burnaby)					
Board of Education School District No. 42 (Maple Ridge-Pitt Meadows)				Oversight	Oversight
Board of Education School District No. 43 (Coquitlam)					
Board of Education School District No. 44 (North Vancouver)			Oversight	Oversight	
Board of Education School District No. 45 (West Vancouver)					
Board of Education School District No. 46 (Sunshine Coast)					
Board of Education School District No. 47 (Powell River)					

## APPENDIX A: DETAILED COVERAGE PLAN FOR 2016/17 - 2018/19

Organization	Historical Coverage		Proposed 3 Year Coverage		
	year ending in 2015	year ending in 2016	year ending in 2017	year ending in 2018	year ending in 2019
Board of Education School District No. 48 (Sea to Sky)	Oversight	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct
Board of Education School District No. 49 (Central Coast)					
Board of Education School District No. 50 (Haida Gwaii-Queen Charlotte)					
Board of Education School District No. 51 (Boundary)					
Board of Education School District No. 52 (Prince Rupert)					
Board of Education School District No. 53 (Okanagan-Similkameen)	Oversight	Oversight	OAG-Direct	OAG-Direct	OAG-Direct
Board of Education School District No. 54 (Bulkley Valley)					
Board of Education School District No. 57 (Prince George)					
Board of Education School District No. 58 (Nicola-Similkameen)					
Board of Education School District No. 59 (Peace River South)					
Board of Education School District No. 60 (Peace River North)					Oversight
Board of Education School District No. 61 (Greater Victoria)	OAG-Direct				
Board of Education School District No. 62 (Sooke)					
Board of Education School District No. 63 (Saanich)					

## APPENDIX A: DETAILED COVERAGE PLAN FOR 2016/17 - 2018/19

Organization	Historical Coverage		Proposed 3 Year Coverage		
	year ending in 2015	year ending in 2016	year ending in 2017	year ending in 2018	year ending in 2019
Board of Education School District No. 64 (Gulf Islands)					
Board of Education School District No. 67 (Okanagan-Skaha)					
Board of Education School District No.68 (Nanaimo-Ladysmith)					
Board of Education School District No. 69 (Qualicum)					
Board of Education School District No. 70 (Alberni)					
Board of Education School District No. 71 (Comox Valley)	Oversight	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct
Board of Education School District No. 72 (Campbell River)					
Board of Education School District No. 73 (Kamloops-Thompson)					
Board of Education School District No. 74 (Gold Trail)					
Board of Education School District No. 75 (Mission)					
Board of Education School District No. 78 (Fraser-Cascade)					
Board of Education School District No. 79 (Cowichan Valley)					
Board of Education School District No. 81 (Fort Nelson)					
Board of Education School District No. 82 (Coast Mountains)					
Board of Education School District No. 83 (North Okanagan-Shuswap)	OAG-Direct				

## APPENDIX A: DETAILED COVERAGE PLAN FOR 2016/17 - 2018/19

Organization	Historical Coverage		Proposed 3 Year Coverage		
	year ending in 2015	year ending in 2016	year ending in 2017	year ending in 2018	year ending in 2019
Board of Education School District No. 84 (Vancouver Island West)					
Board of Education School District No. 85 (Vancouver Island North)					
Board of Education School District No. 87 (Stikine)					
Board of Education School District No. 91 (Nechako Lakes)					
Board of Education School District No. 92 (Nisga'a)					
Board of Education School District No. 93 (Conseil Scolaire Francophone)	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct
<b>Universities, colleges and institutes</b>					
British Columbia Institute of Technology	Oversight	Oversight	Oversight	Oversight	Oversight
Camosun College	OAG-Direct				
Capilano University					
College of New Caledonia					
College of the Rockies			Oversight	Oversight	
Douglas College					
Emily Carr University of Art and Design	Oversight	Oversight	Oversight		
Justice Institute of British Columbia	Oversight				
Kwantlen Polytechnic University	Oversight	Oversight			
Langara College					Oversight
Nicola Valley Institute of Technology			Oversight	Oversight	
North Island College					
Northern Lights College					
Northwest Community College		Oversight	Oversight		
Okanagan College					
Royal Roads University		Oversight	Oversight		
Selkirk College					

