



Office of the
Auditor General
of British Columbia

June 2023

Annual Report 2022/23





Office of the
Auditor General
of British Columbia

623 Fort Street
Victoria, British Columbia
V8W 1G1

P: 250.419.6100
F: 250.387.1230
oag.bc.ca

The Honourable Raj Chouhan
Speaker of the Legislative Assembly
Province of British Columbia
Parliament Buildings
Victoria, British Columbia
V8V 1X4

Dear Mr. Speaker:

I have the pleasure of submitting the Office of the Auditor General's *Annual Report 2022/23*, as required under section 22 of the *Auditor General Act*.

Michael A. Pickup, FCPA, FCA
Auditor General of British Columbia
Victoria, B.C.

June 2023



Accountability statement

This report reflects the performance of the Office of the Auditor General of British Columbia for the 12 months ending March 31, 2023. It was prepared in accordance with the *Auditor General Act* and the B.C. Reporting Principles. Fiscal assumptions and policy decisions up to June 1, 2023, have been considered in the report's development.

I am accountable for the results and selection of performance indicators, and for ensuring that the information is measured accurately and in a timely manner. Performance data in this report is reliable and verifiable, and any significant limitations in the quality of the data have been identified and explained.

We include estimates and interpretive statements reflecting management's best judgment. The measures are consistent with our mission, goals and objectives, and we focus on aspects essential to the understanding of our performance.

Michael A. Pickup, FCPA, FCA
Auditor General of British Columbia



Bow of *Shxw'itostel*, a traditional inland river canoe, carved by the Honourable Steven Point and Chief Tony Hunt
Source: Office of the Auditor General of British Columbia



Contents

Accountability statement	3
A message from the auditor general	5
External auditor’s opinion on the Annual Report	6
Our mandate	10
Our vision, mission, values, and guiding principles	11
Our goals, objectives, and key performance indicators	12
Our people	14
Our product	22
Our strategies	29
Our finances	33
Financial statements 2022/23	36
External auditor’s opinion on the financial statements	37
Appendix A	51
Appendix B	54



Staff from the Financial Audit and Related Services team.
Source: Office of the Auditor General of British Columbia

A message from the auditor general



The Office of the Auditor General's Annual Report and Financial Statements 2022/23 highlights achievements and summarizes the independent assurance and trusted information we provided to the Legislative Assembly of British Columbia.

This is a report on our work toward the goals, objectives, and performance measures set out in our annual service plan. The annual financial statements were prepared in accordance with generally accepted accounting principles. Our financial statements are audited by an independent auditor who also conducts a reasonable assurance review of our annual report.

You'll see that we have been busy and we are making significant progress toward the strategic objectives and goals set out in our service plan.

Our output of audit and information reports has been robust, which is a credit to our dedicated and professional financial and performance audit teams and the outstanding support they receive from everyone in our organization.

Outreach activities intensified in the past year, with a broad range of discussions and meetings with people representing various sectors and organizations.

Already a leading example of a modern workplace, we're taking hybrid work a step further with our Leading Workplace Strategy project, currently underway to modernize our office space.

I am also delighted by our organization's embrace of equity, diversity and inclusiveness as they become woven into the fabric of everything we do.

Looking back, I'm extremely proud of what we've done together as a strongly committed team. Thank you!

Michael A. Pickup, FCPA, FCA
Auditor General of British Columbia
Victoria, British Columbia

June 2023



External auditor's opinion on the Annual Report



Tel: 604 688 5421
Fax: 604 688 5132
vancouver@bdo.ca
www.bdo.ca

BDO Canada LLP
Unit 1100 - Royal Centre
1055 West Georgia Street
Vancouver BC V6E 3P3 Canada

Independent Practitioner's Reasonable Assurance Report

To the Auditor General of British Columbia

We have undertaken a reasonable assurance engagement with respect to the preparation of the accompanying Annual Report (the "Annual Report") of the Office of the Auditor General of British Columbia (the "Office") for the year ended March 31, 2023 in accordance with the Performance Reporting Principles For the British Columbia Public Sector ("BC Reporting Principles"). Our observations in relation to this engagement are presented in the attached Appendix.

Management's Responsibility

Management is responsible for the preparation of the Annual Report in accordance with the BC Reporting Principles.

Management is also responsible for such internal control as management determines necessary to enable the preparation of the Annual Report to conform with the BC Reporting Principles.

Our Responsibility

Our responsibility is to express a reasonable assurance opinion on the Annual Report based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with Canadian Standard on Assurance Engagements (CSAE) 3001, *Direct Engagements*. This standard requires that we plan and perform this engagement to obtain reasonable assurance about whether the Annual Report conforms with the BC Reporting Principles in all significant respects.

Reasonable assurance is a high level of assurance, but is not a guarantee that an engagement conducted in accordance with this standard will always detect a significant deviation when it exists. Deviations can arise from fraud or error and are considered significant if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of our report. The nature, timing and extent of procedures selected depends on our professional judgment, including an assessment of the risks of material misstatement, whether due to fraud or error, and involves obtaining evidence about the preparation of the Annual Report in accordance with the BC Reporting Principles.

Our Independence and Quality Control

We have complied with the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting and related to assurance engagements, issued by various professional accounting bodies, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.





Our Independence and Quality Control (continued)

We apply Canadian Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements* and, accordingly, maintain a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Significant Inherent Limitations

As called for by the BC Reporting Principles, the Annual Report contains a number of representations from management concerning the appropriateness of the goals, objectives, and targets established by the Office, explanations of the adequacy of planned and actual performance, and expectations for the future. Management also represents to the extent and nature of information and key performance measures that they believe are critical and meaningful. Such representations are the opinions of management and inherently cannot be subject to independent verification. Therefore, our examination was limited to ensuring the Annual Report contains those representations called for by the BC Reporting Principles and that they are consistent, where applicable with the audited financial statements.

Opinion

In our opinion, the Annual Report of the Office for the fiscal year ended March 31, 2023 conforms in all significant respects with the BC Reporting Principles.

BDO Canada LLP

Chartered Professional Accountants

Vancouver, British Columbia

June 26, 2023

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.





Appendix to Independent Practitioner's Reasonable Assurance Report of BDO Canada LLP on the 2022/23 Annual Report

Observations by the Independent Practitioner

Principle 1 - Explain the Public Purpose Served

The Annual Report explains the Office's mission and Public purpose, as outlined in enabling legislation. It reports on the organization's two core business areas and the services/products provided. The Annual Report includes a discussion of the involvement of private sector auditors and the quality assurance measures in place. The Annual Report details the Office's clients and stakeholders, including the accountability relationship with the Legislative Assembly. Other factors related to understanding performance are identified, including independence and objectivity.

Principle 2 - Link Goals and Results

The Annual Report identifies the organization's mission, mandate, goals, objectives, and successfully explains their interrelationships. Performance indicators are reported and reflect the core substance of the objectives and focus on short-term and long-term outcomes. The Annual Report explains the variances between planned and actual results, variances from prior years' results and discusses plans to achieve targeted results in the future. The Annual Report includes a revised set of measures for future years.

Principle 3 - Focus on the Few, Critical Aspects of Performance

The Annual Report provides information to readers by focusing on key performance indicators that management feels are critical to the understanding of the operational performance of the Office. The results of performance, both financial and nonfinancial, are clearly presented. The Annual Report manages its level of detail by referring appropriately to companion documents.

Principle 4 - Relate Results to Risk and Capacity

The Annual Report examines the key risks to the Office and explains the impact of risk and the resulting critical success factors on performance results. The Annual Report addresses capacity in terms of human resources and information technology infrastructure and how these affect the ability to deliver organizational goals and objectives.

Principle 5 - Link Resources, Strategies and Results

The Annual Report highlights key financial information at an organization-wide level. Explanations are provided for variances from prior year and budgeted amounts. The Annual Report conveys efficiency through its discussions and analyses of performance indicators. Links between resources and outputs are discussed and contribute to the reader's understanding of the efficiency of operations.

