



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

2008/09 ANNUAL REPORT AND  
2009/10 – 2011/12 SERVICE PLAN

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The Honourable Bill Barisoff  
Speaker of the Legislative Assembly  
Province of British Columbia  
Parliament Buildings  
Victoria, British Columbia  
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Dear Sir:

I have the honour to transmit the 2008/09 Annual Report and 2009/10 – 2011/12 Service Plan of the Auditor General of British Columbia to the Legislative Assembly, to be laid before the Assembly in accordance with the provisions of section 22 of the Auditor General Act. This report is also available on our website: [www.bcauditor.com](http://www.bcauditor.com).

John Doyle, MBA, CA  
*Auditor General*

Victoria, British Columbia  
June 2009

copy: Mr. E. George MacMinn, Q.C.  
*Clerk of the Legislative Assembly*



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## MESSAGE FROM THE AUDITOR GENERAL



The publication of this report marks the completion of my first full year as Auditor General. It has been an interesting year as I've begun reshaping the organization and its processes to better meet the needs of legislators and the public. I've worked on improving the way my staff manage projects and on shortening project time frames. I've also focused on making my public reports more accessible and more readable.

A consequence of communicating better is that some of my work may be garnering greater attention from various stakeholders and the media. I do strive to make my findings and recommendations readily understandable — the *Auditor General Act* provides a mandate for me to report, and if I am to report, I will do so as well as I can. But while my Office remains alert to the amount of news coverage we receive and the manner in which our work is reported, I do not seek this kind of attention. For me, it is not a critical success factor. For this reason, you will not see a performance indicator related to the amount of media coverage. I prefer to focus on reporting what I find.

The audit opinions and reports from this Office go out under my name; however the underlying work is performed by a highly trained, dedicated group of professionals. A number of my staff have been with the Office for many years and, as is to be expected given their length of service, have begun the transition into retirement. This year three senior members of my Office retired. Jean Gordon and Hemendra Shah, two Financial Audit Directors, retired after 29 and 27 years of service respectively. And my Deputy Auditor General, Errol Price, retired after 27 years with the Office. In addition, another Financial Audit Director, Don Kelso, will retire this month after 31 years of service.

I want to express my thanks to Jean, Hemendra, Don and Errol for their combined 114 years of dedicated service, and wish them well as they begin the next chapter of their lives. In particular, I thank Errol for filling-in so admirably during my extended medical absence at the beginning of the year, and as Acting Auditor General before my arrival. Errol was recently awarded a Fellowship by the Institute of Chartered Accountants of BC for his dedicated service to the Office and the public sector in general — an honour well deserved.

A handwritten signature in black ink that reads "John Doyle". The signature is written in a cursive, slightly stylized font.

John Doyle, MBA, CA  
*Auditor General*

June, 2009





## ACCOUNTABILITY STATEMENT

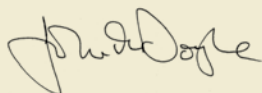
The 2008/09 Annual Report and 2009/10 – 2011/12 Service Plan of the Office of the Auditor General of British Columbia was prepared under my direction in accordance with the *Auditor General Act*. I am accountable for the results achieved, for the selection of performance indicators and for how performance has been reported.

The report reflects the performance of the Office of the Auditor General for the 12 months ending March 31, 2009. All material fiscal assumptions and policy decisions up to June 1, 2009 have been considered in the development of this publication.

This combined annual report and service plan presents a comprehensive picture of the Office's actual performance. The report includes estimates and interpretive statements that represent the best judgement of management. The measures reported are consistent with the Office's mission, goals and objectives, and focus on aspects critical to understanding the performance of the Office of the Auditor General.

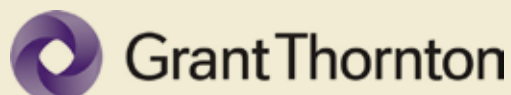
I am responsible for ensuring that the Office's performance information is measured accurately and in a timely manner. Any significant limitations in the reliability of the performance data have been identified and explained.

This report and service plan has been prepared in accordance with the B.C. Reporting Principles and is intended for a general audience. Specific users who require more detailed information should contact the Office.



John Doyle, MBA, CA  
*Auditor General*





## Auditors' report

To the Speaker

The Legislative Assembly, Province of British Columbia

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We have been engaged to report whether the 2008/09 Annual Report and 2009/10 – 2011/12 Service Plan (the “Annual Report”) of the Office of the Auditor General of British Columbia (the “Office”) for the year ended March 31, 2009 fulfills the requirements of the BC Reporting Principles. The eight BC Reporting Principles outline the characteristics of good performance reporting, and have been endorsed by the Legislative Assembly’s Select Standing Committee on Public Accounts for use by public sector organizations in British Columbia. This Annual Report is the responsibility of the Office. Our responsibility is to assess whether the Annual Report has met the requirements of the BC Reporting Principles.

We conducted our audit in accordance with Canadian standards for assurance engagements and accordingly included such tests and procedures as we considered necessary in the circumstances. The conclusion in our report is based on procedures that we determined to be necessary for the collection of sufficient, appropriate evidence in order to obtain a high, though not absolute, level of assurance that the Annual Report fulfills the requirements of the BC Reporting Principles.

Our examination was not designed to provide assurance on representations from management concerning the appropriateness of the goals, objectives and targets established by the Office. 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 with the audited performance information and audited financial statements.

In our opinion, this Annual Report fairly presents, in all significant respects, the performance of the Office for the year ended March 31, 2009, in accordance with the BC Reporting Principles. The following appendix contains details supporting our conclusion for each of the BC Reporting Principles, and is an integral part of our opinion.

Victoria, Canada

June 18, 2009

A stylized, handwritten-style signature of "Grant Thornton LLP" in black ink.

Chartered accountants

**Appendix to Auditors' Report of Grant Thornton LLP on the 2008/09 Annual Report and 2009/10 – 2011/12 Service Plan of the Office.**

**Detailed observations**

**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 three 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 that are critical to understanding performance are identified, including independence and objectivity.

**Principle 2 – Link Goals and Results**

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

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

The Annual Report provides meaningful information to readers by focusing on four key performance indicators that are critical to the understanding of the operational performance of the Office. Results of performance, both financial and non-financial, 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 in both a short-term and long-term context. The Annual Report addresses capacity in terms of human resources and funding 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**

The Annual Report provides comparative data in its analyses of the four performance indicators. Multi-year trends are used and referenced to actual results and planned performance. The Annual Report explains that benchmarks and industry data were sought, but information for direct comparisons was unavailable.

**Principle 7 – Present Credible Information, Fairly Interpreted**

The Annual Report covers all key aspects of performance and the measures used are relevant. The report clearly identifies the three 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.

# ABOUT THE OFFICE OF THE AUDITOR GENERAL

## Role

The Auditor General has a unique role in British Columbia. Non-partisan, independent of government and reporting directly to the Legislative Assembly, the Auditor General provides assurance about government's overall operations. The Auditor General is appointed for a six-year term by the Legislative Assembly, and may be reappointed for a second six-year term.

With the aid of a team of highly qualified staff, the Auditor General conducts independent audits, concludes on how well government is managing its responsibilities and resources and makes recommendations. The Auditor General's reports provide Members of the Legislative Assembly (MLAs) and all British Columbians with objective, relevant and credible information on the performance of their government.

## Mandate

Under the authority of the *Auditor General Act*, the Auditor General has a mandate to audit the government reporting entity (GRE). The government reporting entity consists of all parts of the British Columbia provincial government, including its ministries, Crown agencies and other government organizations such as school boards, colleges and institutes, universities and health authorities. In 2008/09, the GRE reported approximately \$38 billion<sup>1</sup> in both expenses and revenue and \$60 billion in assets that the Auditor General was responsible for auditing.

Audits range in style from traditional financial statement audits to audits of programs and services. The *Auditor General Act* requires the Auditor General to audit

<sup>1</sup> Total expenses as stated in the 2008/09 BC Government Estimates.

government's annual Summary Financial Statements. The Act also allows the Auditor General to be appointed as the financial statement auditor of any organization that is included in the GRE (meaning any organization for which financial results are consolidated into the Summary Financial Statements). As well, the Act allows the Auditor General to carry out examinations that focus on, among other things: determining whether government (through its ministries) or a government organization is operating economically, efficiently and effectively; determining whether the performance information provided to the Legislative Assembly by government or a government organization concerning program results is adequate; and "following the dollar" where grants, loans or other transfers are made by government to individuals or organizations.

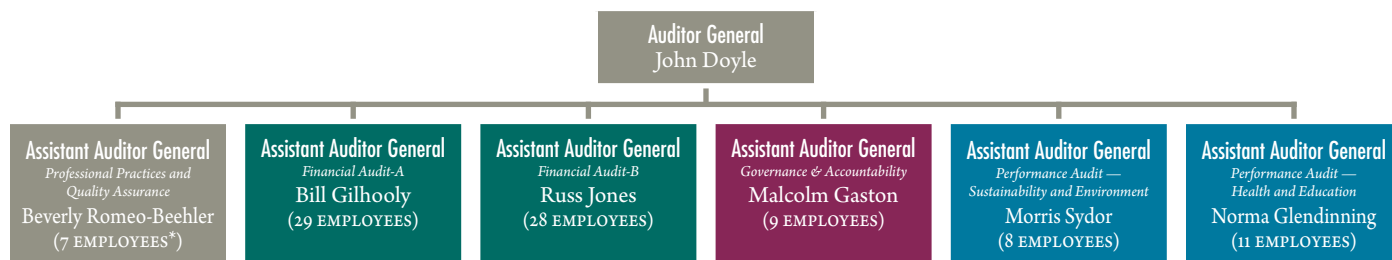
Through the work of the Office, the Auditor General provides the Legislative Assembly and all British Columbians with an independent assessment of the performance of their government, performing a vital role in support of the democratic process of responsible, accountable government.

## Governance

### Structure

Three integrated lines of business — Financial Audit, Performance Audit, and Governance & Accountability Audit — are managed across five operating portfolios: two for Financial Audit and one each for Health and Education, Governance & Accountability and Sustainability and Environment (see Exhibit 1). While the portfolios appear segregated in the chart in Exhibit 1, the staff from varying portfolios consistently work together in the conduct of work. For example, given the seasonal fluctuations of financial

**Exhibit 1:** The main operation structure of the Office of the Auditor General



\* plus 13 staff in central and support roles

audits, staff from these portfolios often contribute to work in other portfolios. The integration of skills and abilities between portfolio areas ensures more effective results than could be achieved in isolation.

A fourth component of our organization, Standards and Quality, provides centralized office-wide support in areas such as human resource management, legal services, and professional practices.

To better integrate operations and support services, during the course of the year centralized corporate and administrative services were distributed across the operational portfolios.

### Financial Audit

Financial Audit is our largest line of business and, as such, is covered by two operating portfolios. This audit area has primary responsibility for delivering on one of our four strategic goals — promoting sound financial administration and reporting.

Financial Audit work includes auditing the Province's Summary Financial Statements and examining issues related to financial management and information technology.

The audit of government's Summary Financial Statements is the largest audit the Office performs each year. The Summary Financial Statements encompass all government operations, including ministries, Crown corporations, trusts, colleges, school districts, universities, health authorities and other public entities.

The Auditor General is not required to audit each of these organizations individually. However, under Canadian Generally Accepted Auditing Standards (GAAS), the

Auditor General must have sufficient knowledge and understanding of the operations of the organizations making up the summary financial statements. This knowledge can be obtained by auditing directly some of the organizations and trust funds that make up the GRE. It can also be obtained in part by relying on the work of other auditors who have been appointed by individual organizations and trust funds.

### Performance Audit

This line of business has primary responsibility for delivering on our second strategic goal — well-managed provincial programs, services and resources — and for guiding our work under section 11(8)(b) of the *Auditor General Act* related to economy, efficiency and effectiveness.

### Governance & Accountability Audit

Good governance in public sector organizations provides clear and ethical direction, anticipates danger, communicates effectively, and gives and receives information on performance. Accountability is a key component of good governance, and for over a decade the Office has promoted better public accountability reporting by government.

There are four areas of focus in this portfolio's work: public sector governance, performance reporting, assurance on performance reporting and reporting on the Office of the Auditor General's results. Given these areas of focus, this line of business has primary responsibility for delivering on our strategic goals of promoting comprehensive public sector accountability reporting and effective public sector governance.



#### Human Resources Team

Left to right:  
Greg (HR Services Assistant);  
Kristina (HR Co-op Student);  
Penny, BA (HR Advisor);  
Jennifer, CA, BComm (Manager,  
Training and Development)



## Planning, Funding and Reporting Cycle

Our planning, funding and reporting cycle (Exhibit 2) determines how our corporate goals and objectives guide the development of our work plans and daily operations.

