



# NEWS RELEASE

## For Immediate Release

August 29, 2018

### **Government should follow generally accepted accounting principles**

VICTORIA – The Office of the Auditor General of British Columbia has released a new report explaining its qualified audit opinion on government’s 2017/18 summary financial statements.

Auditor general Carol Bellringer’s audit opinion states that the summary financial statements present government’s financial performance fairly, except for two qualifications, or concerns, about errors in the statements. Because the office quantified the impact of rate-regulated accounting this year, the overall impact of both qualifications is that government’s reported surplus for the year should have been \$1.1 billion rather than \$0.3 billion.

Last year’s opinion contained three qualifications. Two of those qualifications remain this year and the office removed the third, which was about the Transportation Investment Corporation.

First, the office continues to differ with government on how it records revenue that it receives from other levels of government. Government does not record this revenue according to independent accounting standards. Instead, government records the revenues over a much longer period than the standards allow, meaning these revenues have been under-reported and cloud the Province’s financial position.

“We urge government to rescind its regulations and apply accounting standards as they’re written,” said Bellringer. “As of March 31, 2018, government has deferred \$5.3 billion in revenue under this practice. In my opinion, the accounting standards are clear that this revenue should already have been included in the reported results, but we acknowledge that the application across Canada is inconsistent.”

The other continuing qualification, on rate-regulated accounting, is also about government setting its own accounting policies. Government has issued direction to the British Columbia Utilities Commission that impacts the rate setting process for BC Hydro, as well as government’s own bottom line.

“If government wants BC Hydro to use rate-regulated accounting, then it needs to ensure that the accounting standards that BC Hydro follows come from an appropriate rate-regulated accounting framework,” said Bellringer. “Overriding such a framework through government direction is not acceptable.”



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of British Columbia

As of March 31, 2018, BC Hydro has deferred \$5.5 billion in net expenses. This means that either tomorrow's customers, or B.C. taxpayers, could have to cover these costs. This year, government reduced BC Hydro's regulatory account balances in government's summary financial statements by \$950 million, but it should have reduced them by the full amount. That's a difference of \$4.5 billion in expenses that should be included in government's books.

Bellringer also stated that "while government has not yet addressed our concerns around the full application of generally accepted accounting principles in recording BC Hydro's results, we're encouraged that it has recognized the need to revisit the accounting treatment for BC Hydro in its summary financial statements by adjusting the regulatory accounts by \$950 million.

"This is not just about the bottom line. The details matter. These errors obscure the current year's results and impact who will eventually have to cover the costs and when."

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The full report is available on the Office of the Auditor General website at [www.bcauditor.com](http://www.bcauditor.com).

Bellringer will answer questions pertaining to the report via a news conference.

News Conference Date: Wednesday, August 29, 2018

Time: 11:30 a.m. (Pacific time)

**Dial-in Information:**

From Vancouver: 604 681-0260

From elsewhere in Canada and the USA: 1 877 353-9184

Participant Pass Code: 44848#

During question and answer period, to ask a question: Press 01

During question and answer period, to exit the question queue: Press #

**About the Office of the Auditor General of British Columbia**

The Auditor General is a non-partisan, independent Officer of the Legislature who reports directly to the Legislative Assembly. The *Auditor General Act* empowers the Auditor General and staff to conduct audits, report findings and make recommendations.

**Contact us:**

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For general questions, call Elaine Hepburn: 250-419-6108

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