Principle 6 - Provide Comparative Information

Where available the Annual Report provides comparative data in its analyses of the performance indicators.





Principle 7 - Present Credible Information, Fairly Interpreted

The Annual Report covers all key aspects of performance using measures that management feels are relevant. The report clearly identifies the data sources used to assess the performance. The Annual Report is reasonably concise, effectively uses tables and graphs to present information and avoids excessive use of specialized terminology.

Principle 8 - Disclose the Basis for Key Reporting Judgments

The Annual Report identifies the sources of information for performance indicator data. Limitations to data sources, where present, are disclosed. The Annual Report discusses the Office's confidence in the reliability of the data and reports successes and shortcomings in a fair and balanced manner.



Our mandate

Non-partisan and independent of government, the auditor general reports to the Legislative Assembly of B.C. and provides assurance about government's overall operations. The auditor general is appointed to an eight-year term, as mandated by the *Auditor General Act*.

The work of the office includes auditing more than 160 organizations that make up the government reporting entity, including ministries, Crown corporations, universities, colleges, school districts, and health authorities. These are organizations that are controlled by, or accountable to, the provincial government. The office's work contributes to improved financial reporting, programs, and services for the benefit of the people of B.C.

The auditor general's financial audits, performance audits, and reports provide accurate, objective, and trusted information that supports confidence and improvements in public sector reporting, programs, and services.

In addition to prioritizing areas of risk and significance when selecting audits, the auditor general considers issues and concerns identified by members of the Legislative Assembly and the people of B.C. in planning audit work.

The auditor general communicates the work of the office through public reports issued to the Legislative Assembly. Audit reports are referred to the Select Standing Committee on Public Accounts for review and follow-up.



British Columbia's Legislative Chamber
Source: Office of the Auditor General of British Columbia



Our vision, mission, values, and guiding principles

Our vision

Engaged people making a difference for the people in B.C.

Our mission

We provide independent assurance and trusted information to assist the Legislative Assembly in holding government accountable. Our work contributes to improved financial reporting, programs, and services for the benefit of the people in B.C.

Our values and guiding principles

We believe in supporting each other to learn and develop. Therefore, we will:

- Give people a chance to try new things.
- Delegate responsibilities and support one another in achieving success.
- Be compassionate when things don't go as planned and coach for success.

We believe in supporting everyone to do their best work. Therefore, we will:

- Recognize everyone's contribution and celebrate each other's successes.
- Cultivate an energetic and positive work environment.

We believe in working together as a high performing team. Therefore, we will:

- Collaborate to achieve success.
- Respect people's position, knowledge, and experience.
- Recognize and value each other's strengths and interests.

We believe in acting with integrity. Therefore, we will:

- Do what we know is right even when it's difficult.
- Be kind, straightforward, transparent, and honest in our dealings with others.
- Uphold our high ethical standards.

We believe in being visionary. Therefore, we will:

- Question the status quo and embrace continuous improvement.
- Consult broadly to include diverse perspectives.
- Bravely support new and innovative approaches.

We are committed to creating and reinforcing diversity, inclusion, and safety. Therefore, we will:

- Build a safe environment where everyone feels they belong and is encouraged to bring their whole selves to work.
- Manage our biases and challenge our assumptions around differences.
- Address behavior that discriminates, excludes or makes someone feel unsafe.
- Make space for all voices.



Our goals, objectives, and key performance indicators

Our goals

- Support each other to do our best work within an inclusive and engaged workplace culture.
- Live our values and work through difficult issues while treating people respectfully.
- Deliver audits and trusted information that demonstrate value from the resources that are entrusted to us.

Our objectives and key performance indicators

Objective 1: *Improve clarity and consistency of processes and information used for corporate governance, planning, and reporting*

Key performance indicator

- Work Environment Survey – executive-level management driver

Objective 2: *Foster an engaged workplace where all employees are safe, supported, and respected*

Key performance indicator

- Work Environment Survey – engagement score

Objective 3: *Implement a sustainable workforce plan to build organizational capacity and limit operational risk*

Key performance indicator

- Employee turnover rate

Objective 4: *Maintain and demonstrate the quality of our audits*

Key performance indicator

- MLA confidence (annual survey)

Objective 5: *Deliver our audit commitments on time and on budget*

Key performance indicators

- Reporting on the government's summary financial statements
- Delivery of planned number of audit/information reports to the Legislative Assembly



	Goal 1 Support each other to do our best work within an inclusive and engaged workplace culture	Goal 2 Live our values and work through difficult issues while treating people respectfully	Goal 3 Deliver audits and trusted information that demonstrate value from the resources that are entrusted to us
Objective 1	✓	✓	
Objective 2	✓	✓	
Objective 3	✓		✓
Objective 4			✓
Objective 5			✓



Staff from the Financial Audit and Related Services team attended a day-long training session in November 2022.
Source: Office of the Auditor General of British Columbia



Our people

Overview

We want to give each staff member every opportunity to do their best work. This year we took several steps to build that support.

The effort we put into recruitment (in the face of the many challenges we have experienced recently) have succeeded, with nearly all of our job competitions successfully completed. We filled key staff roles across the office, adding performance audit managers through internal promotion and appointing two assistant auditor generals. We also hired a new executive director of human resources and recruited a new chief information officer.

Our staff turnover rate fell in 2022/23 and we ended the year with fewer vacancies and fewer temporary positions than a year ago. As a result, our workforce is much more stable than the previous year.

We compete with private sector accounting firms to recruit students who want to become chartered professional accountants (CPAs). During the past year, we reviewed and updated the compensation framework for our CPA students to ensure we were competitive. Our CPA student program is a key strategy for developing the professional CPAs our financial audit teams need.

To promote wellness, we now provide all staff with free access to the mindfulness app, Headspace. As well, leadership team members have been trained in the Mental Health Commission of Canada's mental health first aid program.

Our community and culture-building events included virtual and in-person activities for Public Service Week, the annual campaign for the Provincial Employees Community Service Fund, initiatives in support of the Emily Selwood Memorial Fund at UBC, and the office's sponsorship of a child in Senegal.

Additionally, whenever an audit report is released, we hold report release celebrations for all staff. The audit team presents key highlights and insights gained. This tradition is a valuable culture builder as audit teams and staff are recognized for their work, and the whole organization continues to develop a deeper understanding and appreciation for the work we do for the people of B.C.

In June of 2022, staff represented the Office of the Auditor General in the Victoria Pride Parade, reflecting our increasing commitment to an inclusive, transparent, and supportive workplace and community.



Staffing summary (as of March 31, 2023)

Staff at start of 2022/23

125 regular and 7 auxiliary staff:

- 54.4% of regular staff had more than one year of experience in their positions
- 45.6% of regular staff had less than one year of experience

Staff at end of 2022/23

128 regular and 10 auxiliary staff:

- 54.7% of regular staff had more than one year of experience in their positions
- 45.3% of regular staff had less than one year of experience

Staff breakdown at end of 2022/23

Critical Audit Support Services	35
Performance Audit and Related Assurance	40
Financial Audit and Related Services	52
Executive, Legal Services and Professional Practices	11
Total	138

Staffing activities, 2022/23

New hires:

- 31 competitions
- 22 permanent hires (eight from within the BC Public Service and 14 from outside)
- 12 auxiliary hires (one became permanent during the year)

Employee movement:

- Auxiliary to permanent status: two
- Internal lateral moves: two
- Internal temporary appointments: 11
- Temporary appointments outgoing to core government: three
- Temporary appointments incoming from core government: three
- Permanent internal promotions: 11

Departures:

- 14 permanent departures
- 10 auxiliary departures
- Seven retirements
- Six moved to positions within the public sector



Staff from the Critical Audit Support Services team.
Source: Office of the Auditor General of British Columbia



Performance indicators

The Work Environment Survey (WES), from BC Stats, is used across the BC Public Service and provides key performance data for two of our objectives related to our people. We have used WES engagement scores as key performance indicators for many years. We also leverage internal human resource statistics to review staffing trends, and lean on those numbers for a third people-focused key performance indicator.