Our planning cycle begins in November of each year when the Auditor General submits a Financial Statement Audit Coverage Plan (FSACP) to the Select Standing Committee on Public Accounts (PAC).<sup>2</sup> The FSACP outlines a three-year audit plan for the Auditor General, detailing which government organizations the Auditor General will audit and which ones private sector auditors will work with.

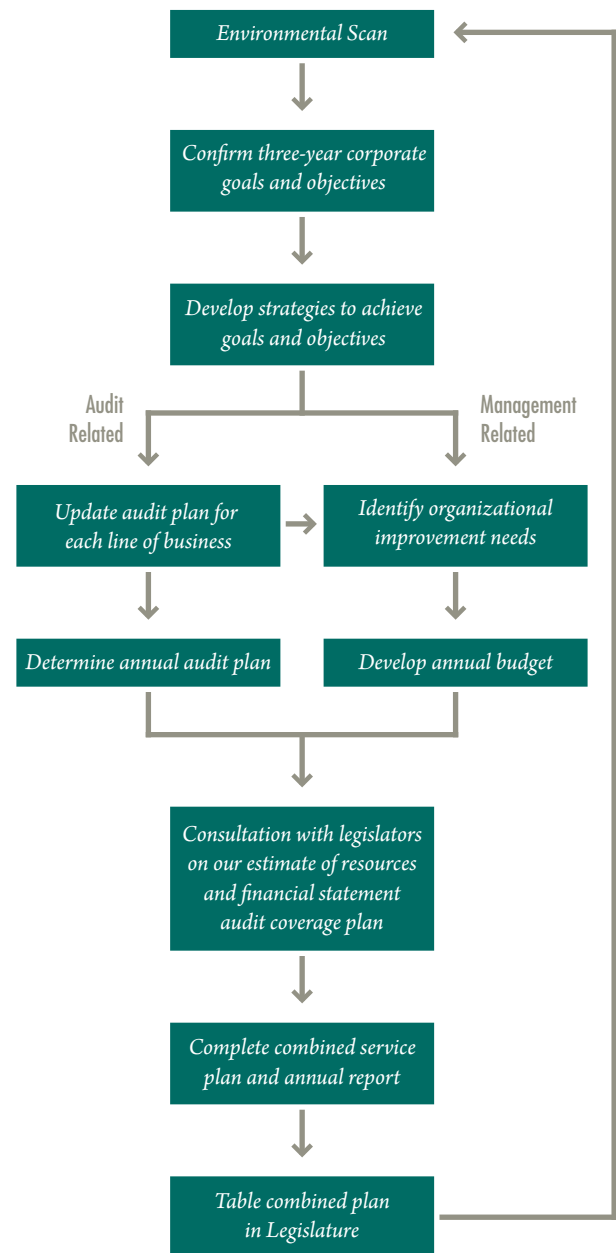
For those organizations audited by private sector auditors, the Auditor General has either limited or moderate (oversight) involvement. Limited involvement means that the role of the Auditor General is limited to ensuring that minimum professional requirements are met (e.g., by communicating with appointed auditors on intended reliance, or by reviewing the appointed auditor's files on a sample basis). Moderate or oversight involvement means that the Auditor General conducts extended procedures (e.g., attending audit committee meetings and reviewing the appointed auditor's audit plans and year-end audit files) to understand the business of, and issues in, these significant organizations.

Whether the Auditor General has limited, moderate or direct involvement in each government ministry or organization's audit, under Canadian GAAS, the Auditor General must have sufficient knowledge and understanding of each operation. This provides him or her with the necessary assurance to sign the audit opinion on government's Summary Financial Statements.

The 2008/09 FSACP called for our Office to directly audit the annual financial statements of central government and its 19 ministries, as well as the financial statements of 22 government organizations, and to have an oversight role for 19 more. The remaining 108 organizations of the total 149 were audited by private sector auditors.

Once the FSACP is approved by the PAC, we combine the cost of the work identified in the plan with the cost of carrying out our other lines of business. The result forms our Estimate of Resources. In 2008/09, this amounted to \$15.25 million. We then submit the Estimate of Resources to the Select Standing Committee on Finance and Government Services.<sup>3</sup> Once approved, our estimate is included in the main estimates of the Province. Traditionally, the budget for the Auditor General is Vote 2 in the budget, behind the appropriation for the Legislature.

**Exhibit 2:** Planning, funding and reporting cycle of the Office of the Auditor General



Our combined Service Plan and Annual Report, tabled in the Legislative Assembly at the end of June each year, reflects the approved FSACP and Estimate of Resources and confirms our strategic direction.

<sup>2</sup> The Select Standing Committee on Public Accounts is an all-party committee of the Legislative Assembly, chaired by a member of the opposition. It is the committee to which the Auditor General's reports are routinely referred.

<sup>3</sup> The Select Standing Committee on Finance and Government Services, an all-party committee of the Legislative Assembly, reviews the budget submissions of the other officers of the Legislature.

# STRATEGIC FRAMEWORK

## Vision

A highly valued, independent legislative audit office recognized for excellence in promoting effective and accountable government.

## Mission

To serve the people of British Columbia and their elected representatives by conducting independent audits and advising on how well government is managing its responsibilities and resources.

## Goals

To adopt best practices in our work and as an employer and to promote:

1. Sound financial administration and reporting,
2. Well-managed provincial programs, services and resources,
3. Comprehensive public sector accountability reporting, and
4. Effective public sector governance.

## Values

### **External focus:**

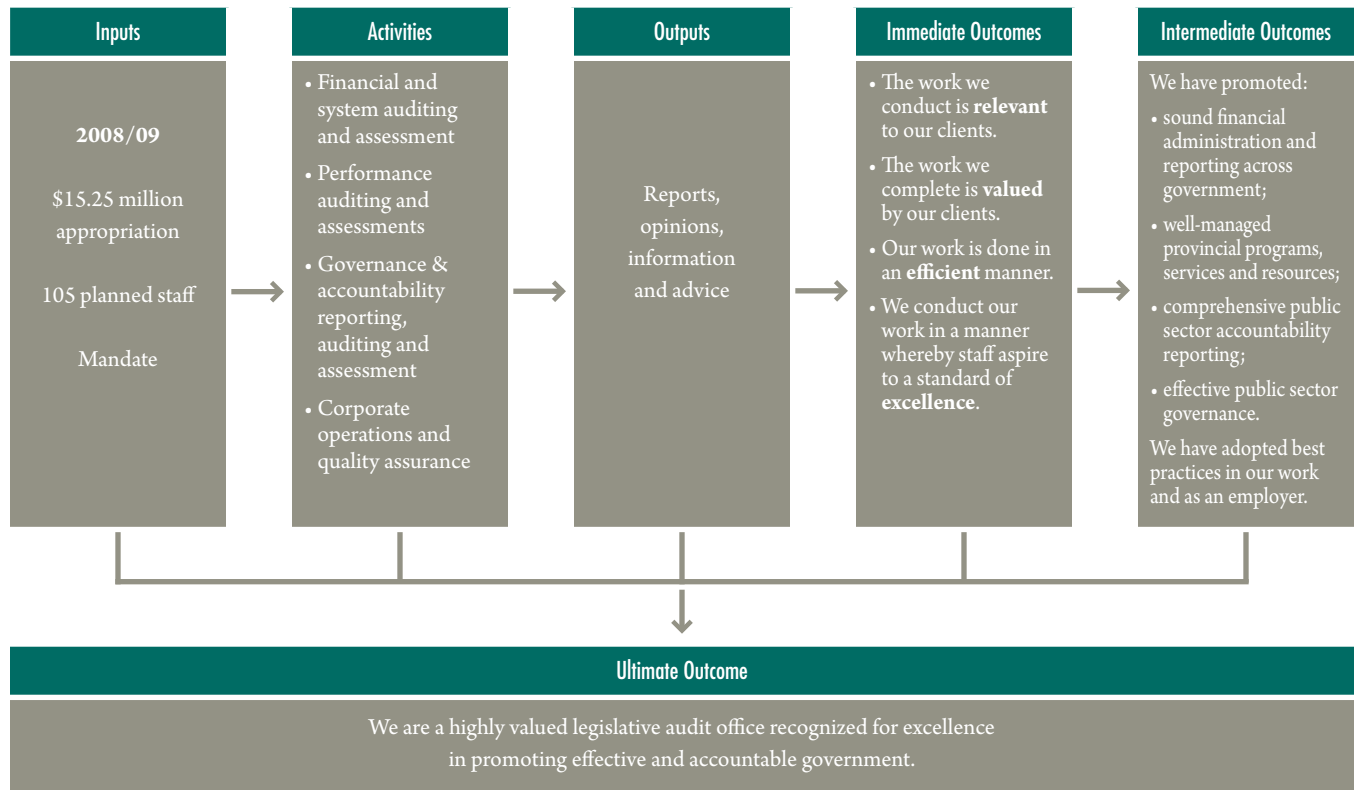
- Serving the public interest: being relevant to legislators and the public.
- Independence and objectivity: being free of influence, conflict of interest and bias.
- Trust and integrity: treating those with whom we have contact honestly and consistently; meeting our commitments.

### **Internal focus:**

- Mutual respect: managing and interacting on the basis of fairness, equity, honesty, trust and personal dignity.
- Teamwork: cooperating, supporting and respecting each other's contributions.
- Work-life balance: supporting quality-of-life endeavours and respecting personal commitments.



**Exhibit 3:** The Office of the Auditor General Operational Logic Model



**Linking Guiding Principles and Performance**

The Office vision, mission and goals are our guiding principles and flow directly from our legislated mandate to our operational lines of business. As a continuation of these guiding principles, we identified values and attributes to guide how we conduct our business, both externally and internally.

Under the authority of the Auditor General’s mandate, we use resources (staff and budget) to conduct our work, produce reports, audit opinions and best practice guides, and provide advice. We measure our success through our immediate outcomes in the areas of relevance, value, efficiency and excellence (we discuss each of these in detail later in the report). These outcomes contribute directly to our vision of being a highly valued legislative audit office. This process can be seen in the Office’s logic model (Exhibit 3).



# MEASURING PROGRESS

## Critical Success Factors

Independence, credibility and capacity are the three factors critical to the Office’s success. Together with our guiding principles, they lay the foundation for everything we do. All three factors are interrelated. For our work to be recognized as a credible source of relevant and valuable information, we must be seen to be independent. When these two critical success factors are consistently demonstrated, we should receive sufficient resources (capacity) to conduct our work. Exhibit 4 shows how the three critical success factors relate to our overall operating framework.

### Independence

Above all else, we must remain independent of the government and government organizations we audit. The *Auditor General Act* contains provisions designed to safeguard the Office’s independence. For example, the Auditor General can be appointed by the Legislative Assembly only on the unanimous recommendation of an all-party committee. As well, the Auditor General is accountable to, and reports directly to, the Legislative Assembly — not to the government of the day.

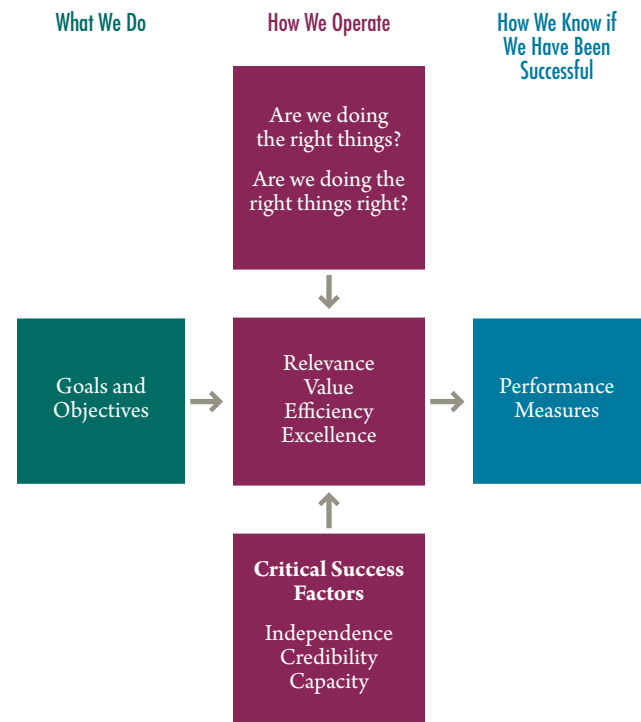
The need for independence applies equally to the Auditor General’s staff. As a condition of employment, all staff are obligated to remain free of associations that could potentially impair their independence. They must annually declare any relationships that could impair independence, and all auditors must complete an independence checklist before beginning an audit to ensure there is no potential for independence impairment.

