



OFFICE OF THE
Auditor General
of British Columbia

FINANCIAL STATEMENTS 2016/17

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OUR FINANCES



STATEMENT OF MANAGEMENT RESPONSIBILITY

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

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

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

- operated within its authorized limits;
- safeguarded assets; 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 the office for the year ended March 31, 2017.



Carol Bellringer, FCPA, FCA
Auditor General
Victoria, British Columbia



Katrina Hall, CPA, CGA
Chief Financial Officer



Independent Auditors' Report

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To the Speaker of the Legislative Assembly, Province of British Columbia

We have audited the accompanying financial statements of the Office of the Auditor General of British Columbia, which comprise the statement of financial position as at March 31, 2017, and the statements of operations, changes in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

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EXTERNAL AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS



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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Office of the Auditor General of British Columbia as at March 31, 2017 and the results of its operations, changes in net debt, and its cash flows for the year ended in accordance with Canadian public sector accounting standards.

Victoria, Canada
June 20, 2017

A handwritten signature in black ink that reads "Grant Thornton LLP".

Chartered Professional Accountants

Audit • Tax • Advisory
Grant Thornton LLP, A Canadian Member of Grant Thornton International Ltd

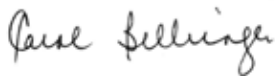
OUR FINANCES

STATEMENT OF FINANCIAL POSITION

(in \$000s)

| As at March 31, 2017 | Note | 2017 | 2016 |
|--|------|--------------|--------------|
| Financial assets | | | |
| Petty cash | | 2 | 2 |
| Due from consolidated revenue fund | 3 | 101 | 114 |
| Total financial assets | | 103 | 116 |
| Liabilities | | | |
| Accounts payable and accrued liabilities | | 414 | 399 |
| Total liabilities | | 414 | 399 |
| Net debt | | (311) | (283) |
| Non-financial assets | | | |
| Tangible capital assets | 4 | 799 | 710 |
| Prepaid expenses | 5 | 311 | 283 |
| Total non-financial assets | | 1,110 | 993 |
| Net assets | 6 | 799 | 710 |

Approved by:



Carol Bellringer, FCPA, FCA
Auditor General



Katrina Hall, CPA, CGA
Chief Financial Officer

Commitments (note 10)

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

OUR FINANCES

STATEMENT OF OPERATIONS

(in \$000s)

| For the fiscal year ended March 31, 2017 | Note | 2017 | | 2016 |
|--|------|--------|---------------|--------|
| | 7 | Budget | Actual | Actual |
| Operations | | | | |
| Revenue | | | | |
| Operating appropriation | | 17,097 | 15,877 | 15,873 |
| Expenses | | | | |
| Audit services | 11 | 17,097 | 15,877 | 15,873 |
| Net cost of operations | | - | - | - |
| Capital | | | | |
| Revenue | | | | |
| Capital appropriation | | 370 | 368 | 98 |
| Expenses | | | | |
| Purchase of tangible capital assets | | 370 | 368 | 98 |
| Net cost of capital | | - | - | - |

STATEMENT OF CHANGES IN NET DEBT

(in \$000s)

| For the fiscal year ended March 31, 2017 | 2017 | 2016 |
|--|--------------|--------------|
| Acquisition of prepaid expenses | (425) | (345) |
| Use of prepaid expenses | 397 | 325 |
| | (28) | (20) |
| Increase in net debt | (28) | (20) |
| Net debt at beginning of year | (283) | (263) |
| Net debt at end of year | (311) | (283) |

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

OUR FINANCES

STATEMENT OF CASH FLOWS

(in \$000s)

| For the fiscal year ended March 31, 2017 | Note | 2017 | 2016 |
|--|------|------------|------------|
| Operating transactions | | | |
| Paid to employees | | (11,503) | (11,255) |
| Paid to suppliers | | (4,123) | (4,542) |
| Miscellaneous receipts | 9 | 14 | 41 |
| Cash used in operations | | (15,612) | (15,756) |
| Capital transactions | | | |
| Acquisition of tangible capital assets | | (368) | (98) |
| Appropriation for tangible capital assets | | 368 | 98 |
| | | - | - |
| Financing activities | | | |
| Current year appropriation | | 15,599 | 15,324 |
| Decrease in due from consolidated revenue fund | | (13) | (432) |
| Due from consolidated revenue fund, beginning of year | | 114 | 546 |
| Due from consolidated revenue fund, end of year | | 101 | 114 |

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2017 (tabular amounts in \$000s)

1. Nature of operations

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

The Auditor General's mandate is established by the *Auditor General Act*. The Act requires the Auditor General to audit the government's annual Summary Financial Statements, and allows the Auditor General to be appointed as the financial 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.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian public sector accounting standards and the *Budget Transparency and Accountability Act* and reflect the following significant accounting policies.

a) Legislative appropriations

The office is funded by the Legislative Assembly through a voted appropriation. The vote provides separately for operating expenses and capital acquisitions. Any unused appropriation cannot be carried forward for use in subsequent years.

b) Financial instruments

The office has designated its financial instruments as follows:

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.