Objective 1: Improve clarity and consistency of processes and information used for corporate governance, planning, and reporting.

Key performance indicator

- Work Environment Survey – executive-level management driver

	2021/22 Benchmark	2022/23 Target	2022/23 Actual	2023/24 Target (projected)	2024/25 Target (projected)
Executive-level management score	59	63	62	67	70

Our 2022/23 score for executive-level management was 62. This was an improvement over our score of 59 the previous year, but not quite at our target of 63. Over the next year we will continue to emphasize timely communication of executive decisions and updates on progress against organizational commitments.

Secondary indicators

- Work Environment Survey drivers:
 - Mission, vision, values
 - Organization satisfaction
 - Organization commitment



2022/23 executive team from left to right: Laura Hatt, assistant auditor general for performance audits; Marie Thelisma, assistant auditor general for critical audit support services; Sheila Dodds, deputy auditor general; Elaine Hepburn, director of executive accountabilities; Stuart Newton, assistant auditor general for financial audits; and Michael A. Pickup, auditor general.
Source: Office of the Auditor General of British Columbia



WES results – 2016 to 2023

The engagement scores this year are the highest in over eight years, with the following results:

- Overall engagement: 72
- Organization commitment: 72
- Organization satisfaction: 72
- Job satisfaction: 72

The executive-level management score is also the highest over the past eight-year period, with a score this year of 62. These scores are of particular importance as we work to ensure a positive and engaging work environment.

	2016/17	2017/18	2019/20	2021/22	2022/23
WES driver:					
Executive-level management driver	57	57	46	59	62
Secondary indicators:					
WES drivers					
Vision, mission, goals	68	65	56	72	71
Organization satisfaction	69	67	57	65	72
Organization commitment	71	68	63	67	72
<i>We are conducting the WES annually as of 2022/23.</i>					

Note: The 2022/23 survey responses were collected in May 2023, technically after the 2022/23 fiscal year. Because BC Stats was unable to meet our timeline to conduct the WES this year, we contracted the 2023 survey to a qualified vendor, with BC Stats' support. The 2023 survey was based on the same questions as the previous year. However, as the survey was not conducted by BC Stats, there may be limitations in comparability of data.



Staff from the Performance Audit and Related Assurance team.
Source: Office of the Auditor General of British Columbia



Objective 2: Foster an engaged workplace where all employees are safe, supported and respected

Key performance indicator

- Work Environment Survey – engagement score

	2021/22 Benchmark	2022/23 Target	2022/23 Actual	2023/24 Target (projected)	2024/25 Target (projected)
Engagement score	66	69	72	72	75

Our 2022/23 overall engagement score was 72. This was a significant improvement over our score of 66 the previous year, and exceeded our target of 69, and reflects the efforts of our office to focus on staff.

Secondary indicators

- Work Environment Survey drivers:
 - Respectful environment
 - Organization satisfaction
 - Teamwork
 - Empowerment



Staff from the office marched together in Victoria's 2022 Pride Parade.
Source: Office of the Auditor General of British Columbia



WES results – 2016 to 2023

	2016/17	2017/18	2019/20	2021/22	2022/23
WES driver:					
Engagement score	70	68	61	66	72
Secondary indicators:					
WES drivers					
Respectful environment	78	72	70	76	77
Organization satisfaction	69	67	57	65	72
Teamwork	82	82	79	82	81
Empowerment	68	67	64	69	68
<i>We are conducting the WES annually as of 2022/23.</i>					

Note: see more information under KPI table on page 17.

Objective 3: Implement a sustainable workforce plan to build organizational capacity and limit risk

Key performance indicator

- Employee turnover rate

	2021/22 Benchmark	2022/23 Target	2022/23 Actual	2023/24 Target (projected)	2024/25 Target (projected)
Turnover rate	21%	16%	17%	12%	9%

Our 2022/23 turnover rate was 17 per cent for permanent staff departures. This was an improvement over 2021/22 turnover rate of 21 per cent, but not quite achieving our target of 16 per cent. This improvement in our turnover rate meant that we ended the year with fewer vacancies and fewer temporary positions than a year ago. As a result, our workforce is much more stable than the previous year.

We have distinct challenges in building and maintaining our workforce. Financial audit work has seasonal variations and we require, primarily, certified professionals with unique skills and experience. They can be difficult to recruit and retain. We compete directly with the private sector and government for talent to support financial audits, performance audits, and critical audit support services. During 2021/22, we became aware of situations where qualified candidates wouldn't apply for our postings, or turned down our offers, because we could not meet their salary expectations. One of our strategies for 2023/24 is to establish an employment market competition plan, including a comprehensive compensation framework and strategy.



Our March 2022 WES survey provided evidence of the pressure on staff retention when our people are not satisfied with their salary. The pay and benefits driver score was 51 in our March 2022 WES survey, down from 55 in 2020, and 60 in 2018. After a steady decline over five years, our 2023 driver score of 58 for pay and benefits demonstrates strong momentum in a positive direction and also indicates that our attention on building a compensation framework – designed to ensure fair and competitive compensation – is working.

While our budget is fixed and our salaries are aligned with government’s classification and compensation framework, we were able to make a targeted investment in long-term retention by updating our internal compensation framework for our CPA students. This updated compensation framework ensures we are competitive with private sector accounting firms. This involved increasing the starting salary by \$10,000 and establishing a progression-based approach on completion of elements of the CPA program. These salary improvements took effect April 1, 2022. This was done using a \$200,000 increase to our salary budget (that was approved for 2022/23 for this purpose) based on specific comparative information about equivalent salaries where we are competing directly for talent.



Staff celebrated with the office’s five Common Final Examination (CFE) candidates after they completed the three-day CPA Canada exam in September 2022.
Source: Office of the Auditor General of British Columbia