### Credibility

To be of value to the Legislative Assembly and the public, our reports and audit opinions must be considered credible. Credibility is derived by “doing the right things, right.”

What are the “right things to do”? In our view, they include promoting effective and accountable government and achieving our first two outcomes of relevance and value. Relevance is achieved through our three lines of business where we follow a long-term risk and significance-based audit topic selection process, which we then balance against the need to respond to current issues and audit topics suggested by legislators and the public.

**Exhibit 4:** The Office of the Auditor General — Operating Framework



Doing the right things are pointless, however, unless we do them correctly. To accomplish this, we maintain our independence, fulfill our two outcomes of efficiency and effectiveness, and adhere to our guiding principles and professional standards.

The *Auditor General Act* requires us to adhere to Canadian GAAS. As a result, and to ensure credibility, we engage in internal quality control measures such as executive-level review and challenge. Procedures such as this, as well as our high standards for everything we do, ensure our work meets professional auditing standards, thereby reinforcing our credibility.

We are also a licensed practising office of the Institute of Chartered Accountants of British Columbia (ICABC). Therefore, in addition to adhering to auditing standards, staff must follow the ICABC code of conduct. As with all public

accounting firms, our work is subject to periodic review by the ICABC to confirm that we are meeting their professional standards, which reinforces our own high standard of credibility.

### Capacity

Our third critical success factor, capacity, comes from having sufficient quantity and quality of resources at our disposal. Capacity is our only critical success factor that is subject to external influence as our funding does not always match our estimate of resources.

### Quantity of Resources

In accordance with the *Auditor General Act*, the Auditor General annually provides the Select Standing Committee on Finance and Government Services with an estimate of the resources required to perform the Office's duties. The committee may adjust the estimate as it considers appropriate. Given that the Auditor General provides the Legislature with credible, relevant and valuable information and uses resource allocations efficiently, the Office expects it will receive the full amount of funding specified in the Estimate of Resources.

As discussed in detail in the Financial Statement Discussion and Analysis later in this report, salary costs account for the vast majority of the Office's expenses. In recent years, recruiting and retaining individuals with the right mix of skills and experience has been a challenge. In 2008's competitive marketplace, the Office's attrition rate, minus retirement, was approximately 13%. This is well above the average for British Columbia's public service (5% in 2008; 4.4% in 2007). While we are proud to say that our staff are highly sought after, persistent staff vacancies meant we once again returned a significant proportion of our annual budget appropriation at the end of the fiscal year.

In early 2009, we were able to return to a full complement of staff thanks to a redesigned workforce structure and the implementation of innovative recruiting practices. This year, given full staffing levels, the challenge will be to work within our salary envelope.

In addition, we anticipate that 21% of our staff will be eligible to retire within the next five years. When this is added to regular turnover, we expect more than one-quarter of staff will not be with the Office in five years' time.

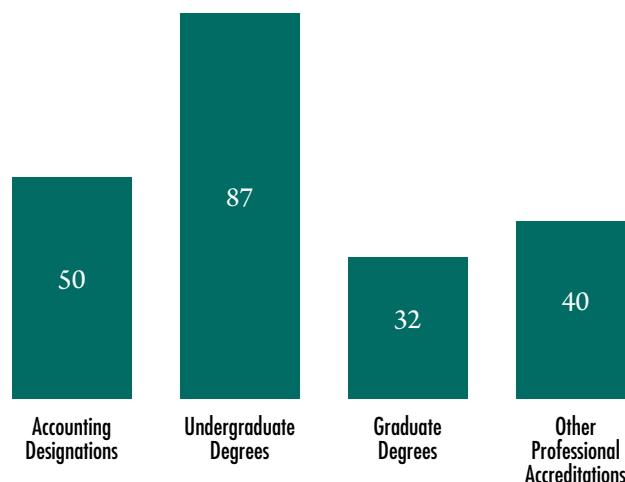
### Quality of Resources

In 2008/09, the Auditor General was supported by an average of 96 highly qualified, full-time equivalent (FTE) staff. The majority of our audit staff have accounting designations and many have additional credentials to accompany their broad experience base (Exhibit 5). Several of our performance auditors are subject-matter experts in areas such as business and public administration, law, education, social and environmental sciences and health care, and hold advanced degrees and/or certification. Currently, seven staff members are pursuing advanced education outside of work hours.

The Office is licensed by the ICABC to train students wishing to obtain their Chartered Accountant (CA) designation. We are proud to have supported student audit associates in this role for over 30 years. In 2008/09 we welcomed 11 new audit associates who will gain hands-on experience in the Office while completing their course work. We look forward to supporting a greater number of audit associates in the pursuit of their CA designation in 2009/10 and anticipate that 11 audit associates will write their final chartered accountant examinations in September 2009.

The Office is pleased to encourage staff in their pursuit of higher education. In fact, many of our professional designations require mandatory professional development each year. The average staff member received almost 63 hours of in-house training and development in 2008/09. This is lower than in past years because our training budget remained static, yet we had more employees.

**Exhibit 5:** Number of Certifications and Designations Held by the Office's 106 Staff



In 2009/10, we will host two performance auditors, one from Costa Rica and one Barbados, as part of the International Fellowship Program. Our Office is twinned with the National Audit Office in Barbados to offer continued support and developmental oversight. This program is administered by the Canadian Comprehensive Auditing Foundation (CCAF), and funded by the Canadian International Development Agency (CIDA).

In our effort to curb turnover and develop staff, we implemented a new office compensation framework in 2007/08. This framework gave us greater flexibility to respond to competitive labour markets and recognize individual contribution. Implementation of the workforce framework continued in 2008/09 with the creation of new developmental positions such as Senior Managers who are being prepared to be our future Directors.

As a profession, auditing is practiced the world over, and British Columbia's audit office is looked to as a leader in the field. During 2008/09 we were visited by two delegations from China, one from Australia and a multinational delegation of auditors visiting Canada as part of a CIDA sponsored development initiative. We have also entered into exchange and secondment agreements with worldwide legislative audit offices. This past year, we hosted a Director of Performance Audit from Western Australia and this year, we will send staff to Western Australia to work and learn. We look forward to negotiating more exchange opportunities for our staff in the coming year.

## Measuring Performance

### Performance Indicators

Our goal in this report is to focus on our performance rather than on our performance measures. Our key performance indicators are outcome-based and speak to our performance in its broadest sense. They highlight factors such as the following, which we feel add greatest value for our primary client group — the Legislative Assembly:

- relevance of the indicators in relation to our strategic goals;
- validity of the indicators (i.e., whether they measure what they are intended to measure);
- availability and reliability of data;
- clarity, comprehensiveness and transparency of the indicators; and
- ability of the indicators to provide reliable comparisons over time.

We established our performance indicators last year as our standard, tied to our four immediate outcomes: relevance, efficiency, value and excellence. We believe they will continue to have enduring value over the coming years and enable us to begin making effective historical comparisons.

### Exhibit 6: Summary of 2008/09 Results

Immediate Outcome	Key Performance Indicator	2008/09 Target	2008/09 Actual
Relevance	Proportion of performance audit reports completed in response to questions from MLAs and British Columbians	25%	11%
Efficiency	Number of audits completed	66	64
Value	Percentage of MLAs surveyed who believe our work over the last year promoted efficient and accountable government	80%	70%
Excellence	Percentage of staff motivated and inspired ("engaged") by their work	75%	79%



Left to right: Maria (Office Assistant); William, BBA (Audit Associate); Shaun, BBA (Audit Associate).

All of our work is provided to one client group; the Legislative Assembly. Reporting externally on our performance by line of business is not justified when our client base does not readily differentiate between the services we provide.

Exhibit 6, the summary of our 2008/09 results, shows how our performance indicators link to our guiding principles.

## Annual Targets

Each performance indicator states our target, whether we achieved it and our future expectations. We strive for continuous improvement and as such, set “stretch targets.” At the same time, we also want our targets to be grounded in risk assessment and past performance, and informed by benchmark comparisons. The latter are challenging to find because other legislative audit offices measure their performance in different ways, have different degrees of public accountability and, in some cases, have different mandates.

Given that two of our four performance indicators are only in their second year, “historical” data is limited. In these circumstances, future expectations have been developed based on our best understanding of what is achievable in the coming year. More robust targets will evolve as data is accumulated and analyzed in ensuing years.

## Ensuring Data Reliability

The performance data in this report comes from three main sources: the Office’s internal management information systems, our publicly available audit reports, and third-party survey data. Data sources and quality are described for each key performance indicator. Data reliability means:

- all performance data in this annual report is reliable and verifiable and has been independently assessed by our auditors;

- internally generated data is compiled by internal financial and communications groups;
- externally generated data is provided by professional, third-party survey providers producing data on our behalf; and
- any significant limitations in the quality of the data presented are fully disclosed.

## Relevance

Relevance means:

- enhancing the credibility of government’s financial reporting to capital markets through our audit opinion on the Summary Financial Statements of the Province of British Columbia;
- building public confidence in the Province’s financial transactions and performance through our independent audits;
- producing audit opinions, reports and information that are useful to, and readily understood by, MLAs and members of the public; and
- contributing to better government by providing useful recommendations, both in our public reports and in our communications with management auditees after each audit.

## Are We Relevant?

Our work in 2008/09 was relevant. Our Financial Statement Audit Coverage Plan, the positive feedback we received on our evolving report format, and the increase in the number of suggestions for audit topics that we received from MLAs and British Columbians each support the relevance of our work.

For financial statement audits, the 2008/09 – 2010/11 coverage plan was accepted as relevant without changes by the PAC in November. To comply with evolving audit standards and ensure our financial statement audit work remains relevant, we anticipate the need to enhance the extent of coverage for school boards, health authorities and Crown corporations. A risk-based assessment will be used to determine appropriate changes.

The audits undertaken in our other two lines of business (Performance Audit and Governance & Accountability Audit) may be perceived as more sensitive. To preserve the independence of our audit selection process in these areas, we are not required to, and do not, submit a plan for legislator approval. However, to ensure relevance and provide people with the opportunity to comment on our work, we: follow a detailed communication process before beginning any audit;



request feedback from our auditees throughout the audit; and provide the Minister responsible for the audit area with the final report, seven days before it is publicized.

Audit topics are selected based on our assessment of risks and significance — for instance, the government environment, the number of people impacted, the amount of related financial expenditure, the degree of public interest, and our capacity to complete the work. To accommodate emerging priorities, our audit selection process is dynamic. In this way, we strive to ensure our audit topics are relevant.



Laura, BSocSc (Performance Audit Analyst)

## PERFORMANCE INDICATOR 1

### Proportion of performance audit reports completed in response to questions from MLAs and British Columbians

#### Description and Importance

One of the Auditor General’s key operational objectives is to be responsive to our clients — MLAs and British Columbians. Active engagement with our clients starts with an invitation to suggest audit topics. We ask MLAs on an ongoing basis what their interests are and also receive many suggestions from members of the public including non-profit organizations, labour organizations, industry associations and academic researchers. We carefully review each of these suggestions and incorporate them in our planning processes.

It is our view that the proportion of audit reports originating from a question or request from an MLA or member of the public is an indicator of how responsive we have been in our audit selection process and, by extension, of the relevance of our work program.

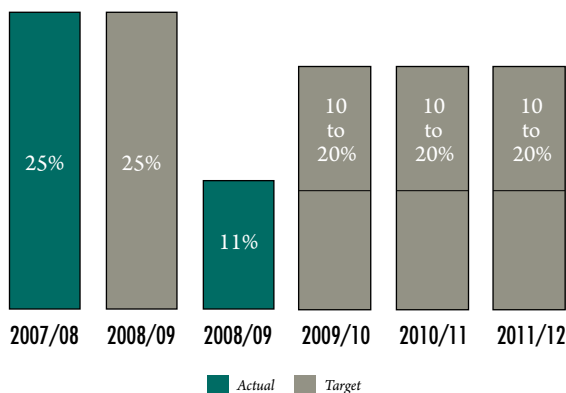
Not all audit suggestions can be pursued. There are many more suggestions than we have the capacity to address; some suggestions are outside our mandate and some suggestions do not fit within our audit selection criteria. However, the Auditor General values all suggestions and encourages legislators and members of the public to provide their ideas to the Office either in writing or online at [www.bcauditor.com](http://www.bcauditor.com).

#### Performance

In 2008/09, we released 18 performance audit reports. Of these, two (Grant Administration of the BC Arts Council and Removing Private Land From Tree Farm Licences 6, 19 & 25 ([www.bcauditor.com/pubs](http://www.bcauditor.com/pubs))) were completed in response to requests from MLAs and the public. Therefore, 11% of our reports were in response to requests from MLAs and the public, which was below our target of 25%. This is a new area, and we are still grappling with an appropriate target.