## APPENDIX A: DETAILED COVERAGE PLAN FOR 2016/17 - 2018/19

Organization	Historical Coverage		Proposed 3 Year Coverage		
	year ending in 2015	year ending in 2016	year ending in 2017	year ending in 2018	year ending in 2019
Simon Fraser University	Oversight	Oversight	Oversight	Oversight	Oversight
Thompson Rivers University					Oversight
Trades Training Consortium of British Columbia <sup>1</sup>					
University of British Columbia	Oversight	Oversight	Oversight	Oversight	Oversight
University of the Fraser Valley				Oversight	Oversight
University of Northern British Columbia	Oversight				
University of Victoria	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct
Vancouver Community College	Oversight	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct
Vancouver Island University				Oversight	Oversight
<b>Health authorities</b>					
Fraser Health Authority	Oversight	Oversight	Oversight	Oversight	Oversight
Interior Health Authority	Oversight	Oversight	Oversight	OAG-Direct	OAG-Direct
Nisga'a Valley Health Authority					
Northern Health Authority	Oversight	Oversight	Oversight	Oversight	Oversight
Provincial Health Services Authority	Oversight	Oversight	Oversight	Oversight	Oversight
Vancouver Coastal Health Authority	OAG-Direct	OAG-Direct	OAG-Direct	Oversight	Oversight
Vancouver Island Health Authority	Oversight	Oversight	Oversight	Oversight	Oversight
<b>Hospital societies<sup>2</sup></b>					
Louis Brier Home and Hospital					
Menno Hospital					
Mount St. Mary Hospital					
Providence Health Care	Oversight	Oversight	Oversight	Oversight	Oversight
St. Joseph's General Hospital					
St. Michael's Centre					
Wrinch Memorial Hospital					

<sup>1</sup> Trades Training BC is a consortium of 16 colleges, universities and institutes.

<sup>2</sup> Not shown are the Bella Cooola General Hospital and R.W. Large Memorial Hospital, as these entities ended up being part of other organizations during fiscal 2015.

## APPENDIX A: DETAILED COVERAGE PLAN FOR 2016/17 - 2018/19

Organization	Historical Coverage		Proposed 3 Year Coverage		
	year ending in 2015	year ending in 2016	year ending in 2017	year ending in 2018	year ending in 2019
<b>Crown corporations<sup>3</sup></b>					
BC Games Society					
BC Immigrant Investment Fund Ltd.	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct
B.C. Pavilion Corporation	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct
BC Transportation Financing Authority	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct
British Columbia Assessment Authority					Oversight
British Columbia Council for International Education					
British Columbia Enterprise Corporation	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct
British Columbia Housing Management Commission	Oversight	Oversight	Oversight	Oversight	Oversight
British Columbia Hydro and Power Authority	Oversight	Oversight	Oversight	Oversight	Oversight
British Columbia Innovation Council					
British Columbia Liquor Distribution Branch	OAG-Contract	OAG-Contract	OAG-Contract	OAG-Contract	OAG-Contract
British Columbia Lottery Corporation	Oversight	Oversight	Oversight	Oversight	Oversight
British Columbia Public Schools Employers' Association					
British Columbia Railway Company <sup>4</sup>	OAG-Contract	OAG-Contract	OAG-Contract	OAG-Contract	OAG-Contract
British Columbia Securities Commission	Oversight	Oversight			
British Columbia Transit	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct
Canadian Blood Services					
Columbia Basin Trust <sup>5</sup>	Oversight	Oversight	Oversight	Oversight	Oversight
Columbia Power Corporation	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct
Community Living British Columbia	Oversight	Oversight	Oversight	Oversight	Oversight
Community Social Services Employers Association of BC					

<sup>3</sup> Not shown is the Pacific Carbon Trust, as this entity ended up being part of the Consolidated Revenue Fund during fiscal 2015.

<sup>4</sup> The British Columbia Railway Company is a subsidiary of the BC Transportation Financing Authority.

<sup>5</sup> Although named as a "trust", this is not a trust fund but a fully consolidated government organization.