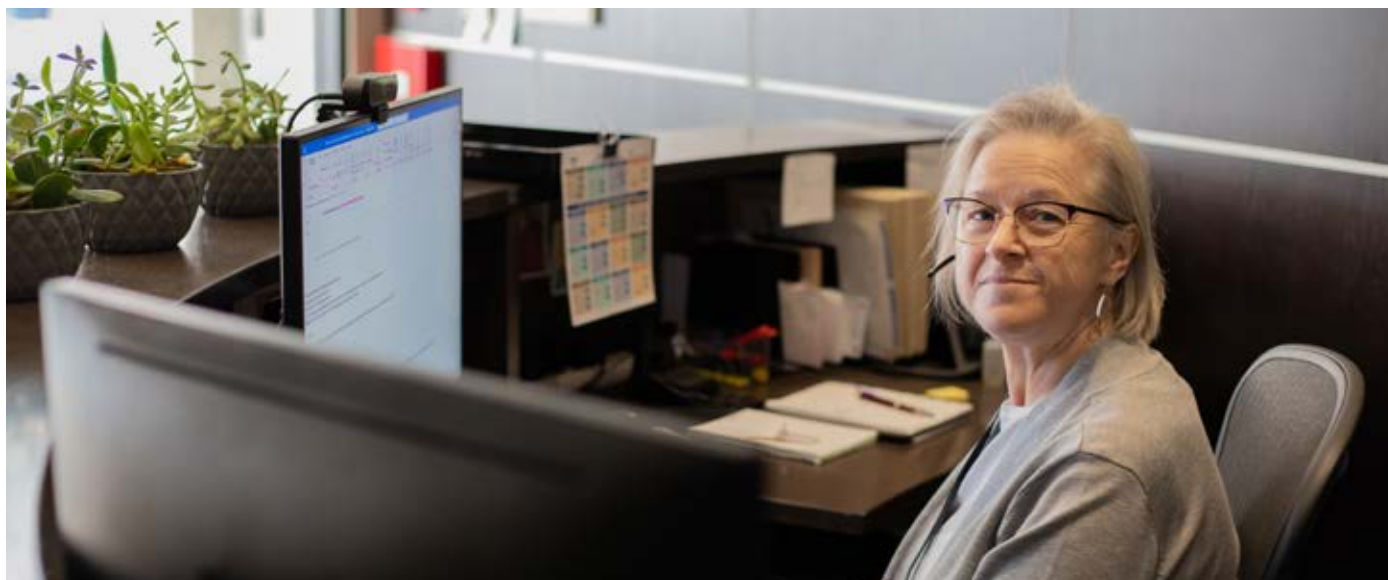


We've been a CPA student training office for over 30 years. Last year we supported five students through CPA Canada's Common Final Exam. We were also able to recruit two CPA students from firms who were waiting for the results of the exam. Some of the auditors who train at our office remain with us, while others go on to work elsewhere in government and the private sector. When staff trained by our office move to other public sector organizations, they support good financial management practices in those organizations. We're proud of our contribution to the profession.

Limited in our ability to improve salary, we focused on where we can be more competitive: flexibility. An ongoing key retention and recruitment strategy, started in 2021/22, is the implementation of flexible policies on work scheduling and locations, and our investment in a modern, hybrid office.

In 2023/24 we are developing a compensation framework to ensure that our starting salaries are fair and competitive, and that we have a structured and transparent approach to moving our staff through the MCCF salary bands – based on performance and experience. In 2022/23, we started some of this work.

This past year we were reacting to pressures created by individual hirings. Due to the current market we had to negotiate starting salaries that were competitive but often higher than what experienced staff in the same position were being paid. This forced an upward adjustment on salaries of impacted staff. While we have already made adjustments to our salaries for CPA students, our work in 2023/24 will look at all positions.



Grace at the office's reception desk.
Source: Office of the Auditor General of British Columbia



Our product

Our audits are conducted in accordance with Canadian audit and assurance standards set out by the Chartered Professional Accountants of Canada. This year, we reported on nine completed audits, three information reports, and our annual work on the government financial statements.

The office continued its series of reports on fraud risk management in the public sector, including questionnaires for Crown organizations and government ministries.

Our report output is a credit to the dedication and hard work of everyone in the office: from people who work directly on audits to the many who provide valuable support services. It took diligent, adaptable, dedicated teams to meet our output targets.

Performance indicators

Objective 4 and **Objective 5** concern our audit work: maintaining and demonstrating the quality of our reports; and delivering audits on time and on budget.

Objective 4: Maintain and demonstrate the quality of our audits

We look to external stakeholders – the Legislative Assembly and Select Standing Committee on Public Accounts, as well as the public and the government entities we audit – to measure the relevance of our work and how well we deliver it. An annual survey of Members of the Legislative Assembly’s (MLA) confidence is a new key performance indicator for Objective 4, starting for 2022/23, replacing the annual survey of members of the Select Standing Committee on Public Accounts that was presented in our Service Plan 2022/23-24/25. This change in key performance indicator was made in consultation with both of the select standing committees we report to. Therefore, starting for 2022/23, we have continued our past practice of surveying all MLAs on an annual basis to develop a key performance indicator that is based on broader MLA perception.

Key performance indicator

- MLA confidence (annual survey)

Secondary indicators

- Public awareness/perception (annual survey)
- Response rate and familiarity data from annual MLA survey
- Audit recommendation implementation

Additional confidence measure

- Level of confidence in audit work submitted to Select Standing Committee on Public Accounts



MLA confidence (annual survey)

	21/22 Benchmark	22/23 Target	22/23 Actual	23/24 Target (projected)	24/25 Target (projected)
Increase MLA confidence in our work	71%	75%	46%	81%	83%
MLA response rate	26%	34%	31%	46%	51%
<p>How we measure Percentage of respondent MLAs identifying as "somewhat familiar" or "very familiar" indicating that they found our reports "somewhat useful" or "very useful" to the work of the Legislative Assembly. Note: The data for the 2022/23 survey result is limited as the response rate was 31%.</p>					

Secondary indicators

Public awareness

	2021/22 Benchmark	2022/23 Results
Public perception of our office and our work	Positive: 43% Neutral: 48%	Positive: 43% Neutral: 45%
<p>How we measure Positive: Percentage of respondents identifying as "somewhat familiar" or "very familiar" indicating "positive" or "very positive" opinion. Neutral: Percentage of respondents identifying as "somewhat familiar" or "very familiar" indicating "neutral/no opinion." Source: Angus Reid, March 2023.</p>		

Audit recommendation implementation

	2021/22 Results	2022/23 Results
Percentage of recommendations self-assessed as implemented	53% (40 out of 76)	Not available (see explanation below)
<p>This year, with direction from the Select Standing Committee on Public Accounts, we implemented a new approach to following-up on recommendations. We asked organizations to prepare a progress report that confirmed which recommendations had been completed for 18 reports published between 2019 and 2021. We are reviewing these progress reports, and the results of our review will be reported to the Legislative Assembly in July 2023.</p> <p>This will be the first of our planned annual follow-up reports on audit recommendations. Starting with next year's annual report, we will include the results on the completed recommendations as our new KPI.</p>		



Objective 5: Deliver our audit commitments on time and on budget

Key performance indicators

- Delivery of report on annual audit of the Summary Financial Statements of the government reporting entity
- Number of audit/information reports delivered to the Legislative Assembly

Secondary indicators

- Overall budget utilization
- Overall planned-to-actual costs of all audits (total)
- Number of audit opinions issued

Annual audit of the Summary Financial Statements of the government reporting entity

Fiscal Year Summary Financial Statements for 2021-2022 Fiscal Year

(Signed off July 28, 2022)

Our audit of B.C.'s 2021/22 summary financial statements resulted in an independent auditor's report with qualifications, indicating that parts of government's financial statements are not accurate. When auditors issue a qualified opinion, they are usually warning the users of those statements about information they should not rely on. Qualifications like the ones in this report represent errors or omissions the auditor considers so significant that, if uncorrected, might mislead a financial statement user.

The work involved to audit the approximately 139 government entities (external to central government) is presented in our *Financial Statement Audit Coverage Plan* – delivered annually detailing coverage for the upcoming three fiscal year. Our most recent delivery of that report was approved by the Select Standing Committee on Public Accounts on February 7, 2023.

Number of audit/information reports delivered to the Legislative Assembly

	21/22 Benchmark	22/23 Target	22/23 Actual	23/24 Target (projected)	24/25 Target (projected)
Number of audit/information reports tabled with the Legislative Assembly	12	8	8	10	11



By the numbers

- 32 independent auditor's reports on audits of financial statements
- Four independent assurance reports on reviews of financial information
- Six performance audit reports
 - One from our Financial Audit and Related Services (FARS) portfolio
 - Five from our Performance Audit and Related Assurance (PARA) portfolio
- Two information reports
- Three additional publications

We are currently integrating the data for our secondary indicators to supplement our KPIs for this objective and hope to present it in annual reports moving forward from 2023/24.

Financial audits and related assurance work

Audit of the province's Summary Financial Statements

Audits of an organization's financial statements result in an Independent Auditor's Report with a conclusion on whether the financial statements are fairly presented and free of material errors. Every year, auditors in our Financial Audit and Related Services (FARS) portfolio conduct an audit of the government's summary financial statements. The statements are then published in the Public Accounts along with our audit opinion.



Assistant auditor general Stuart Newton speaks to staff at the release of the audit into fraud risk management at the Site C Dam and Hydroelectric Project.
Source: Office of the Auditor General of British Columbia



The work involves directly auditing and reviewing the audits of financial statements for the approximately 139 government entities (external to central government) as detailed in our [Financial Statement Audit Coverage Plan](#). In addition to audits of financial statements, we undertake audits and reviews of other financial and non-financial information.