Proportion of Performance Audits Completed in Response to Questions from MLAs and British Columbians

Source: Office of the Auditor General of British Columbia management information system



## Setting Targets

Outside of financial audits, our work program balances our goal to be responsive with the need to maintain a strategic, risk-based approach. While we increased the number of performance auditors in 2008/09 and issued more reports than in any other year, our capacity will always limit our output.

We received 83 audit suggestions in 2008/09, most of which had already been identified through our ongoing topic selection process. However, knowing there is external interest in a topic can help us better assess topic priority. Externally suggested audit topics are assessed using the same parameters as internally generated ideas, and must meet the same tests of significance, usefulness and auditability.

Because we have no control over the quality, quantity and relevance of the requests we receive, it is challenging to commit to engaging in a pre-determined number of audits derived from external suggestions. We do not yet know where the balance lies. Aiming to conduct one audit in 10 requested might suggest we are not being responsive enough. Yet, anything approaching 100% might suggest we are taking a “flavour of the month” approach to audit selection and could raise questions about the credibility of our selection process. We do not wish to see either of these outcomes.

Going forward, we anticipate that between 10% and 20% of our performance reports will be in response to external suggestions (assuming we receive an adequate number of new and highly relevant suggestions). In 2009/10, this would represent approximately two audits.

## Major Programs and Strategies

In the upcoming year, the Auditor General will seek to actively engage MLAs, especially those elected for the first time in the recent election, to encourage them to provide us with their concerns and potential areas to audit.

In 2008/09, our website was significantly updated to make our reports more readily accessible and to facilitate the receipt of audit suggestions. Further enhancements will be implemented in 2009/10.

Proportion of the Office's Recommendations Endorsed by the PAC



This past year the Office developed a Facebook page, primarily as a means of enhancing our recruitment efforts. In the upcoming year, we will also explore the potential for using other web 2.0 technologies to enhance our ability to communicate.

## Other Indicators of Relevance

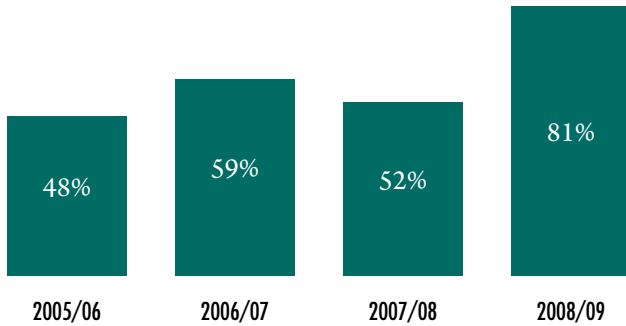
In addition to our key performance indicator of relevance, other secondary indicators of this factor include:

### Recommendations Approved by the Public Accounts Committee

We track the percentage of audit recommendations endorsed by the PAC. While the PAC manages its own agenda and is not obligated to review all of our reports, in 2008/09 it was able to review 10 of our reports. Our acceptance rate was 99%, reflecting only a single recommendation that was neither endorsed nor rejected. The recommendation in question was the single one in our November 2008 report entitled *Public Participation: Principles and Best Practices for British Columbia*, which recommended that the British Columbia government endorse the proposed public participation framework as a basis for engaging the public.

The PAC's continually strong acceptance of our recommendations, as shown in the graph above, provides us with some insight into the relevance of our work. We aim for all of our recommendations to be value-added and practicable, and will always strive for a 100% endorsement rate from the PAC.

## Proportion of the Office's Recommendations Implemented by Auditees



### Implementation of Recommendations

The extent to which our recommendations have been implemented by the auditee is another useful indicator of our relevance. In 2008/09, 81% of our recommendations were implemented.<sup>4</sup>

Follow-up on action taken is an important process for ensuring that recommendations are addressed and that taxpayers receive full value from our services. Starting last October, we introduced a systematic follow-up process and began issuing these reports every six months.

It is expected that most recommendations will be cleared in the first follow-up when we ask agencies to assess their progress in implementing each recommendation. Agencies describe their progress and their plans. Readers can then assess for themselves whether or not self-reported progress has been satisfactory.

Going forward, we will routinely follow up on reports approximately one year after they are issued — sooner for urgent matters or where organizations had the opportunity to address significant issues in advance of our report being released.

While we hope that all recommendations will be implemented over time, for a variety of reasons not every one is. Some recommendations take years to be implemented. For others, ministries may find other ways to address underlying issues. Therefore, we expect that less than 100% will be fully implemented when reviewed in any one year. Rather, the number of recommendations implemented in any one year speaks more to the relevance of our work over time than to our performance of the year in question.

<sup>4</sup> As reported directly by each auditee.

### Accessibility

We track the number of times each of our reports is downloaded from our website, *www.bcauditor.com*. While the numbers alone do not indicate whether our work is considered relevant, download rates do demonstrate client interest in our work. Unfortunately, due to a technical difficulty with our website administrator, these statistics are not available this year. We look forward to providing them in next year's annual report.

### Efficiency

We consider efficiency to be one of our key outcomes because it drives the volume of work we generate and, by extension, the impact we have. As a public sector entity, we are constrained in the amount of work we can produce by the funding we receive. For 2008/09, we received total funding of \$15.25 million. It is up to us to produce as much work as we can with this funding. Also, as a publicly accountable organization, we have an obligation to be transparent in how efficiently we use the resources provided.

### Are We Efficient?

In 2008/09, we were efficient and showed an improvement over past years. In particular, this can be seen in the increased volume of audits completed.

## PERFORMANCE INDICATOR 2

### Number of audits completed \*

### Description and Importance

Our primary outputs are financial statement audit opinions, and reports from our performance audit and governance and accountability work. Given a relatively constant appropriation over time, the number of reports and audit opinions we produce is a broad measure of our Office's overall efficiency. In our view, this is an important, highly relevant measure to our stakeholders, as our reports and audit opinions are the most visible evidence of our accomplishments.

### Performance

In 2008/09, we released 42 financial statement audit opinions (2007/08: 36) and 22 performance audit reports

\* All targets and prior year actuals have been revised to include audit opinions provided for subsidiary organizations and other assurance work conducted as part of our FSAC plan.



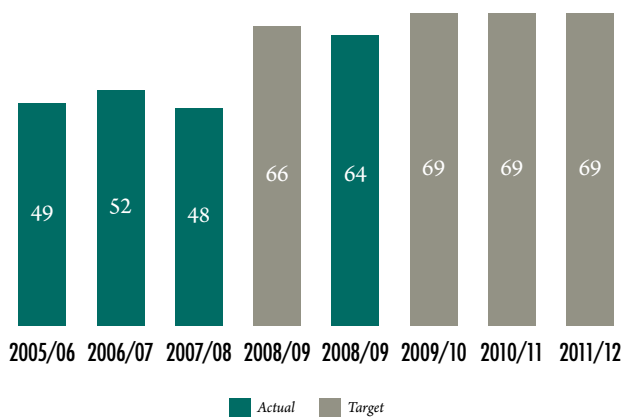
and other opinions or reports (2007/08: 12) for a total of 64 reports and opinions. This increase over last year (48 reports and opinions) reflects the new Auditor General's emphasis on efficiency; however, we were slightly below our 2008/09 target of 66 reports and opinions. Despite that reduction from our original aim, what we did achieve demonstrates a significant increase in our efficiency over that in past years. Key among a number of planned initiatives to improve efficiency was a conscious effort to streamline our performance audit process and better the timeliness of our reports. While we are only in the initial stages of this streamlining process, positive feedback from our clients ensures we will continue to improve our reporting tools and timeliness over the coming year.

Important to note, however, is that the number of audits produced is strongly influenced by product mix. Generally speaking, performance audits tend to be significantly more expensive to complete than financial statement audits and, as previously mentioned, are limited by our appropriation and capacity. As well, there is considerable variance even between performance audits as to the time and resources required to complete each one.

The average cost for producing each of our opinions and reports in 2008/09 was \$226,000 (2007/08: \$210,000).<sup>5</sup> The variance is explained by the fact that we produced approximately the same number of financial audit opinions and reports (average cost: \$153,000) but almost twice

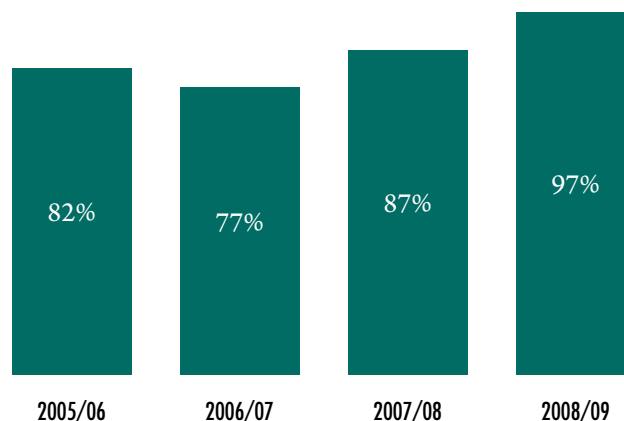
#### Number of Audits Completed

Source: Office of the Auditor General of British Columbia website and management information systems;  
[www.bcauditor.com/pubs](http://www.bcauditor.com/pubs) and [www.bcauditor.com/about/audit-coverage-plans](http://www.bcauditor.com/about/audit-coverage-plans)



<sup>5</sup> Average cost is comprised of salaries, direct costs and allocation of overhead.

#### Proportion of the Office's Audits Delivered Within the Approved Time Frame



the number of performance audit and governance and accountability audit reports (average cost: \$321,000).

#### Setting Targets

Last year, we set goals to generate 73 reports in 2009/10 and 77 in 2010/11. Given that our appropriation for 2009/10 was not 100% of our requested resources, we had to reduce the targets to 69 reports.

#### Major Programs and Strategies

In 2008/09 we began streamlining our performance audit processes with a view to improving the efficiency with which we do our work. We also placed a greater emphasis on project management. In the past, some performance audits took as long as two years to complete from start to finish. Going forward, the planning framework for performance audits will be in the range of six to nine months. In addition to allowing us to produce more reports, shorter timeframes will ensure that our reports are more relevant. Project management and on-time performance will continue to be areas of focus as we go forward.

#### Other Indicators of Efficiency

In addition to our key performance indicator of efficiency, other secondary indicators of this factor include:

#### On-time Performance

The relevance of information for decision-making decreases with the passage of time. It is therefore important that we complete our reports in as timely a manner as possible.



## Performance Auditors

Left to right:  
Reed, MA, BA (Manager);  
Norma, MBA, BA, CMC  
(Assistant Auditor General);  
Tony, CA (Director); Kathy, CA,  
BComm, CMC (Director); Ken,  
MA, MLISc, BA (Manager)

At the same time, getting work done quickly must be balanced with the need for accuracy. Quality cannot be compromised. For this reason, we have put checks and balances in place at the Office to ensure our audit work is thorough and our conclusions are well supported. However, performing these checks and balances — such as multiple levels of review, internal and external challenge and fact clearance — takes time.

Unforeseen events can also affect our ability to deliver within planned timeframes. For instance, in February 2009, the Auditor General released his report *Wireless Networking Security in Victoria Government Offices*. Although the report had been completed before that time, it was withheld for several months to give government the opportunity to alleviate the serious security issues we identified, before the audit results were publicly released.

Because of these challenges, we track how well we meet planned timelines rather than how quickly we complete audits. In 2008/09, we completed 97% of audits within approved timeframes, a significant achievement given that our five-year historical average is 87%. In particular, on-time delivery of performance audits (the audits that used to present the greatest challenge for us) improved dramatically

over the past year compared to previous years, rising from 50% to 91%. This result is due, in part, to shorter time frames for performance audits. However, for the most part, better on-time performance has been due to better project management.

## Value

The most meaningful indication of the extent to which we have added value through our work is from the perspective of MLAs and British Columbians.

We recognize that value is highly subjective and varies from person to person, especially in a politically polarized environment such as the Legislative Assembly. For us, value is derived from producing reports on topics that readers find interesting and from recommendations that improve government performance. Value is created when we produce information in a timely manner and when we are efficient in the use of our resources.

While our work is non-partisan and we go to great effort to ensure our reports are factual and balanced, we know we cannot keep everyone happy. Therefore, we strive instead to have most MLAs conclude that, on balance, the work of the Office promoted efficient and accountable government.

## Did We Provide Value?

For the second year in a row, we conducted a survey of all MLAs. The survey asked questions on a range of topics, including knowledge of the Office and its work over the past year, communications, our reports, our credibility, and our responsiveness to MLAs' needs. The findings from this survey let us know how we can better provide value to legislators in the future.

