



## PERFORMANCE AUDIT COVERAGE PLAN

2016/17 - 2018/19

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

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# AUDITOR GENERAL'S MESSAGE

**IT'S BEEN JUST** over a year since the release of our first performance audit coverage plan. The response has been overwhelmingly positive. Among others, Members of the Legislative Assembly (MLAs) and senior officials have told us that they appreciate our increased transparency and the opportunity for dialogue.

In some cases, simply communicating our intentions may encourage program administrators to explore ways they can improve the management of their programs. For these reasons and more, we remain committed to this process.

This year's plan builds on the extensive work that went into developing last year's plan and we've adapted it to reflect the ever changing environment we operate in. We've added projects to address new priorities, as well as smaller pieces of work that will assess management practices and financial controls.

We've also dropped a few projects from last year's list after careful consideration – either because work wasn't warranted at this time or we've captured issues through other projects. We've started some projects ahead of schedule and deferred others. On balance, we're on track for achieving our commitment to start the projects set out in last year's coverage plan.

To inform this year's plan, the Deputy Auditor General and I, along with other senior members of our staff, met with MLAs across the political spectrum, as well as senior officials from many different ministries and Crown agencies.

Our Office has a statutory obligation to do certain financial statement audits, including the largest audit in the province: the Public Accounts. Plus, in accordance with the *Auditor General Act*, we have the authority to select performance audits.



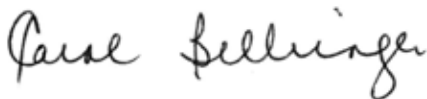
**CAROL BELLRINGER, FCPA, FCA**  
*Auditor General*

## AUDITOR GENERAL'S MESSAGE

When it comes to planning performance audits, we allocate our finite resources to the most significant and relevant topics where we can have the greatest impact. We aim to cover a variety of sectors, and we are also mindful that some sectors affect a larger proportion of the people of B.C., or represent a greater share of government resources. Often, our efforts are focused in those sectors to add maximum value.

The list of projects in this plan is not definitive. It may shift if new priorities emerge, or as the environment in which we operate changes. We aim to be flexible and responsive in our work, which can include audits, reviews, examinations, guidance or advice.

While we're not obligated to publish this plan, we want to continue to encourage conversations early with the Select Standing Committee on Public Accounts and other stakeholders about our planned work. This discussion will help us ensure that we're always selecting projects of greatest relevance and value to the people of B.C.



Carol Bellringer, FCPA, FCA  
Auditor General  
Victoria, B.C.  
September 2016



# BACKGROUND

## WHAT WE DO

Our mission is to provide independent assurance and advice to the Legislative Assembly, government and the public service for the well-being of the people of British Columbia.

Our financial audits and performance audits provide audited entities with sound advice and recommendations for improvement. Our mandate and responsibilities for this work is provided by the *Auditor General Act* (Act).

Our **financial audits** state whether government's financial statements are fairly presented and free of significant errors.

Our **performance audits** review the wider management issues of an organization or program and whether it is achieving its objectives effectively, economically and efficiently. They are sometimes called "value for money" audits because they can advise whether there is value received for the money being spent.

## PLANNING OUR PROJECTS

**Performance Audit Coverage Plan** – outlines the performance audit and other related work that we plan to start over a three-year period.

We plan our performance audit work to ensure our finite resources are allocated to the most significant and relevant topics.

**Financial Statement Audit Coverage Plan** – details the government organizations we'll audit directly over a three-year period, as part of our annual audit of government's Summary Financial Statements. This plan is required under section 10 of our Act and must be approved by the Select Standing Committee on Public Accounts.

We undertake a variety of work in addition to what's included in these plans. This work includes reviews, examinations, guidance and advice and adds value for the Legislative Assembly, government and the public service.

Every year we also produce:

- ◆ a report on government's Public Accounts that includes detail on the audit opinion
- ◆ further recommendations on financial reporting
- ◆ an overview of management letters

## BACKGROUND

### HOW DO WE SELECT PROJECT TOPICS?

Because there are more projects than we can carry out, we use a comprehensive and systematic process to select the topics that best meet our mandate and will have the greatest impact. Potential performance audit topics come from:

- ◆ the work we've completed and are currently engaged in
- ◆ discussions with stakeholders, including the public service, government and the opposition
- ◆ information and requests from MLAs, the people of B.C. and other stakeholders
- ◆ the work of other audit offices
- ◆ changes to government sectors and programs

We then filter information from the above sources through a rigorous and objective process to consider:

- ◆ significance (financial magnitude, impacts to the people of B.C., public interest)
- ◆ risk (likelihood or impact of an entity's failure to achieve its objectives)
- ◆ relevance (likelihood of influencing positive change)
- ◆ timing
- ◆ relationships to our past, current and future work

This process gives us confidence that the topics we select will have the greatest impact. Throughout this process we maintain our independence from the Legislative Assembly, government and the public service. The Auditor General decides which projects to undertake. The Auditor General Act also requires us to complete any audit requested by the Legislative Assembly or one of its Committees. No such requests have been made.