Audit report

Fraud Risk Management: Site C Dam and Hydroelectric Energy Project

Site C is the largest and most expensive infrastructure project in B.C.'s history, with an estimated cost of \$16 billion. Our audit looked to determine if BC Hydro has established a program to effectively manage fraud risk for the project.

Information reports

Report on the Financial Audit Work: Fiscal Year 2021/22

This report shared a behind-the-scenes look at the audit of the government's summary financial statements. You'll find out more about the significant errors or omissions that led to a qualified independent auditor's report, and learn more about key issues like COVID-19 benefit programs and rising disaster-related costs.

Fraud Risk and Financial Statements: B.C. Public Sector, Part 1

We sent a questionnaire to 23 Crown organizations, post-secondary institutions, school districts, health authorities, and associations to understand how they perceive and manage the risk of fraud. This information helped auditors plan our annual audit of the summary financial statements – the largest financial statement audit in B.C.

Performance audits and related assurance work

Performance audits look at organizations or programs in the government reporting entity to see if they are meeting objectives effectively, economically and efficiently.

Our Performance Audit and Related Assurance (PARA) portfolio staff undertake extensive planning to cover different subjects and sectors, including:

- Transportation
- Health care
- Education
- Environment
- Justice
- Economic development
- Governance
- Information technology



Our PARA group also supports the Select Standing Committee on Public Accounts by following-up on audit recommendations from past reports. In 2021/22, we worked with the committee to develop a new methodology to better support their work. We will provide enhanced follow-up information, including review-level assurance on the progress organizations report for each recommendation. We implemented this new approach in 2022/23 and will publish the results this summer.

Performance audit reports

Oversight of Major Mines: Policies and Procedures to Address Environmental Risks

Mining is an important source of jobs, government revenues, and regional development in the province, but it can present environmental and public safety risks if not well managed. In this audit, we wanted to see if the Ministry of Energy, Mines and Low Carbon Innovation had improved its oversight activities since our related report in 2016.



Then-assistant auditor general Malcolm Gaston congratulates PARA staff on their audit of the COVID-19 Economic Recovery Infrastructure Program.
Source: Office of the Auditor General of British Columbia

B.C.'s COVID-19 Response: Community Economic Resilience Grants

Our audit looked at whether the Ministry of Municipal Affairs designed and implemented the \$30-million Community Economic Resilience grant stream according to government transfer payment policies and program guidelines. The grants were intended to help communities deal with the economic impacts of the COVID-19 pandemic. Grants went to 63 small-scale infrastructure projects that included building new bike paths, upgrading for public buildings, and improving parks.



Mental Health and Substance Use Services for Indigenous People in B.C. Correctional Centres

While Indigenous men and women make up only six per cent of the provincial population, they represent about 33 per cent of people in custody. About 90 per cent of Indigenous people in the correctional system have a mental health and/or substance use diagnosis.

Our audit looked at the Provincial Health Services Authority and its responsibility for providing health care in B.C. correctional centres, including mental health and substance use services.

B.C.'s COVID-19 Response: Monitoring Vaccination Coverage

This audit looked at the Ministry of Health's monitoring of COVID-19 vaccination coverage, which helped guide the vaccine campaign rollout and inform decisions on public health measures, such as mask mandates and limits on gatherings.



Members of the PARA audit team celebrate the release of their audit into the province's monitoring of COVID-19 vaccination coverage.
Source: Office of the Auditor General of British Columbia

Governance of the Diversity and Inclusion Strategy for the Public Service

The Public Service Agency (PSA) supports human resources for 35,000 provincial government workers and is currently leading a strategy to ensure the public service is inclusive and diverse. We looked at whether the PSA had established strong governance to ensure that the strategy can achieve its goals.

Performance audits in progress

Reports issued at the end of an audit are the culmination of lengthy, detailed work. Our 2022/23 reports included audits that started in prior years. Our audit teams worked on audits in 2022/23 that will be reported in 2023/24 or beyond. We announce current audits at the appropriate time and update our [Work in Progress](#) webpage with information on the purpose and scope of each audit.



Our strategies

We focused on eight strategies in 2022/23 to work towards our objectives.

	Objective				
	1	2	3	4	5
1. Finalize the revision of our corporate governance framework	✓				
2. Implement a revised corporate planning and reporting framework	✓				
3. Rework our audit portfolio planning, capacity analysis and scheduling processes				✓	✓
4. Establish an ongoing framework to foster equity, diversity and inclusion		✓			
5. Revise our HR policy framework		✓	✓		
6. Replace our public website with a modern redesign				✓	
7. Develop and integrate new policies and procedures into our quality control framework	✓			✓	
8. Rationalize our support functions and processes					✓



Financial audit manager Teresa Lin spoke to accounting and finance students at Camosun College in September 2022 about career opportunities with the office.
Source: Office of the Auditor General of British Columbia



1. Finalize the revision of our corporate governance framework to establish clear roles, responsibilities, accountabilities, and reporting.

Our new corporate governance framework was near completion at the end of 2022/23, with the final draft now under review with the leadership team. This framework defines the roles, responsibilities and accountabilities for each of our leadership positions, and establishes a terms of reference for both our leadership committee and our executive committee.

In 2022/23 we also established a new corporate policy framework that defines a structured process, with appropriate consultation, for developing, approving and implementing new and updated corporate policies.

2. Implement a revised corporate planning and reporting framework to match the allocation of resources to achieve objectives and prioritize organizational goals.

The service plan and annual report have been redeveloped to align with the B.C. performance reporting principles. They have been repositioned in the annual cycle to best support our legislative obligations and our budgeting and performance reporting processes. This new annual corporate plan establishes a final pillar of our overall corporate planning and reporting cycle.

Further work will need to be done. Employee work planning and performance reporting, workforce planning, risk management, and other key cyclical processes will align with higher-level planning and resourcing, and the delivery of our operational commitments.



Assistant auditor general Laura Hatt (at right) celebrates with the audit team at the release of the *Mental Health and Substance Use Services for Indigenous People in B.C. Correctional Centres* audit report.
Source: Office of the Auditor General of British Columbia



3. Rework our audit portfolio planning, capacity analysis and scheduling processes to effectively plan our audits and coordinate the resources required to deliver them more effectively and efficiently.

During 2022/23, we engaged a consultant from [LeanBC](#) to help us focus on our processes for scheduling resources on financial and performance audit work. We analyzed current processes and identified opportunities for improvement – including how to better leverage our existing tools project management tools. Implementing these changes will inform improvements to our scheduling processes, our capacity analysis, and our ability to coordinate existing resources to deliver our audit work more effectively and efficiently.

4. Establish an ongoing framework to foster equity, diversity and inclusion principles in our workforce and our approach to our work.

We consulted internally and externally on the the steps we have taken to foster equity, diversity and inclusion in how we work as an organization. These actions have included: supporting our leadership team and other staff to complete the eCornell diversity and inclusion certificate program, consulting with our diverse external thought leaders group, developing a corporate policy framework (this embeds a diversity and inclusion lens into policy development and decision making), and paying more attention to gender pay equity.

During the year, we developed an Equity, Diversity and Inclusion (EDI) Workplan which was approved by our executive committee at the end of the year. The EDI Workplan lays out an eight-month process for developing a three-year EDI strategy for the office – a project that will provide opportunity for consultation and input from all staff.

5. Revise our HR policy framework to establish clarity around our external legislative and policy constraints, align with our values and guiding principles, leverage available tools, and ensure fair and consistent employment practices.

The establishment of a new corporate policy framework provided the foundation for work on our HR policy framework. During the year, work was done to clarify how our HR policy framework aligns with the *Public Service Act* and the HR policies established by the Public Service Agency. We have identified where we require policies specific to our office, and started work to update these policies. This work includes updates to our Code of Professional Ethics and our Nature of Work policy (supporting flexible work arrangements).