Overall, the survey results indicate that while legislators believe we provided value in 2008/09, there are a number of areas where we could improve.

### PERFORMANCE INDICATOR 3

Percentage of MLAs surveyed who believe our work over the last year promoted efficient and accountable government

#### Description and Importance

During March 2009, all 76 sitting MLAs were invited to participate in a survey conducted on behalf of the Office by independent survey company R.A. Malatest and Associates Ltd. In all, 37 MLAs responded, a valid response rate of 49%. While this is lower than we had hoped for, it is 6% higher than last year's response rate.

The lower-than-hoped-for survey response rate is, in our view, revealing in itself. It indicates that we continue to have a great deal of work to do in improving communication and awareness of our work among legislators.

In the past year, the Auditor General met with a significant number of MLAs with the aim of strengthening the relationship they have with the Office. In January 2009, the Office established an Executive Director with responsibilities for external relations.

#### Performance

One of the questions MLAs were asked was whether they felt that "the work done by the Office has promoted efficient and accountable government." Of those who responded, 70% either agreed or strongly agreed with the statement, 19% were neutral and 11% disagreed or strongly disagreed.<sup>6</sup>

Percentage of MLAs Surveyed Who Believe Our Work Over the Last Year Promoted Efficient and Accountable Government  
Source: Office of the Auditor General of British Columbia 2009 Survey of MLAs



Unfortunately, this is down 13 percentage points from 2007/08, and 15% below our target for 2008/09 of 80%. At the same time, however, MLAs indicated a 10% increase in agreeing with the statement, "the Auditor General provides value to the public."

#### Setting Targets

Our work often deals with contentious and challenging issues, so we do not expect to appeal to everyone. However, we do expect to see an upward trend in future years based, if for no other reason, on greater interaction with a larger number of MLAs. Despite this year's set-back, our target of 80% by 2010/11 still holds, with the goal to maintain it through to 2011/12.

#### Major Programs and Strategies

The May 2009 general election resulted in 27 new members elected to the Legislative Assembly. In addition to our ongoing efforts to solicit input from all MLAs for our work program and feedback concerning our reports, the Office will seek to engage new Members to communicate our role, the nature of our work and how we serve them as the elected representatives of the people of British Columbia.

#### Other Indicators of Value

An important means of providing value is to ensure the work we produce is usable. This means not only that the reports we produce must be relevant to our readers, but also that they must be easy to read and understand.

<sup>6</sup> Because of the limited number of responses to the survey, results are valid to within  $\pm 12\%$ , at the 95% confidence level.



Jacynthe, MA, BA (Manager — Performance Audit)

Of the MLAs who responded to our survey, 88% said that the level of detail in our reports was appropriate given the topic — an increase of 14% over last year’s response to this question. We are pleased that despite shortening our reports to improve readability, the level of detail remained appropriate. We look forward to next year’s survey results, where we hope to see a further increase in the value we add to MLAs’ work, after a full year of producing more concise and timely reports.

Our reports always provide an opportunity for the Minister responsible for the audited organization to respond to our work. These response letters almost always indicate that he or she valued our work.

## Excellence

Excellence for us means ensuring our professional staff complete their work to the highest standards and always strive for continuous improvement. We discuss excellence in terms of employee engagement, meeting professional standards and maintaining positive, professional relations with the organizations we audit.

### Did We Achieve Excellence?

The Auditor General’s mandate flows from the *Auditor General Act* and provides required access to conduct audits. The Act requires the Auditor General to conduct financial

statement audits “in accordance with generally accepted auditing and assurance standards.” Audits in our performance and governance and accountability lines of business are also conducted in accordance with these standards.

We are a licensed practising office of the ICABC and therefore comply with the institute’s rules and minimum practice standards. As is the case with any firm of chartered accountants (for instance, the firms performing audits under contract for us), the Office’s audit files are subject to periodic review by the institute. This was the case in 2008/09, and we are pleased to say that we passed all aspects of the review.

All of our audit files are subject to multiple levels of internal review to ensure, among other things, compliance with audit standards. The audit files of private auditors providing services under contract are reviewed similarly.

We have a small professional practices department to ensure our audit practices, methodology and training comply with current standards and that we are prepared for new requirements as they evolve. Our professional practices team is currently gearing up for the pending implementation of International Financial Reporting Standards, which will apply to several public sector organizations beginning in January 2011. We have also implemented a new practice guide for our performance audits to help ensure that this work continues to meet quality control requirements.

We also undertake an annual work environment survey which covers key areas such as workplace values, leadership, pay and satisfaction, and is used to determine employee engagement.

## PERFORMANCE INDICATOR 4

Percentage of staff motivated and inspired (“engaged”) by their work

### Description and Importance

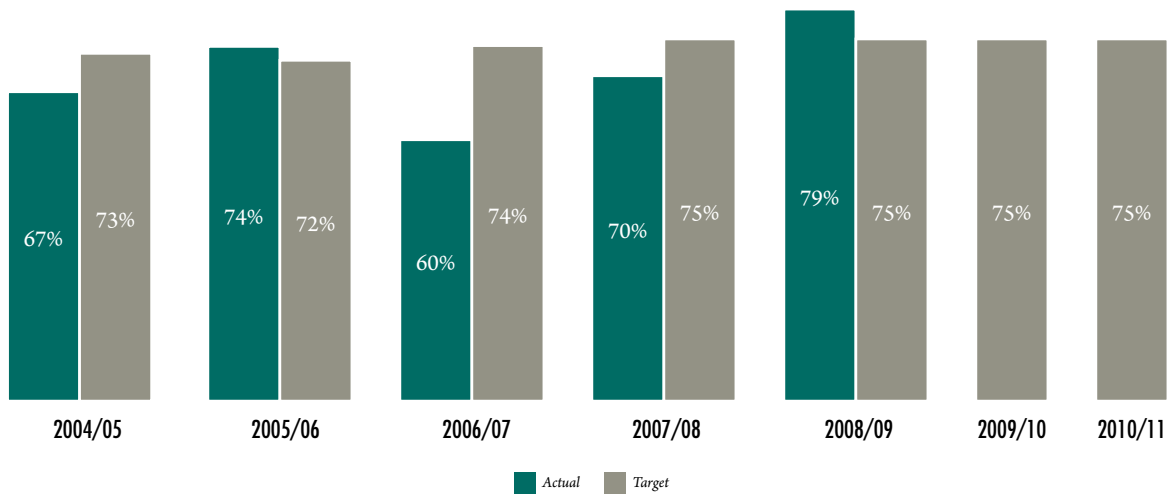
This measure shows the percentage of our employees, responding to our internal work environment survey, who “strongly agreed” or “agreed”<sup>7</sup> with the following employee engagement measures:

- My portfolio really inspires me to do my best work.

<sup>7</sup> Based on a 5-point Likert-style scale from strongly agree to strongly disagree.

## Percentage of Staff Motivated and Inspired ("Engaged") By Their Work

Source: Office of the Auditor General of British Columbia 2009 Employee Engagement Survey



- The work I do makes an important contribution to the Office's success.
- I would highly recommend this Office to a friend seeking employment.
- I think this Office is a great place to work.
- This Office deserves my loyalty.
- I am proud to be part of this Office.

The 2008/09 survey was sent electronically to all staff. A 92% response rate was achieved, up 7% over last year.<sup>8</sup>

Engagement is important because it indicates how motivated and inspired staff are by their work. Engaged employees are productive and committed, and high employee engagement is a predictor of a high-performing organization.

Success in this measure is important because all of the Office's work is done through people — we have no stand-alone, automated processes. This makes a high level of work engagement critical.

### Performance

The Office target for the engagement score was 75%. The actual was 79%, which is a score consistent with a highly engaged organization as found in most top employers, and which is significantly higher than the engagement score in the BC Public Service in 2008/09 of 68%.<sup>9</sup> The engagement score is a measure of the overall pulse of the Office and means that 79%<sup>10</sup> of staff reported feeling motivated and inspired by their work.

### Setting Targets

Work engagement score targets have proven difficult to meet. Only in two of the last five years did we meet or surpass the annual target. We are pleased with this year's results and hope it marks the first year of an upward trend in employee engagement. We anticipate that our new employee recognition program will reinforce our positive results over the coming years.

### Major Programs and Strategies

Work engagement is the cumulative result of hiring the right people, making the right work allocations and providing the right supports and incentives.

We are operating in a very competitive employment market. We have implemented, and are continuing to develop, strategies focused on retaining current staff and hiring well-qualified applicants.

In January 2008, the Office launched a new structure that included new developmental positions. The structure is supported by a compensation framework that will enable us to provide broader work experience to employees, as well as supporting us in our recruitment and retention efforts.

<sup>8</sup> Because confidentiality is critical for survey results to be valid, the survey was conducted and information collated and analyzed by an external consultant. No individually identifiable information was provided to management.

<sup>9</sup> BC Public Service Work Environment Survey 2009.

<sup>10</sup> The engagement score is considered to be statistically accurate within  $\pm 2.4$  percent, 19 times out of 20.



The most important part of hiring is to get the right people. This requires strategies to target the skills and type of people we need in the present as well as in the future. For the upcoming three years, the Office is planning a variety of innovative, competitive recruitment strategies, such as the “Make a Difference” branding campaign.

### Other Indicators of Excellence

Excellence is also gauged by how well the Office meets client needs. As part of our MLA survey, we asked legislators if they thought we were responsive to their needs. Of the 37 MLAs who responded, 67% indicated that they agreed we were responsive. This result is similar to last year, meaning we can still engage individual legislators more effectively to determine their needs.

In 2008/09, we demonstrated significant excellence in our work, including a noteworthy improvement over last year according to our annual work environment survey. The survey covers the following key areas among many other topics:

- workplace values;
- leadership;
- opportunities;
- relationships and communications;
- quality of work life;
- pay benefits and recognition;
- satisfaction, pride and commitment.



Hamish, LLB, BA (Manager, Governance & Accountability)



### Performance Audit Managers

Left to right:  
Lori, MEd, BA; Amy, MPA, BA, CMC; Jacqueline, MA, BA; Laura, MPA, BA

### Priorities for the Future

#### Building Performance Audit Capacity

In 2003, the Legislative Assembly enacted a revised *Auditor General Act* that specifies a comprehensive and broad mandate for the Office. In addition to reporting on whether the financial statements of the Province meet Generally Accepted Accounting Principles (GAAP), the Auditor General must also report to the Legislative Assembly anything that he or she considers should be brought to the attention of the Assembly, including whether:

- financial and administrative provisions of provincial legislation have been complied with;
- government is operating economically, efficiently and effectively;
- procedures established by government to measure and report on the effectiveness of programs are adequate and complied with;
- accountability information being provided is adequate;
- terms and conditions of grants, transfers, loans or guarantees have been complied with; and
- terms and conditions with respect to the collection of money have been complied with.

One of our key goals relates to informing legislators and the public about how well the Province is managing \$38 billion in reported expenses and revenues and \$60 billion in assets. In 2009/10, we expect to complete 10 – 12 new performance

audits. This does not imply that we are providing adequate coverage on all the significant aspects of government's program and service delivery. Rather, it means we will be providing information on only 10 – 12 key subject areas across the 151 entities and 19 ministries within our mandate to audit.

This continues to represent the biggest gap in our current audit work plan. We would like to expand our efforts to be able to provide legislators and the public with information on the management of government's programs, services and resources in a greater number of areas of government. We are also working to streamline our audit process to shorten the time needed to complete an audit and are involving our financial audit staff in performance audits when their work schedules permit.

#### International Standards on Auditing

International Standards on Auditing (ISAs) are soon to take centre stage for Canadian auditors. The ISAs are a set of high quality, globally accepted auditing standards that are being adopted in Canada for reporting periods beginning December 15, 2009. In Canada, the standards will be referred to as Canadian Auditing Standards (CAS). These will be identical to the ISAs but for the few exceptions when amendments are needed in the wording of ISAs to reflect unique Canadian circumstances. Our audit methodology at this point is very close to the new CAS approach, so we will have minimal adjustments to make.

We will be informing the entities we audit well ahead of any audit about the impact of the new CAS on our audit approach, recognizing that it will vary for each entity, including the likelihood that we may be asking for information that we have not asked for before.

It is important to note that the CAS will apply specifically to audits of historical financial information (i.e. financial statements). Engagements of other subject matter (e.g., performance audits) will continue to be governed by existing Canadian standards, which will remain the responsibility of the CICA's Auditing and Assurance Standards Board.

### Change to the Financial Statement Audit Coverage Plan

The provincial government is responsible for managing what is essentially the largest business in the province. Total reported revenues and expenses top \$38 billion dollars annually. Government also manages assets and liabilities of about \$60 billion dollars. These resources must be prudently managed to provide the array of services needed today and into the future.