## APPENDIX A: DETAILED COVERAGE PLAN FOR 2016/17 - 2018/19

Organization	Historical Coverage		Proposed 3 Year Coverage		
	year ending in 2015	year ending in 2016	year ending in 2017	year ending in 2018	year ending in 2019
Creston Valley Wildlife Management Authority Trust Fund					
Crown Corporations Employers' Association					
Destination BC	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct	
First Peoples' Heritage, Language and Culture Council					
Forestry Innovation Investment Ltd.	Oversight	Oversight	Oversight	Oversight	Oversight
Health Employers Association of BC					
Industry Training Authority					
Insurance Corporation of British Columbia	Oversight	Oversight	Oversight	Oversight	Oversight
Knowledge Network Corporation					
Legal Services Society					
Nechako-Kitimaat Development Fund Society					
Oil and Gas Commission	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct
Organized Crime Agency of British Columbia Society	Oversight	Oversight			
Partnerships British Columbia Inc.	Oversight	Oversight	Oversight	Oversight	Oversight
Post-Secondary Employers Association					
Private Career Training Institutions Agency					
Provincial Rental Housing Corporation	Oversight	Oversight	Oversight	Oversight	Oversight
Rapid Transit Project 2000 Ltd.					
The Royal British Columbia Museum Corporation				Oversight	OAG-Direct
Transportation Investment Corporation	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct

## APPENDIX A: DETAILED COVERAGE PLAN FOR 2016/17 - 2018/19

Organization	Historical Coverage		Proposed 3 Year Coverage		
	year ending in 2015	year ending in 2016	year ending in 2017	year ending in 2018	year ending in 2019
<b>Trust funds<sup>6</sup></b>					
BC Public Service Long Term Disability Plan (Other Trust Funds)					
Credit Union Deposit Insurance Corporation of British Columbia					
Public Guardian and Trustee of British Columbia (Estates and Trusts)					
Supreme and provincial court (Suitors' Funds) <sup>7</sup>					
<b>Other organizations - CRF organizations</b>					
Office of the Representative for Children and Youth <sup>8</sup>	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct
Legislative Assembly	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct
<b>Other organizations – Non government reporting entity engagements<sup>9</sup></b>					
Provincial Employees Community Services Fund	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct
WorkSafe British Columbia	OAG-Contract	OAG-Contract			
Langley School District Foundation	OAG-Direct				

<sup>6</sup> Only those Government Trust Funds that are significant to the Summary Financial Statements are included in this plan.

<sup>7</sup> The Supreme and provincial court (Suitors' Funds) are not audited.

<sup>8</sup> Pursuant to its enabling legislation, the Office of the Representative for Children and Youth is required to have an audit of its accounts performed each year by the Auditor General.

<sup>9</sup> This table only includes those non-government reporting entity engagements for which the Auditor General is proposing audit coverage.

# APPENDIX B:

## SUMMARY OF CHANGES FROM THE PRIOR YEAR PLAN

In October 2014, the Select Standing Committee on Public Accounts approved last year's Financial Statement Audit Coverage Plan. The chart below summarizes the changes from last year's plan compared to this year's plan.

Organization	Changes	Rationale
Royal British Columbia Museum	<p>The prior year plan was for limited involvement in the fiscal years 2015/16 through 2017/18.</p> <p>The current year plan is for oversight involvement in fiscal 2017/18 (followed by direct audit coverage beginning in 2018/19).</p>	<p>Because of our continuing re-assessment of our overall audit coverage, we decided to take on the direct audit of the Museum beginning in 2018/19.</p> <p>When taking on a direct audit, it is our practice to familiarize ourselves with the audit by taking on oversight the year before we start the audit.</p>
Organized Crime Agency	<p>The prior year plan was for oversight involvement for one year (2014/15) and then direct audit coverage for five years beginning in 2015/16.</p> <p>The current year plan is to have oversight coverage in 2015/16 and limited involvement after that.</p>	<p>Based on the results of our oversight procedures for 2014/15, we have concluded that we will not take over the direct audit of the Agency, but will instead have a second year of oversight before reverting to limited involvement.</p>



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