6. Replace our public website with a modern redesign to increase our public relevance and engagement.

We have hired a project manager to support the redesign of our website. The project manager has helped with a site map and research on content management solutions. We have also had discussions with core government, other independent offices, and private service providers to ensure the site is not only security and technology compliant, but also enables future integration with other initiatives, like a redesign of our internal intranet. Work is expected to complete in the fall of 2023.

7. Develop and integrate new policies and procedures into our existing framework of quality control in compliance with new Standards on Quality Management.

To comply with new standards from CPA Canada, we designed and implemented an annual risk assessment process, which we ran for the first time in the summer/fall of 2022. We also designed and implemented a new monitoring and remediation process, and we released an updated version of our quality assurance manual in December 2022. In response to findings from our risk assessment process, a new policy administration framework has been put in place to improve our quality management system.

8. Rationalize our support functions and processes to provide consistent operational support and efficient workflows.

The design and implementation of our new support services hub was completed during the year. The first phase consolidated all administrative support functions into one team. During the year, some finance and HR-related activities were assigned to the team and, moving forward, our office will see what other activities and processes can be added to the hub for consistent operational support and efficient workflows.



Our finances

Management's discussion and analysis

In this section, we discuss and analyze our business operations for the year ended March 31, 2023, compared to our budget and prior year results. The analysis of our financial performance should be read in conjunction with our audited financial statements and the accompanying notes. Our financial statements have been prepared in accordance with Canadian public sector accounting standards.

Financial and business highlights

The Office of the Auditor General is funded by the Legislative Assembly through a voted appropriation. The vote provides separately for operating expenses and capital purchases. Our 2022/23 budget, based on an estimate of the full cost of operations, was \$20.8 million for operating expenses and \$20.0 million for capital acquisitions.

In 2022/23, the actual cost of operations was \$19.5 million and capital expenditures were \$97,000. The unused appropriation (\$1.3 million for operating expenses and \$1.9 million for capital acquisitions) can't be used in subsequent fiscal years. The committee has approved our request to carry forward unused Leading Workplace Strategy capital funding into 2023/24. We used 93 per cent of our operating budget in 2022/23.

2022/23 financial summary and comparison to plan and prior year (\$000s)

Expense type	2022/23 Planned	2022/23 Actual	Variance from plan 2022/23 (over)/under	2021/22 Actual	Variance from 2021/22 increase/ (decrease)
Salaries and benefits	14,727	14,439	288	13,886	553
Public servant travel	480	160	320	3	157
Professional services	1,936	1,552	384	1,647	(95)
Information systems – operating	1,020	866	154	1,156	(290)
Office and business expenses	530	430	100	475	(45)
Vehicle expense	10	12	(2)	10	2
Amortization	342	289	53	317	(28)
Building occupancy charges	1,700	1,632	68	1,551	81
Transfers – grants	70	70	-	70	-
Total	20,815	19,450	1,365	19,115	335



The office remains committed to providing the Legislative Assembly and those we audit with timely, independent and high-value reports. We are making changes to deliver more audit reports annually and greater coverage of government programs. Despite a seven per cent underspend, we were able to deliver all financial statement audit commitments and deliver the eight reports we had planned.

Operating expenses

Salaries and benefits were 74 per cent of total operating expenses. This means that changes or fluctuations in staffing can shift our financial performance significantly from what was planned.

Actual spending on salaries and benefits in 2022/23 was \$14.4 million – \$288,000 less than planned and \$553,000 more than the prior year. Average staffing through the fiscal year was 118 full-time equivalents, two less than the prior year. Turnover during the year was 17 per cent, and trending in the right direction. We spent more on salary and benefits this year because of higher-than-planned salary increases resulting from collective bargaining agreements and inflation.

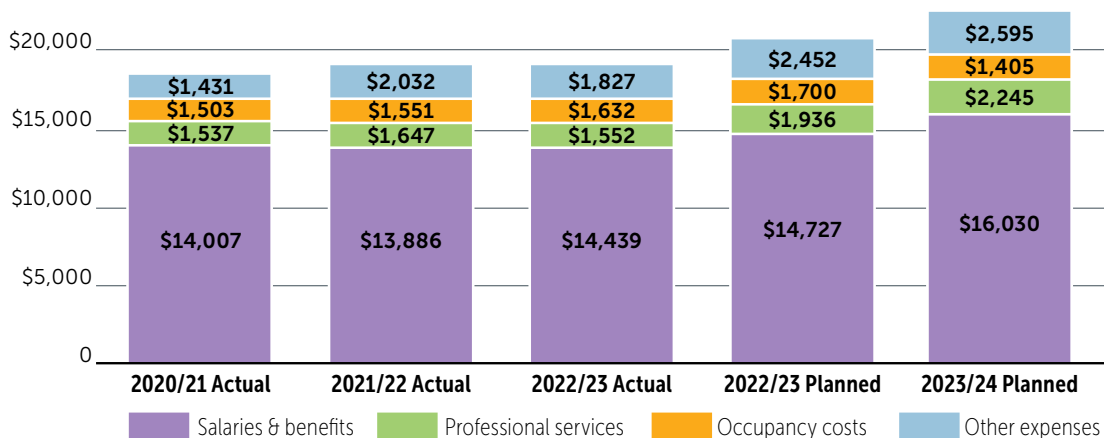
Spending on professional services contracts was \$1.9 million, with some departments having higher than expected staffing pressures. Overall, professional services spending was 20 per cent less than planned.

Travel spending continued to fall below budget in 2022/23, largely because hybrid work environments require less travel. Many auditees have full-time remote and hybrid staff and use strictly paperless systems. Audit teams do most of their work remotely, making site visits only as needed.

IT expenses were \$290,000 less than planned due to turnover in our IT leadership.

Actual operating expenses from 2020/21, 2021/22, and 2022/23, and our operating appropriations for 2023/23 and 2023/24, are summarized below.

Operating expenses, actual versus planned (\$000s)



Capital purchases

In 2022/23, we spent \$97,000 on capital purchases: \$95,000 on IT equipment and \$2,000 on furniture and equipment.

Budgeted capital purchases were \$1.2 million for tenant improvements, \$370,000 for furniture and equipment and \$330,000 for IT equipment. The significant underspend for tenant improvements and furniture and equipment related to scheduling delays in our work to implement a Leading Workplace Strategy to renovate and reduce our office space to better suit a hybrid workforce. The updated schedule sees this work being completed in 2023/24. The unspent funds from 2022/23 have been approved, by the Finance and Government Services Committee, to be spent in 2023/24.

IT capital purchases were underspent because of IT team leadership turnover.

Looking ahead

Our most important financial line item as a professional services entity will always relate to our people, therefore our most significant risk is recruitment, retention and people development. We continue to focus on recruitment and succession planning to ensure continuity through staff departures and retirements. Hiring delays can significantly impact our budget, audits, and corporate support services. Inflation and low unemployment rates continue to challenge our ability to keep staff turnover at target levels.

While many of our activities continue to be mostly performed remotely, more is happening on-site and in-person than in recent years. We fully expect to continue to support flexibility for our workforce into the future and we are taking the appropriate steps to continually improve our effectiveness. We look forward to completing and sharing our reduced footprint and updated office space next year. In 2023/24, we will continue our transition to modern and secure IT systems.

In December 2022, the Select Standing Committee on Finance and Government Services recommended to the Legislative Assembly an increase of seven per cent to our operating appropriation. We received approval in a supplemental budget request in May 2023 to carry forward unused costs related to our office modernization into 2023/24. We also received an additional increase to the salary budget to cover budget pressure rolling forward from higher-than-expected salary increases in 2022/23 and 2023/24.



Financial statements 2022/23

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, 2023.