The Office will focus more resources on examining how well government is managing its finances across a number of areas, including elements of working capital, budgeting and forecasting, and several key revenue sources.

### Promoting Strong Public Sector Governance

Practised on a daily basis, governance is typically about the way public servants make decisions and implement policies. To ensure that these are done properly, it is important to have the appropriate structures and processes in place throughout the whole organization, from the individual employee up to entire sections and branches, to guide the organization's actions. There must also be a common understanding of what good governance means.

An important part of our increased focus on governance practices has been to provide guidance on what good governance looks like. In December 2008, we published a guide to the principles of good practice in public sector governance to assist all British Columbia public sector organizations, regardless of sector, size or structure, in developing and applying governance properly. In November 2008, we also published a proposed framework for public participation — an important element of good public sector governance. We have now made this guidance available in brief, easy-to-use guides in both paper and electronic format. These guides represent an increasing focus on effecting positive change in the way the province's public sector conducts its business.

We will continue to build on these reports and guides. The principles of good governance provide a lens through which to assess the effectiveness of current practices, identifying both areas of strength and opportunities for improvement. This work will range from looking at the individual elements of good governance, such as risk management or accountability reporting, to taking a broad assessment of governance practices within individual organizations, sectors or government-wide.

To that end, we have strengthened the team leading our work in this area, and offer opportunities for staff working in other portfolios to broaden their skills and experience by contributing to this important area of our work.



Leslie, BComm (Audit Associate)





### Governance & Accountability

Left to right:  
Jim, CA, BA (Director); Paul, CA, BA (Director); Malcolm, MA,  
CMA, CPFA (Assistant Auditor General)

## Greater Focus on Sustainability and Environmental Management

British Columbia's economy and society have been built on a foundation of using the natural resource wealth of the province. Continued use of these resources depends on the effective stewardship of our environment and these resources so they can continue to provide sustained benefits into the future. Managing the impacts of climate change, rationalizing our energy and water strategies, and recovering from the pine beetle infestation are several of the important environmental stresses facing government and the public.

Emerging environmental stresses highlight the need for legislators to have an increased level of assurance about government's performance in managing our environment. The Office has reorganized to ensure we focus more attention on these types of issues. For example, we have established a group dedicated to examining government's performance in sustainability and environmental management. We have also started the process of building capacity to conduct the necessary work. And we have recently added several staff with academic and work backgrounds in environmental areas to complement the experienced performance auditors already in place.

Our future plans include identifying the size, mix of skills, and experience the group needs to carry out sufficient work to have an influence on the quality of government's management of key environmental risks. We are also developing a long-term plan to identify the matters on which we will be focusing over the next two to three years. The challenge facing us is to continue to select projects that focus on the issues most important to legislators and the public, while maintaining the flexibility to respond to emerging issues.

## OUR FINANCES

### Management's Discussion and Analysis

Management has prepared a discussion and analysis of the Office of the Auditor General's business operations and significant events that have affected the results of operations and financial position for the year ended March 31, 2009 relative to the same period last year and to the service plan published in June 2008. This discussion and analysis of our financial performance should be read in conjunction with our financial statements and related notes. These financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP).

Management has included forward-looking statements regarding the business and anticipated financial performance of the Office of the Auditor General. These statements are subject to a number of risks and uncertainties that may cause actual results to differ from those contemplated in the forward-looking statements.

### Financial and Business Highlights

The Auditor General's mandate is broad, covering audits of not only the financial statements of the Province, but also of government's performance reports and the delivery of specific programs and services. Through the work of the Office, the Auditor General provides the Legislative Assembly and the public with a strong means for holding government to account for how it delivers programs and services to the people of British Columbia.

In 2008/09, the voted appropriation we received from the Legislative Assembly to fund our operations was \$15.25 million. For the first time, this amount reflects the estimated full cost of operations as the Office did not recover fees for service engagements and was fully funded. The Legislative Assembly also approved a separate appropriation for capital expenditures of \$150,000.

In 2008/09, the actual total cost of our operations was \$14.24 million, \$1.01 million less than planned. Our unused appropriation cannot be used in subsequent fiscal years. Exhibit 7 summarizes these high-level variances. Further details are provided in the remainder of the discussion and analysis.

**Exhibit 7:** Office Expenditures Compared to Planned and Prior Year (\$ thousands)

	Fiscal 2008/09 Planned	Fiscal 2008/09 Actual	Variance Planned to Actual	Fiscal 2007/08 Actual	Variance 2008/09 to 2007/08	Fiscal 2009/10 Planned
Salaries and Benefits	11,430	10,066	(1,364)	8,191	1,875	11,770
Professional Services	1,440	1,597	157	1,816	(219)	1,126
Other Expenses	2,380	2,581	201	2,274	307	2,640
<b>Total Operating Expenses</b>	<b>15,250</b>	<b>14,244</b>	<b>(1,006)</b>	<b>12,281</b>	<b>1,963</b>	<b>15,536</b>
Fee-for Service Recoveries				2,205	(2,205)	
<b>Net Operating Expenses</b>	<b>15,250</b>	<b>14,244</b>	<b>(1,006)</b>	<b>10,076</b>	<b>4,168</b>	<b>15,536</b>

As mentioned previously, our greatest challenge is in attracting and retaining staff, given current market pressures for accounting professionals. As salaries and benefits, along with professional service contracts, make up 81% of our total operating expenses, changes or fluctuations in staff or in our resource mix can shift our financial position significantly.

In 2008/09, we planned and budgeted for a staff complement of 105 full time equivalents (FTEs). However, given hiring lags and staff departures, our average FTE utilization was 96. This resulted in under spending of about \$1.36 million in salaries and benefits. To enable us to meet our mandated commitments in times of staff shortages, we augment our team with contractors who have the skills to perform either specialized performance audits or financial statement audit work. In 2008/09 we spent \$157,000 over our estimate for contract services to compensate for our staff shortfall.

Other expenses related to providing services and support for our audit teams were greater than planned by \$201,000. Much of this was to ensure our staff had reliable and secure system access throughout the province with the correct computer equipment to ensure maximum efficiency in the performance of audit work.

For fiscal year 2009/10 the Legislative Assembly has approved an appropriation of \$15.536 million to fully fund our work program and operations. This will give us the funding to staff to a level of 115 FTEs, provide competitive compensation, and provide all necessary support and infrastructure required to carry out our work program.

### Distribution of Resources Across the Work We Do

We develop our estimate of resources based on our anticipated work program in each of our three lines of business: financial, performance and governance & accountability audits. Our funding also provides the operational and infrastructure support we need to carry out our work.

Our estimate of resources is developed in the early Fall of each year in preparation of our request for funding to the Select Standing Committee on Finance and Government Services. Often, our actual allocation of resources across goals is revised as we respond to changes in priorities and requests from the Legislative Assembly to perform additional work.

During the year there was a realignment within our performance audit and governance and accountability portfolios. The change resulted in the creation of two performance audit portfolios, Health and Education and Sustainability and the Environment, in order to address the key risk areas in government. The Governance & Accountability portfolio was increased in size to reflect its growing prominence.

### Resources Used to Staff the Work We Do

In 2008/09, we planned to increase our staff complement to 105 FTEs, an increase of six staff over our prior year plan. Our actual spending on salaries and benefits in 2008/09 was \$1.36 million less than planned, but \$1.88 million more than that of the prior year. Exhibit 8 shows comparative figures for planned, actual and prior year spending for salaries and benefits along with related FTEs.

**Exhibit 8:** Year Over Year Planned and Actual Staff Expenditures With Associated FTEs (\$ thousands)

	<i>Fiscal 2008/09 Planned</i>	<i>Fiscal 2008/09 Actual</i>	<i>Variance Planned to Actual</i>	<i>Fiscal 2007/08 Planned</i>	<i>Fiscal 2007/08 Actual</i>	<i>Variance 2008/09 Actual to 2007/08 Actual</i>
<i>Salaries and Benefits</i>	11,430	10,066	(1,364)	9,082	8,191	1,875
<i>FTEs</i>	105	96	(9)	99	87	9

When we prepare our estimate of resources in the Fall, we assume and budget for a full complement of staff for the full fiscal year. We also consider a natural attrition rate and hiring lags. In 2008/09 there were 23 departures and recruitment challenges especially in recruiting qualified chartered accountants for our financial audit positions. In an effort to meet its recruitment needs and the increasing global demand for qualified chartered accountants the Office decided to increase the number of audit associates hired and commit to their long term development and training. While audit associates develop into qualified chartered accountants their salaries and benefits are less than qualified auditors. As a result of these factors, our fiscal year expenditures were below planned expenditures.

The increase in expenditures over last year resulted from nine additional FTEs and a 2.5% increase effective March 30, 2008 related to the negotiated framework. As well, we had a full year of salary expenses from the compensation and classification framework implemented in January 2008.

Leave expense and associated benefits are also included in salary and benefits expenses. Last year our leave expense increased by about \$100,000 over the prior year as a result of staff banking more current year vacation entitlement than last year and the increase in hourly salary rates.

As mentioned earlier, we augment our staff with contractors. Variances in expenditures related to salaries and benefits should be considered in conjunction with our professional services expenses and variances. The two go hand in hand — an under-spending in salary and benefits is generally offset by an over-spending in contract services, while if we have a full complement of staff, less will be spent on contract services. We balance this mix throughout the year to ensure we meet our commitments. This year, our professional services costs were \$157,000 greater than planned, but \$219,000 less than that of last year. Exhibit 9 highlights the professional service expenditures we incurred to augment our audit work and our corporate activity requirements during 2008/09.

**Exhibit 9:** Distribution of Professional Services Expenditures Across Audit Work and Corporate Activities, 2008/09 (\$ thousands)

		2008/09	2007/08	Variance
<b>Audit Work</b>	<i>Financial Audit Contractors</i>	388	777	(389)
	<i>Fees to Audit Firms</i>	437	516	(79)
	<i>Performance Audit Consultants</i>	211	184	27
	<i>Audit report editing</i>	16	17	(1)
		<b>1,052</b>	<b>1,494</b>	<b>(442)</b>
<b>Corporate Activities</b>	<i>Human Resources</i>	157	105	52
	<i>Information Technology</i>	143	86	57
	<i>Training</i>	114	50	64
	<i>Financial and Audit</i>	48	34	14
	<i>Office Services</i>	59	31	28
	<i>Legal Services</i>	23	11	12
	<i>Corporate Report Editing</i>	1	5	(4)
	<b>545</b>	<b>322</b>	<b>223</b>	
<b>Total Professional Services Expenses</b>		<b>1,597</b>	<b>1,816</b>	<b>(219)</b>

There were increases in contract services for most corporate activities to implement initiatives and carry out projects. Human resource services were required for executive recruitment; information technology services were used to update systems and systems support; and training services increased with advanced core training for topics such as the new international financial reporting standards (IFRS) and for specialized training to audit the use of wireless technology.

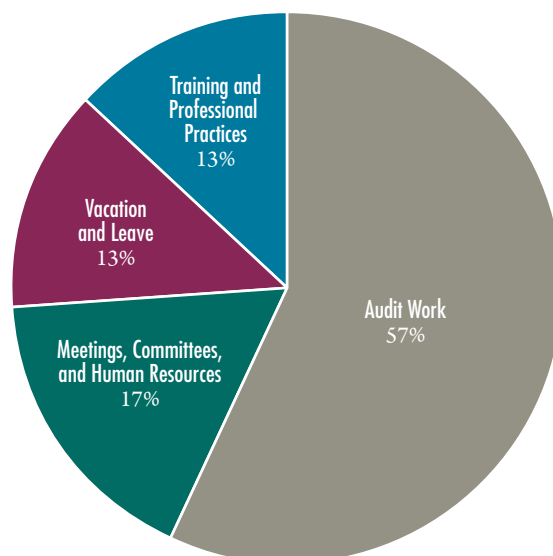
### How Our Audit Staff Spends Their Time

In 2008/09, our audit staff spent 70% of their time directly related to performing audit work or staying on top of professional standards through engaging in required training, professional development and consulting with our professional practices staff (Exhibit 10). Our staff are also involved in human resource recruitment activities, Communities of Practice in various specialty areas, and many are involved in internal committees such as our Health and Safety Committee, our Wellness Committee and our IT Advisory Committee, all of which are essential in maintaining a positive work environment and ensuring excellence in our work.

### Resources Used to Support Our Staff

In 2008/09, we spent \$2.58 million on office and support infrastructure required to carry out the work of our Office. Total office and support expenses exceeded our planned

**Exhibit 10:** Distribution of Audit Staff Hours, 2008/09



budget by \$201,000 and increased by \$307,000 over last year's spending.