A statement of remeasurement gains and losses has not been prepared as it is not considered to provide useful information.

c) Tangible capital assets

Tangible capital assets 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

Year ended March 31, 2017 (tabular amounts in \$000s)

d) Employee future benefits

i) Pension benefits

All eligible employees participate in a multi-employer defined benefit pension plan. Defined contribution plan accounting has been applied to the plan as the Office has insufficient information to apply defined benefit plan accounting. Accordingly, the Office's contributions are expensed in the year in which the 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.

e) Measurement uncertainty

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

OUR FINANCES

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2017 (tabular amounts in \$000s)

3. 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 Province of British Columbia. The “Due from (to) the consolidated revenue fund” balance represents amounts that the office will receive from, or transfer to the fund.

| | March 31, 2017 | March 31, 2016 |
|--|-----------------|-----------------|
| Balance, beginning of year | 114 | 546 |
| Cash provided for operations | 15,599 | 15,324 |
| Cash provided from miscellaneous receipts | 14 | 41 |
| Cash provided for the acquisition of tangible capital assets | 368 | 98 |
| | 16,095 | 16,009 |
| Expenses during year: | | |
| Paid to employees | (11,503) | (11,255) |
| Paid to suppliers | (4,123) | (4,542) |
| Paid for the acquisition of tangible capital assets | (368) | (98) |
| | (15,994) | (15,895) |
| Balance, end of year | 101 | 114 |

OUR FINANCES

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2017 (tabular amounts in \$000s)

4. Tangible Capital Assets

| | Computer hardware & software | Mainframe hardware & software | Furniture & equipment | Tenant improvements | Total |
|----------------------------------|------------------------------|-------------------------------|-----------------------|---------------------|------------|
| Year ended March 31, 2016 | | | | | |
| Opening net book value | 96 | 210 | 257 | 301 | 864 |
| Additions | 98 | - | - | - | 98 |
| Disposals | - | - | - | - | - |
| Depreciation charge | (61) | (60) | (67) | (64) | (252) |
| Closing Net Book Value | 133 | 150 | 190 | 237 | 710 |
| At March 31, 2016 | | | | | |
| Cost | 431 | 404 | 496 | 318 | 1,649 |
| Accumulated depreciation | (298) | (254) | (306) | (81) | (939) |
| Net Book Value | 133 | 150 | 190 | 237 | 710 |
| Year ended March 31, 2017 | | | | | |
| Opening net book value | 133 | 150 | 190 | 237 | 710 |
| Additions | 134 | 95 | 87 | 52 | 368 |
| Disposals | - | - | - | - | - |
| Depreciation | (85) | (60) | (65) | (69) | (279) |
| Closing Net Book Value | 182 | 185 | 212 | 220 | 799 |
| At March 31, 2017 | | | | | |
| Cost | 503 | 487 | 583 | 370 | 1,943 |
| Accumulated depreciation | (321) | (302) | (371) | (150) | (1,144) |
| Net Book Value | 182 | 185 | 212 | 220 | 799 |

In 2017, the office derecognized \$62,000 of computer hardware and \$12,000 of mainframe hardware, which had been fully depreciated (2016 computer hardware of \$104,000).

OUR FINANCES

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2017 (tabular amounts in \$000s)

5. Prepaid expenses

| | March 31, 2017 | March 31, 2016 |
|----------------------|----------------|----------------|
| Travel | - | 13 |
| Software maintenance | 162 | 136 |
| Other | 149 | 134 |
| Total | 311 | 283 |

6. Net asset balance

The net asset balance represents tangible capital assets that have been funded through appropriations.

7. Voted, unused and used appropriation

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

The budget shown on the Statement of Operations is based on the budgeted expenses that the Select Standing Committee on Finance and Government Services approved on January 20, 2016. The following table compares the Office's actual expenditures to the approved budgets:

| Year ended March 31 | 2017 | | 2016 | |
|-------------------------------|-----------|---------|-----------|---------|
| | Operating | Capital | Operating | Capital |
| Appropriation (Vote 2) | 17,097 | 370 | 16,945 | 100 |
| Total appropriation available | 17,097 | 370 | 16,945 | 100 |
| Total operating expenses | (15,877) | - | (15,873) | - |
| Capital acquisitions | - | (368) | - | (98) |
| Unused appropriation | 1,220 | 2 | 1,072 | 2 |

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2017 (tabular amounts in \$000s)

8. Employee future benefits

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

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

Every three years an actuarial valuation is performed to assess the financial position of the pension plan and the adequacy of the funding. The latest actuarial valuation as at March 31, 2014 reported the fund was 101% funded.

9. Miscellaneous receipts

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

The office also has seconded employees to other offices and received repayment of their salaries during the exchange.

10. Commitments

The office leases three multifunction devices and two photocopies under agreements that terminate November 2019.

The office entered into a 20-year lease agreement for newly built office space, commencing November 1, 2014. The total future minimum lease payments for the duration of the lease are \$24.1 million.

Future minimum payments for each of the next five years under the terms of the commitments, as of March 31, 2017 are as follows:

| Fiscal Year | Commitment |
|--------------|--------------|
| 2017/18 | 1,396 |
| 2018/19 | 1,396 |
| 2019/20 | 1,389 |
| 2020/21 | 1,385 |
| 2021/22 | 1,372 |
| Total | 6,938 |

OUR FINANCES

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2017 (tabular amounts in \$000s)

11. Audit services

Classification of audit service expenses by object:

| Year Ended March 31 | 2017 | | 2016 |
|--------------------------------|---------------|----------------------|---------------|
| | Budget | Actual | Actual |
| Salaries and benefits | 12,535 | 11,412 | 11,350 |
| Professional services | 1,094 | 1,086 | 1,423 |
| Occupancy costs | 1,416 | 1,451 | 1,490 |
| Travel | 475 | 497 | 381 |
| Professional dues and training | 515 | 266 | 335 |
| Information technology | 477 | 487 | 370 |
| Office expenses | 191 | 281 | 165 |
| Depreciation | 275 | 279 | 252 |
| Report publications | 50 | 48 | 40 |
| Research grants | 69 | 70 | 67 |
| | <u>17,097</u> | <u>15,877</u> | <u>15,873</u> |

12. 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. Transactions with entities are recorded on an accrual basis and are considered to be 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.



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