Michael A. Pickup FCPA, FCA
Auditor General



John McNeill, CPA, CA
Chief Financial Officer



External auditor's opinion on the financial statements



Tel: 604 688 5421
 Fax: 604 688 5132
 vancouver@bdo.ca
 www.bdo.ca

BDO Canada LLP
 Unit 1100 - Royal Centre
 1055 West Georgia Street
 Vancouver BC V6E 3P3 Canada

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, 2023, 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, 2023, 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.

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 2(c) of the financial statements, which explains that certain comparative information presented for the year ended March 31, 2022 has been restated. Our opinion is not modified in respect of the matter.

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 26, 2023



Statement of financial position

As at March 31, 2023 (in \$000s)	Note	2023	2022 Restated
Financial assets			Note 2(c)
Petty cash		2	2
Due from the consolidated revenue fund	3	696	508
Total financial assets		698	510
Liabilities			
Accounts payable and accrued liabilities		1,169	947
Asset retirement obligation	4	72	70
Total liabilities		1,241	1,017
Net debt		(543)	(507)
Non-financial assets			
Tangible capital assets	5	664	856
Prepaid expenses	6	472	438
Total non-financial assets		1,136	1,294
Accumulated surplus	7	593	787

Approved by:



Michael A. Pickup FCPA, FCA
Auditor General



John McNeill, CPA, CA
Chief Financial Officer

Contractual obligations (note 9)

The accompanying notes are an integral part of these financial statements



Statement of operations

For the fiscal year ended March 31, 2023 (in \$000s)	Note	2023 Budget (Note 7)	2023 Actual	2022 Actual Restated
Expenses				Note 2(c)
Salaries and benefits		14,727	14,439	13,886
Professional fees		1,936	1,552	1,647
Occupancy costs		1,700	1,632	1,551
Information technology		1,020	866	1,156
Office		530	428	476
Travel		480	160	3
Depreciation		342	289	320
Accretion		-	2	2
Research grants		70	70	70
Vehicle		10	12	11
Total cost of operations		20,815	19,450	19,122
Funding appropriations				
Operating	8	20,473	19,159	18,800
Capital	8	400	97	197
Annual surplus (deficit)		58	(194)	(125)
Accumulated surplus beginning of year	7	786	787	912
Accumulated surplus end of year		844	593	787

The accompanying notes are an integral part of these financial statements



Statement of changes in net debt

For the fiscal year ended March 31, 2023 (in \$000s)	Note	2023 Budget	2023 Actual	2022 Actual Restated
				Note 2(c)
Net debt at beginning of year		(510)	(507)	(699)
Annual surplus (deficit)		58	(194)	(125)
Changes in tangible capital assets				
Acquisition of tangible capital assets		(400)	(97)	(253)
Amortization of tangible capital assets		342	289	320
		(58)	192	67
Changes in working capital assets				
Acquisition of prepaid expenses		-	(472)	(438)
Use of prepaid expenses		-	438	688
		-	(34)	250
Decrease (increase) in net debt		-	(36)	192
Net debt at end of year		(510)	(543)	(507)

The accompanying notes are an integral part of these financial statements



Statement of cash flows

For the fiscal year ended March 31, 2023 (in \$000s)	Note	2023 Actual	2022 Actual
Due from (to) Consolidated Revenue Fund, beginning of year	3	508	59
Operating transactions			
<i>Cash used to:</i>			
Pay employees or benefits plans		(14,124)	(13,916)
Pay suppliers		(4,847)	(4,435)
		<u>(18,971)</u>	<u>(18,351)</u>
<i>Cash received from:</i>			
Operating appropriation		19,159	18,800
Capital transactions			
<i>Cash used to:</i>			
Acquire tangible capital assets	5	(97)	(197)
Financing transactions			
<i>Cash received from:</i>			
Capital appropriation		97	197
Increase in due from consolidated revenue fund		<u>188</u>	<u>449</u>
Due from Consolidated Revenue Fund, end of year	3	<u>696</u>	<u>508</u>

The accompanying notes are an integral part of these financial statements



Notes to our financial statements

Year ended March 31, 2023 (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 act). The act, as 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 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 statement 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 comes from a voted appropriation of the Legislative Assembly.

2. Significant accounting policies

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

a. Voted appropriation

The office receives approval from the Legislative Assembly to spend funds through an appropriation vote. The vote provides for both operating expenses and capital acquisitions. Non-cash transactions, such as amortization, are covered by the vote but not recognized as revenue from the appropriation of funds. An annual excess or deficiency of revenues over expenses arises from the difference between revenue recognition of capital appropriations and expense recognized for the amortization of tangible capital assets.

Any unused vote amounts 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. Asset retirement obligation

The office adopted PSAS 3280, Asset Retirement Obligations, effective April 1, 2021.

Asset retirement obligations (AROs) are legal obligations associated with the retirement of tangible capital assets. This includes post-retirement operation, maintenance and monitoring that are an integral part of the retirement.

Liabilities for asset retirement obligations are recorded when there is a legal obligation to incur retirement costs in relation to a tangible capital asset, the past transaction or event giving rise to the liability has occurred, and a reasonable estimate of the amount can be made.

The costs of asset retirement obligations are recognized over the estimated useful lives of the underlying tangible capital assets.

In accordance with the standard, the office's adoption was applied on a modified retroactive basis. This basis requires restatement of comparative information for AROs that met the recognition criteria on the date of adoption. AROs that arose subsequent to the date of adoption are measured based on conditions existing as of the date the obligation was incurred.

The impact of this adoption is summarized below:

	2022 - As previously reported	Impact of PSAS3280 adoption	2022 - Restated
Non-financial assets			
Tenant and office improve - cost	455	56	511
Tenant and office improve - accumulated amortization	(139)	(21)	(160)
Liabilities			
Asset retirement obligation liability	-	(70)	(70)
Net debt at beginning of year	(688)	180	(508)
Net debt at end of year	(438)	(106)	(544)
Expenses			
Amortization expense	317	3	320
Accretion expense	-	2	2
Surplus (deficit)			
Opening accumulated surplus	941	(29)	912
Annual surplus (deficit)	(120)	(5)	(125)
Closing accumulated surplus	821	(34)	787



d. 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
System hardware and software	5 years
Furniture and equipment	5 years
Tenant improvements	Term of lease (20 years)

e. Presentation of expenses

The office provides audit services for the Legislative Assembly. Audit services include both financial statement audits and performance audits. Since audit services are the office's sole service line, expenses are presented by object in the Statement of Operations.

f. 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 and are included as a component of salaries and benefits on the Statement of Operations. 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 agreements. The cost of these benefits is recorded as employees render the services necessary to earn them. The liability for the other future benefits is managed and recorded by the BC Public Service Agency.

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 recorded by the BC Public Service Agency.



g. 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 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. The Statement of Cash Flows presents the continuity of this balance and all component flows.

4. Asset retirement obligation

The office has installed tenant improvements in the building that it leases and may be required, by the landlord, to remove them when the lease ends. A liability for the estimated cost of removal has been accrued. The estimated cost to remove the tenant improvements when the lease ends in October 2034, using a discount rate of 3.13 per cent is \$103,165.



5. Tangible capital assets

	Computer hardware and software	Network hardware and software	Furniture and equipment	Tenant improvements	Total
Year ended March 31, 2022					
Opening net book value	312	246	43	320	921
Additions	187	5	5	56	253
Disposals	-	-	-	-	-
Amortization	(174)	(89)	(30)	(27)	(320)
Closing net book value	325	162	18	349	854
At March 31, 2022					
Cost	1,266	910	614	511	3,301
Accumulated amortization	(941)	(748)	(596)	(160)	(2,445)
Net book value	325	162	18	351	856
Year ended March 31, 2023					
Opening net book value	325	162	18	351	856
Additions	95	-	2	-	97
Disposals	-	-	-	-	-
Amortization	(174)	(87)	(6)	(22)	(289)
Closing net book value	246	75	14	329	664
At March 31, 2023					
Cost	1,361	910	616	511	3,398
Accumulated amortization	(1,115)	(835)	(602)	(182)	(2,734)
Net book value	246	75	14	329	664

6. Prepaid expenses

	March 31, 2023	March 31, 2022
Software and hardware maintenance	245	260
Rent	129	152
Other	98	26
	472	438



7. Accumulated surplus

The accumulated surplus balance represents the net book value of tangible capital assets that have been funded through appropriations.