Exhibit 11 shows the major elements of these expenses and provides a comparison of actual over planned and prior year expenditures.

**Exhibit 11:** Comparison of the Office's Planned, Actual and Prior Year Office and Support Expenses (\$ thousands)

	Fiscal 2008/09 Planned	Fiscal 2008/09 Actual	Variance Planned to Actual	Fiscal 2007/08 Actual	Variance 2008/09 to 2007/08	Fiscal 2009/10 Planned
Rent	653	634	(19)	696	(62)	670
Travel	500	513	13	408	105	600
Information Technology	360	545	185	354	191	400
Professional Dues and Training	248	258	10	237	21	380
Office Expenses	301	289	(12)	318	(29)	267
Amortization	140	158	18	139	19	160
Report Publications	115	121	6	59	62	100
Research Grants	63	63	-	63	-	63
	2,380	\$2,581	201	2,274	307	\$2,640



Our office expenses increased primarily as a result of expenditures related to the non-capital purchase of computer systems, peripheral equipment and software to refresh aging equipment to ensure secure reliable access throughout the province and to improve efficiencies in the way we do our work.

Resourcing staff to do the work we do is not just simply about funding related salary, benefit and contract service expenses. To ensure our work meets the highest professional standards and in striving toward excellence in the way we perform our work, we commit funds to make sure our staff remain current with professional standards, and also provide staff with opportunities for growth and development. In 2008/09 we spent over \$372,000 in professional dues and training courses for our staff, including \$114,000 for professional in-house training and \$258,000 for professional dues and external training courses.

### A Glance at Our Past and A Look Into Our Future

Financial trends for the past five years, along with our 2009/10 planned expenditures, are shown in Exhibit 12.

In 2008/09, the Office stopped recovering fees for service engagements which is reflected by the increase in the appropriation. Since 2005/06, our appropriation and operating expenses have increased by about \$4.0 million, of which 71% reflects the increasing cost of staff salaries and benefits. By the end of 2008/09 FTE utilization was 106 staff which exceeded our capacity goal by 1 FTE and put us in a positive position to meet our 2009/10 FTE goal.

Capital expenditures relate to furniture and computer hardware greater than \$1,000; network hardware and software greater than \$10,000 and tenant improvements greater than \$50,000. In 2009/10, we will spend \$150,000 as part of our technology deployment strategy, replacing network systems and updating computer hardware and software. These updates are necessary to maintain system integrity and ensure employees have the tools required to conduct their work. We will also spend \$100,000 to adapt existing accommodation space to support our staff



Left to right:  
Jenny, BComm (Manager, IT Audit); Karen, BSC, BComm  
(Senior Audit Associate)

complement. We are also looking to ways to reduce our carbon footprint. In 2010/2011 and 2011/2012, our capital budget will continue to support our technology deployment strategy and ongoing accommodation requirements.

As we continue to expand our capacity over the next few years, we will also need to ensure we have adequate accommodation for staff. As the market demand for “green” space in the downtown core continues to increase, finding space for staff may present a challenge. We will likely be faced with higher rent costs. All other operating expenses will continue to rise with inflation.

**Exhibit 12: Year-Over-Year Financial Trends in the Office, 2004/05 – 2011/12 (\$ thousands)**

	Planned		Actuals for Fiscal Years (ending March 31)				Line Items					
	2011/12	2010/11	2008/09	2007/08	2006/07	2005/06	2004/05	2008/09	2007/08	2006/07	2005/06	2004/05
<b>Operating Expenses</b>												
Salaries	9,525	9,525	7,795	6,557	5,961	5,810	5,498	54.8%	53.4%	55.7%	56.7%	59.2%
Employee Benefits	2,245	2,245	2,271	1,634	1,569	1,425	1,307	15.9%	13.3%	14.6%	13.9%	14.1%
Professional Services	1,126	1,126	1,597	1,816	1,250	1,138	902	11.2%	14.8%	11.7%	11.1%	9.7%
Rent	670	670	634	696	526	514	457	4.5%	5.7%	4.9%	5.0%	4.9%
Travel	600	600	513	408	361	352	227	3.6%	3.3%	3.4%	3.4%	2.5%
Information Technology	400	400	545	354	305	320	220	3.8%	2.9%	2.8%	3.1%	2.4%
Professional Dues and Training	380	380	258	237	233	227	186	1.8%	1.9%	2.2%	2.2%	2.0%
Office Expenses	267	267	289	318	202	205	190	2.0%	2.6%	1.9%	2.0%	2.0%
Amortization	160	160	158	139	122	123	148	1.1%	1.1%	1.1%	1.2%	1.6%
Report Publications	100	100	121	59	122	82	82	0.9%	0.5%	1.1%	0.8%	0.9%
Research Grants	63	63	63	63	63	63	63	0.4%	0.5%	0.6%	0.6%	0.7%
<b>Total Operating Expenses</b>	<b>15,536</b>	<b>15,536</b>	<b>14,244</b>	<b>12,281</b>	<b>10,714</b>	<b>10,259</b>	<b>9,280</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Fee-For-Service Recoveries	-	-	0	(2,205)	(2,441)	(2,588)	(2,293)					
<b>Net Cost of Operations</b>	<b>15,536</b>	<b>15,536</b>	<b>14,244</b>	<b>10,076</b>	<b>8,273</b>	<b>7,671</b>	<b>6,987</b>					
Appropriation and Other Amounts	15,536	15,536	15,250	10,350	8,565	7,944	7,069					
Unused Appropriation	-	-	(1,006)	(274)	(292)	(273)	(82)					
Capital Expenditures	250	250	131	156	182	119	156					
Average FTE Usage	115.0	115.0	96.4	86.5	83.0	83.2	81.4					

## OUR FINANCIAL STATEMENTS

### Office of the Auditor General of British Columbia — **Statement of Management Responsibility**

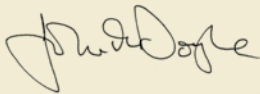
We are responsible for ensuring that the financial statements and other financial information in this annual report are complete and accurate.

We have prepared the financial statements in accordance with Canadian Generally Accepted Accounting Principles.

We have developed and maintain systems of internal control that give reasonable assurance that our Office has:

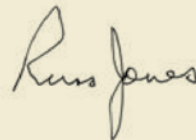
- operated within its authorized limits;
- safeguarded assets; and
- kept complete and accurate financial records.

The Select Standing Committee on Finance and Government Services of the Legislative Assembly appointed Grant Thornton LLP, Chartered Accountants, to audit the accounts of our Office for the year ended March 31, 2009. Our auditors report the results of their audit to the Auditor General. In their report, the auditors outline the scope of their audit and give their opinion on our financial statements.



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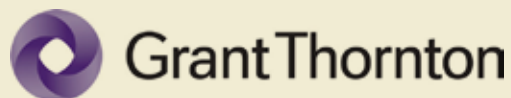
John Doyle, MBA, CA  
*Auditor General*



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Russ Jones, MBA, CA  
*Assistant Auditor General  
Senior Financial Officer*





## Auditors' report

**Grant Thornton LLP**  
3rd Floor  
888 Fort Street  
Victoria, BC  
V8W 1H8  
T (250) 383-4191  
F (250) 381-4623  
[www.GrantThornton.ca](http://www.GrantThornton.ca)

To the Auditor General of British Columbia

We have audited the statement of financial position of Office of the Auditor General of British Columbia as at March 31, 2009 and the statements of operations, and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Office of the Auditor General as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The budget information presented in the statement of operations is unaudited and should not be considered as part of the financial statements on which we have expressed our opinion.

Victoria, Canada  
May 14, 2009

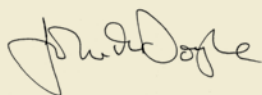
A stylized, handwritten-style signature of "Grant Thornton LLP" in black ink.

Chartered accountants

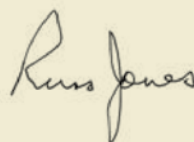
Office of the Auditor General of British Columbia —  
**Statement of Financial Position** (\$ thousands)

March 31	Note	2009	2008
<b>Current Assets</b>			(note 11)
Fee-for-service Recoveries	2b	-	1,045
Other Receivables		2	23
Prepaid Expenses	3	62	85
Due from Consolidated Revenue Fund	4	812	-
		<b>876</b>	1,153
<b>Non Current Assets</b>			
<i>Property, Plant and Equipment</i>	7	297	323
		<b>1,173</b>	1,476
<i>Current Liabilities</i>			
Accounts Payable and Accrued Liabilities		876	765
Due to Consolidated Revenue Fund	4	-	388
		<b>876</b>	1,153
<i>Net Assets</i>	5	297	323
		<b>1,173</b>	1,476

Approved by:



John Doyle, MBA, CA  
*Auditor General*



Russ Jones, MBA, CA  
*Assistant Auditor General  
 Senior Financial Officer*

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

Office of the Auditor General of British Columbia —  
**Statement of Operations** (\$ thousands)

March 31	2009		2008
	Planned	Actual	Actual
<b>Revenue</b>			
Operating Grant	15,250	<b>14,244</b>	10,076
Capital Grant	150	<b>131</b>	156
Fee-for-service Recoveries	-	-	2,205
	15,400	<b>14,375</b>	12,437
<i>Expenses</i>			
Salaries and Benefits	11,430	<b>10,066</b>	8,190
Professional Services	1,440	<b>1,597</b>	1,816
Rent	653	<b>634</b>	696
Travel	500	<b>513</b>	408
Information Technology	360	<b>545</b>	354
Professional Dues and Training	248	<b>258</b>	237
Office Expenses	301	<b>289</b>	318
Depreciation	140	<b>158</b>	139
Report Publications	115	<b>121</b>	60
Research Grants	63	<b>63</b>	63
	15,250	<b>14,244</b>	12,281
Excess of Revenue Over Expenses Before Purchase of Property, Plant & Equipment	150	<b>131</b>	156
Purchase of Property, Plant & Equipment	150	<b>131</b>	156
<b>Net Operations</b>	-	-	-

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

Office of the Auditor General of British Columbia —  
**Statement of Cash Flows** (\$ thousands)

March 31	2009	2008
<b>Operating Activities</b>		
Paid to Employees	(9,680)	(8,116)
Paid to Suppliers	(4,252)	(3,663)
Fee-for-service Recoveries	1,045	2,336
Current Year Appropriation	14,087	9,907
Cash Provided by Operations	<u>1,200</u>	<u>464</u>
<b>Investing Activities</b>		
<i>Acquisition of Property, Plant and Equipment</i>	(132)	(126)
<i>Current Year Appropriation for Property, Plant and Equipment</i>	132	126
	<u>-</u>	<u>-</u>
<b>Decrease in Due from Consolidated Revenue Fund</b>	<b>1,200</b>	<b>464</b>
<i>Due (to) Consolidated Revenue Fund, Beginning of Year</i>	(388)	(852)
<i>Due from (to) Consolidated Revenue Fund, End of Year</i>	<u>812</u>	<u>(388)</u>

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

## 1. Nature of Operations

The Auditor General is an Officer of the Legislature of British Columbia, appointed for a six-year term by the Legislative Assembly. Non-partisan, objective and independent of the government of the day, he reports impartial assessments of government accountability and performance to the Assembly.

The Auditor General's mandate is established by the *Auditor General Act* ([www.bcauditor.com/about](http://www.bcauditor.com/about)). 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 operation of the Office of the Auditor General (the Office) comes from a voted appropriation (Vote 2) of the Legislative Assembly. The vote provides separately for operating expenses and capital acquisitions. Any unused appropriation cannot be carried forward for use in subsequent years.

## 2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles and reflect the following significant accounting policies.

### a) Legislative appropriations

The Office is funded by the Legislative Assembly through annual appropriations.

### b) Change in accounting policy

Fee-for-service recoveries —

In 2008/09, the Office changed its policy in accounting for fee-for-service recoveries. Previously, fee-for-service recoveries were recognized as revenue in the period in which the related work was performed and was used to fund operating expenses of the Office. For its financial statements as of March 31, 2009, the Office no longer recognizes these fees as revenue as the fees flow directly to the Province of British Columbia.

### c) Financial instruments

The Office has designated its financial instruments as follows:

Audit fees receivable and other receivables as loans and receivables and are measured at amortized cost.

Accounts payable and accrued liabilities as other financial liabilities and are measured at amortized cost.

Due from (to) Consolidated Revenue Fund is classified as either loans and receivables or other financial liabilities and is measured at amortized cost.