8. Funding appropriations

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 February 26, 2021.

The following table reconciles the operating appropriation and provides a comparison of current and prior year voted capital and operating appropriations. There are no reconciling items for the capital appropriation.

Year ended March 31	2023	2022
Voted appropriation, operating	20,815	20,082
Cost of operations	19,450	19,122
Depreciation	(289)	(320)
Operating appropriation	19,161	18,800
Unused operating appropriation	1,656	1,280
Voted appropriation, capital	400	200
Capital purchases	97	197
Unused capital appropriation	303	3



9. 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 BC 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, performed as of March 31, 2021, reported the fund was 110 per cent funded with assets of \$30,452 million and liabilities of \$27,785 million.

Expenses related to employee future benefits incurred during the year were \$1,045,035 (2022 – \$974,937).

10. Contractual obligations

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

The office occupies a single office building under a 20-year a lease agreement which terminates October 31, 2034. The total future minimum lease payments for the duration of the lease are estimated to be \$21 million.

Future minimum payments for each of the next five years under the terms of the commitments, as of March 31, 2022, are estimated as follows:

Fiscal year	Commitment
2023/24	1,536
2024/25	1,629
2025/26	1,770
2026/27	1,770
2027/28	1,770
	<u>8,475</u>



11. Related party transactions

a. Business transactions

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

b. Services provided and received without charge

The Province of B.C. has centralized some of its administrative activities for efficiency and cost-effectiveness. The purpose of this shared services model is that one area of government performs the service for other areas without charge.

i. Services provided:

The office leases a portion of its office space to the Human Rights Commissioner at no charge. The estimated value of this space was \$42,000 (2022 – \$53,000).

ii. Services received:

The office receives external auditing services from the Legislative Assembly. The audit firm is appointed by a committee of the Legislative Assembly. The estimated value of these services is \$42,768 in the current year (2022 – \$32,000).

12. Reclassification of prior year presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.



Appendix A

Summary of work issued in 2021/22

Financial audits

Public Accounts

1. Summary Financial Statements, Province of British Columbia
2. Summary of Public Debt, Key Indicators of Provincial Debt and Summary of Performance Measures

School districts

3. School District No. 63 (Saanich)

Universities, colleges, and institutes

4. University of British Columbia

Other post-secondary institution reports

5. University of British Columbia Foundation
6. University of British Columbia—FTE Enrolment Report
7. University of British Columbia – Independent Auditor’s Report on the Consolidated Financial Statements Accompanied by Financial Responsibility Supplemental Schedule
8. University of British Columbia—Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
9. University of British Columbia—Independent Auditor’s Report on Compliance for the Direct Loan Program Required by the Guide for Financial Statement Audits and Compliance Attestation Engagements of Foreign Schools
10. University of British Columbia—Independent Auditor’s Report on the Consolidated Financial Statements presented in accordance with Canadian generally accepted accounting principles
11. University of British Columbia—Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
12. University of British Columbia—Independent Auditor’s Report on Compliance for the Research and Development Cluster of Expenditures; Report on Internal Control over Compliance and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance



Health authorities

13. Interior Health Authority

Crown corporations

14. BC Transportation Financing Authority
15. BC Assessment Authority
16. BC Enterprise Corporation
17. BC Hydro and Power Authority
18. BC Liquor Distribution Branch
19. Columbia Basin Trust
20. Columbia Power Corporation
21. Oil and Gas Commission
22. Royal BC Museum Corporation

Other Crown corporation reports

23. Arrow Lakes Power Corporation
24. BC Hydro and Power Authority – quarter one interim review report
25. BC Hydro and Power Authority – quarter two interim review report
26. BC Hydro and Power Authority – quarter three interim review report
27. Brilliant Expansion Power Corporation
28. Brilliant Power Corporation
29. Transportation Investment Corporation
30. Waneta Expansion Power Corporation

Other organizations

31. Legislative Assembly
32. Provincial Employees Community Services Fund

Federal government funding agreements

33. Canada–British Columbia Building Canada Fund Contribution Agreement
34. Canada–British Columbia Early Learning and Child Care Agreement
35. Canada–British Columbia New Building Canada Fund Contribution Agreement
36. Canada–British Columbia Workforce Development Agreement



Audit/information reports

1. [Fraud Risk Management: Site C Dam and Hydroelectric Energy Project](#)
2. [Oversight of Major Mines: Policies and Procedures to Address Environmental Risks](#)
3. [B.C.'s COVID-19 Response: Community Economic Resilience Grants](#)
4. [Report on the Financial Audit Work: Fiscal Year 2021/22](#)
5. [Mental Health and Substance Use Services for Indigenous People in B.C. Correctional Centres](#)
6. [B.C.'s COVID-19 Response: Monitoring Vaccination Coverage](#)
7. [Fraud Risk and Financial Statements: B.C. Public Sector, Part 1](#)
8. [Governance of the Diversity and Inclusion Strategy for the Public Service](#)

Other publications

1. [Service Plan 2022/23 – 2024/25](#)
2. [Annual Report and Financial Statements 2021/22](#)
3. [Service Plan 2023/24 – 2025/26](#)
4. [Financial Statement Audit Coverage Plan for financial statement fiscal years ending in 2024, 2025, and 2026](#)



Appendix B

Public Interest Disclosure Act

The *Public Interest Disclosure Act* (PIDA) is new legislation that creates a way for B.C. government employees to report specific kinds of serious wrongdoing without fear of reprisal. The act applies to B.C. government ministry employees, employees of independent offices and the Legislative Assembly, and former public servants. PIDA came into force on Dec. 1, 2019.

- Staff, current and former, of the Office of the Auditor General can make a disclosure to the office's designated officer or to the Office of the Ombudsperson.
- Staff, current and former, of the Office of the Ombudsperson can make a disclosure about the Office of the Ombudsperson to the Office of the Auditor General.
- The Office of the Ombudsperson can refer a matter to the Office of the Auditor General if the latter is in a better position to investigate it.

Under PIDA, we must annually report the number of disclosures of wrongdoing made by our staff or disclosures referred to our office by the Office of the Ombudsperson. We must also report on whether those disclosures were investigated, as well as the results of those investigations.

As of March 31, 2023, our designated officer for the Office of the Auditor General did not receive notification of any disclosures made to the Office of the Ombudsperson under PIDA. However, they have previously received one disclosure about the Office of the Ombudsperson that is still being investigated.





Office of the
Auditor General
of British Columbia

Location

623 Fort Street
Victoria, British Columbia
Canada V8W 1G1

Office Hours

Monday to Friday
8:30 a.m. – 4:30 p.m.

Telephone: 250-419-6100

Toll-free through Enquiry BC: 1-800-663-7867

In Vancouver: 604-660-2421

Fax: 250-387-1230

Email: bcauditor@bcauditor.com

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

Reproducing

Information presented here is the intellectual property of the Auditor General of British Columbia and is copyright protected in right of the Crown. We invite readers to reproduce any material, asking only that they credit our office with authorship when any information, results or recommendations are used.



[oagbc](https://www.facebook.com/oagbc)



[@oag_bc](https://www.instagram.com/oag_bc)



[@oag_bc](https://twitter.com/oag_bc)



[/company/oagbc](https://www.linkedin.com/company/oagbc)



[oagbc](https://www.youtube.com/oagbc)

oag.bc.ca