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

### d) Property, plant and equipment

Property, plant and equipment are recorded at historical cost less accumulated depreciation. Depreciation begins when the assets are put into use and is recorded on the straight-line method over the estimated useful lives of the assets as follows:

Computer hardware and software	3 years
Mainframe hardware and software	5 years
Furniture and equipment	5 years
Tenant improvements	lesser of 5 years or term of lease

## Notes to the Financial Statements (tabular amounts in \$ thousands)

### e) *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 services are rendered and represent its total pension obligation.

#### ii) Other future benefits

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

#### iii) Leave Liability

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

### f) *Measurement Uncertainty*

These financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles, 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. Provision for staff performance incentives and estimated useful lives of property, plant and equipment are the most significant items for which estimates are used. Actual results could differ significantly 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.

### g) *Future Accounting Changes*

In February 2008, the CICA issued section 3064 Goodwill and Intangible Assets which provides guidance on the recognition, measurement, presentation and disclosure for goodwill and intangible assets, other than the initial recognition of goodwill or intangible assets acquired in a business combination. The standard is effective for fiscal years beginning on or after October 1, 2008, and requires retroactive application of prior period financial statements. The Office has evaluated the impact of this new standard for adoption on April 1, 2009 and does not expect any significant impact on its financial statements.

### 3. Prepaid Expenses

	2009	2008
Travel	16	37
Software Maintenance	46	48
	62	85

## Notes to the Financial Statements (tabular amounts in \$ thousands)

### 4. Due from (to) the Consolidated Revenue Fund

The Office does not have its own bank account or hold cash or cash equivalents. All financial transactions of the Office are processed through the Consolidated Revenue Fund of the Government of British Columbia. The “Due from (to) the Consolidated Revenue Fund” balance represents amounts that the Office will transfer to, or receive from the fund.

	2009	2008
Balance, Beginning of Year	(388)	(852)
Cash Provided for Operations	14,087	9,907
Fee-for-service Recoveries	1,045	2,336
Cash provided for acquisition of property, plant and equipment	132	126
	<u>14,876</u>	<u>11,517</u>
Expenses During Year		
Paid to Employees	(9,680)	(8,116)
Paid to Suppliers	(4,252)	(3,663)
Paid for acquisition of property, plant and equipment	(132)	(126)
	<u>(14,064)</u>	<u>(11,905)</u>
Balance, End of Year	<u>812</u>	<u>(388)</u>

### 5. Net Asset Balance

The net asset balance represents property plant and equipment that has been funded through appropriations.

### 6. Voted, Unused and Used Appropriation

The Office receives approval from the Legislative Assembly to spend funds through an appropriation that includes two components — operating and capital. Any unused appropriation of both lapse at the fiscal year-end.

	2009		2008	
	Operating	Capital	Operating	Capital
Appropriation (Vote 2)	15,250	150	10,350	160
Fee-For-Service Recoveries	-	-	2,205	-
Total Appropriation Available	<u>15,250</u>	<u>150</u>	<u>12,555</u>	<u>160</u>
Total Operating Expenses	(14,244)		(12,281)	
Capital Acquisitions	-	(131)	-	(156)
Unused Appropriation	<u>1,006</u>	<u>19</u>	<u>274</u>	<u>4</u>



Notes to the Financial Statements  
(tabular amounts in \$ thousands)

**7. Property, Plant and Equipment**

	Computer Hardware and Software	Mainframe Hardware and Software	Furniture and Equipment	Tenant Improvements	Total
<b>At April 1, 2007</b>					
Cost	391	79	131	778	1,379
Accumulated Depreciation	(215)	(27)	(53)	(778)	(1,073)
<b>Net Book Value</b>	<b>176</b>	<b>52</b>	<b>78</b>	<b>-</b>	<b>306</b>
<b>Year ended March 31, 2008</b>					
Opening Net Book Value	176	52	78	-	306
Additions	88	21	47	-	156
Disposals	-	-	-	-	-
Depreciation	(97)	(19)	(23)	-	(139)
<b>Closing Net Book Value</b>	<b>167</b>	<b>54</b>	<b>102</b>	<b>-</b>	<b>323</b>
<b>At March 31, 2008</b>					
Cost	479	100	164	-	743
Accumulated Depreciation	(312)	(46)	(62)	-	(420)
<b>Net Book Value</b>	<b>167</b>	<b>54</b>	<b>102</b>	<b>-</b>	<b>323</b>
<b>Year ended March 31, 2009</b>					
Opening Net Book Value	167	54	102	-	323
Additions	25	-	106	-	131
Disposals	-	-	-	-	-
Depreciation Charge	(92)	(18)	(47)	-	(157)
<b>Closing Net Book Value</b>	<b>100</b>	<b>36</b>	<b>161</b>	<b>-</b>	<b>297</b>
<b>At March 31, 2009</b>					
Cost	504	100	263	-	867
Accumulated Depreciation	(404)	(64)	(102)	-	(570)
<b>Net Book Value</b>	<b>100</b>	<b>36</b>	<b>161</b>	<b>-</b>	<b>297</b>

The Office derecognized certain furniture and equipment that had been fully depreciated and was no longer in use totalling \$6,806 (\$13,641 in 2008).

## Notes to the Financial Statements (tabular amounts in \$ thousands)

### 8. Pension Benefits

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

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

Every three years an actuarial valuation is performed to assess the financial position of the pension plan and the adequacy of the funding. The latest actuarial valuation as at March 31, 2008 reported a surplus.

### 9. Commitments

The Office leases three photocopiers under separate agreements which expire in August 2011, February 2012 and March 2012. The Office also leases office space at 595 Pandora Street. This lease expires November 2010. Future minimum payments under the terms of the leases as of March 31, 2009 are as follows:

Fiscal Year	Commitment
2009/10	61
2010/11	45
2011/12	10
<b>Total</b>	<b>116</b>

The Office has an accommodation agreement with the Ministry of Labour and Citizen's Services for occupancy of the space at 8 Bastion Square. The agreement requires that six months notice be given should the Office choose to vacate. The annual rent for this location is \$513,936.

### 10. Related Party Transactions

The Office is related as a result of common ownership to all Province of British Columbia ministries, agencies, crown

corporations and all other public sector entities. The Office enters into transactions with these organizations in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

a) *The statement of operations includes the following transactions with related parties:*

	2009	2008
Appropriation	14,375	10,232
Fee-for-service recoveries	-	1,976
Payments for:		
Professional services	10	-
Professional fees and training	2	2
Rent	549	570
Information technology	126	117
Office expenses	72	61
Report publications	121	59

b) *Year-end balanced arising from operations:*

	2009	2008
Audit fees receivable	-	678
Trade and other payables	1	1
Net assets	297	323

c) *Other related parties*

Office expenses of \$12,989 (\$10,570 in 2008) were incurred with an immediate family member of key management

d) *Key management compensation*

Key management includes the Auditor General, the Deputy Auditor General and Assistant Auditor Generals. The compensation paid or payable to key management for employee services is shown below:

	2009	2008
Salaries and employee benefits	1,249	1,066

### 11. Comparative Figures

Certain comparative figures in the financial statements have been restated to form to the current year presentation.

## Financial Audits

### 1. 2007/08 Public Accounts of the Province of British Columbia

#### Colleges

2. Langara College

#### School Districts

3. School District No.38 (Richmond)
4. School District No.68 (Nanaimo-Ladysmith)

#### Universities

5. Simon Fraser University

#### Health Authorities

6. Vancouver Island Health Authorities

#### Children and Family Services Regional Authorities

7. Community Living British Columbia
8. Fraser Region Interim Aboriginal Authority
9. Vancouver Island Aboriginal Transition Authority

#### Crown Corporations

10. BC Immigrant Investment Fund Ltd.
11. BC Pavilion Corporation
12. BC Transportation Financing Authority
13. BCIF Management Ltd.
14. British Columbia Assessment Authority
15. British Columbia Liquor Distribution Branch
16. British Columbia Securities Commission
17. British Columbia Transmission Corporation  
*British Columbia Transmission Corporation Subsidiary*
18. British Columbia Transmission Corporation Pension Plan Fund
19. Columbia Power Corporation  
*Columbia Power Corporation Subsidiaries*
20. Arrow Lakes Power Corporation
21. Brilliant Power Corporation
22. Brilliant Expansion Power Corporation
23. Power Project Planning Joint Venture
24. Forestry Innovation Investment Ltd.
25. Industry Training Authority

26. Oil and Gas Commission

*Oil and Gas Commission Subsidiary*

27. Science and Community Environmental Knowledge Fund

28. Pacific Carbon Trust

29. Tourism British Columbia

30. Transportation Investment Corporation

#### Other Organizations and Special Events

31. Provincial Employees Community Services Fund

32. WorksafeBC

33. Schedule of Detailed Expenditure Claims under the Canada-British Columbia Canada Strategic Infrastructure Fund Agreement for Kicking Horse Canyon Project, 2005 – 2006/2009 – 2010

34. Schedule of Detailed Expenditure Claims under the Contribution Agreement; Canada-British Columbia “Improvements at Border Crossings”

35. Schedule of Detailed Expenditure Claims under the Canada-British Columbia Strategic Highway Infrastructure Program Agreement, Highways Construction Component

36. Schedule of Detailed Expenditure Claims under the Canada-British Columbia Agreement on the Asia-Pacific Gateway and Corridor Initiative, Transportation Infrastructure Component

37. Schedule of Detailed Expenditure Claims under the Canada-British Columbia Agreement on the British Columbia Lower Mainland Border Project, 2004 – 2005/2008 – 2009

38. Compliance With the Cost Sharing Agreement Described in Sections 1 through Schedule G of the Canada-Vancouver Convention Centre Expansion Project Limited Agreement on the Vancouver Convention and Exhibition Centre Expansion Project

39. Statement of Expenditures for the Cost Sharing Agreement described in Section D of the Canada-Vancouver Convention Centre Expansion Project Limited Agreement on the Vancouver Convention and Exhibition Centre Expansion Project
40. Schedule of Detailed Expenditure Claims, Canada-British Columbia Agreement on Targeted Initiative for Older Workers
41. Annual Expenditure Report under the Canada-British Columbia Provincial-Territorial Base Funding Agreement, Building Canada Infrastructure Plan, 2007/2008 – 2016/2017
42. Compliance With the Canada-British Columbia Provincial-Territorial Base Funding Agreement, Building Canada Infrastructure Plan, 2007/2008 – 2016/2017

## Reports

### **Report 1 — April 2008**

An Audit of Joint Solution Procurement and the Revenue Management Project

### **Report 2 — April 2008**

Strengthening Accountability in British Columbia: Trends and Opportunities in Performance Reporting

### **Report 3 — May 2008**

Management of Aboriginal Child Protection Services

### **Report 4 – May 2008**

Managing Government's Payment Processing

### **June 2008**

2007/08 Annual Report and  
2008/09 – 2010/11 Service Plan

### **Report 5 — July 2008**

Removing Private Land from Tree Farm Licences 6, 19 & 25: Protecting the Public Interest?

### **Report 6 — August 2008**

Interior Health Authority:  
Working to Improve Access to Surgical Services

### **Report 7 — October 2008**

Home and Community Care Services: Meeting Needs and Preparing for the Future

### **Report 8 — October 2008**

Follow-up Report: Updates on the implementation of recommendations from recent reports

### **Report 9 — October 2008**

Observations on Financial Reporting: Audit Findings Report on the 2007/08 Summary Financial Statements

### **Report 10 — November 2008**

A Major Renovation:  
Trades Training in British Columbia

### **Report 11 — November 2008**

Public Participation:  
Principles and Best Practices for British Columbia

### **Report 12 — December 2008**

Planning for School Seismic Safety

### **Report 13 — December 2008**

Public Sector Governance:  
A Guide to the Principles of Good Practice

### **Report 13 — December 2008**

How are We Doing: The Public Reporting of Performance Measures in British Columbia

### **Report 14 — December 2008**

Summary of Findings: BC Arts Council Audit

### **Report 14 — December 2008**

Summary of a 2010 Olympics and Paralympic Winter Games Audit

### **Report 15 — February 2009**

Wireless Networking Security in Victoria Government Offices: Gaps in the Defensive Line

### **Report 16 — March 2009**

Homelessness: Clear Focus Needed

## Accountability Report Audit Opinions

2008 Annual Report and 2009-2011 Service Plan of  
the Workers' Compensation Board of British Columbia  
(WorkSafeBC)

2007 Annual Report:

*The Annual Service Plan Report for the Year 2007 and a  
Report on the Creation of the 2008 Assessment Roll  
(BC Assessment)*

## Guidance Series

Public Participation:

*Principles and Best Practices for British Columbia*

Public Sector Governance:

*A Guide to the Principles of Good Practice*

## Enrollment Audits

Langara College

Simon Fraser University