The political, social and economic environment we operate in is constantly changing; our coverage plan needs to change with it to remain relevant. We're in regular conversations with MLAs and the Public Service, and we want to hear from the people of B.C. This ensures our work remains relevant, and as such, we're continuously adjusting our plan. Every year, we'll present an updated coverage plan, building on the topics planned for future years.

### HOW WILL WE USE THIS PLAN?

This coverage plan guides our use of staff time over the coming three-years and provides a foundation for developing individual audit plans. Although we've selected our topics, we haven't developed the precise scope and nature of the work. To help us do this, we work with the people responsible for these areas to advance our understanding of the topic. Depending on what we learn through our planning, we may provide an audit report, guidance or simply advice to the responsible organization. Alternatively, we may choose to postpone or cancel a project if our initial planning indicates we should use our resources elsewhere.

## BACKGROUND

### WHAT HAPPENS NEXT?

Project planning begins by working closely with each organization to fully understand the program area and responsibilities. This knowledge is compiled into an audit plan that:

- ◆ finalizes the objectives and scope of the project
- ◆ establishes the criteria or standards for assessment of performance in relation to the project objectives
- ◆ designs an approach to obtain sufficient, appropriate evidence to support our conclusions

After planning, we conduct the audit using a robust process that is designed to meet professional audit standards, including safeguards to our independence and objectivity. We work with the organization to complete the audit. Next, we report our findings back to the organization. Lastly, all our reports are tabled with the Legislative Assembly and made publicly

available on our website ([www.bcauditor.com](http://www.bcauditor.com)).

We also present our report and findings to the Select Standing Committee on Public Accounts (PAC), and PAC may choose to call representatives from government to attend our presentation and speak to their programs.

After the report is public, the organization submits an action plan to PAC – detailing how it will address the recommendations in our report. One year later, PAC requests an updated action plan that shows the organization's assessment of its progress. PAC requests action plans on a yearly basis until the organization has implemented all our recommendations or otherwise addressed them.

With input from PAC, we determine which project reports and recommendations require additional follow-up work. This work confirms that the organizations have accurately reported their work. We then present the results of this work to PAC, the Legislative Assembly and the people of B.C.

# CURRENT PROJECTS

The following is a list of the work we have underway. We included these projects in last year’s coverage plan, with the exception of four new projects and management and IT control audits.

In some cases, we’ve updated the project name or description because we’ve developed a better understanding of issues and opportunities, and how the audit can best add value. For some, we provide no project description because planning is still ongoing; we’ll determine the precise nature of these projects as we complete our planning work.

Our website ([www.bcauditor.com](http://www.bcauditor.com)) lists our projects in progress. If the project isn’t on our website, it means that we’re still in the planning stages.

## MANAGEMENT AND IT CONTROL AUDITS

Our project list includes management control reviews, which involve assessing management practices and controls in more traditional financial management areas such as purchasing and billing practices or payroll processing.

These assessments have a narrow focus, which means we can complete them quickly by fitting them in when our staff are available between projects. This makes the best use of our limited resources.

	Project name	Description of what the project will cover
<b>1</b>	BC Utilities Commission Oversight	To be determined
<b>2</b>	Budget Process Examination, Phase 2 ( <i>previously Budget Assurance 2016</i> )	To provide independent assurance on the operating expenses, capital spending and debt forecasts in the 2015/16 - 2017/18 Budget and Fiscal Plan ( <i>this is the second phase of our examination of government’s budgeting processes</i> ).
<b>3</b>	Capital Asset Condition	To be determined
<b>4</b>	Chronic Disease Prevention	To be determined
<b>5</b>	Climate Change	Whether government is adequately managing the risks posed by climate change (part of a collaborative climate change audit involving legislative audit offices across Canada).
<b>6</b>	Community Gaming Grants ( <i>previously Grants to Outside Agencies</i> )	Whether the Ministry of Community, Sport, and Cultural Development and the Ministry of Finance have a suitable framework in place to administer the Community Gaming Grants program.



## CURRENT PROJECTS

	Project name	Description of what the project will cover
<b>7</b>	Ethics	An audit of the effectiveness of the framework that has been established for ethical conduct within the Public Service.
<b>8</b>	Family Maintenance and Enforcement Program Contract	Whether the Ministry of Justice has procured and managed the contract for the Family Maintenance Enforcement Program in accordance with government policy, and to achieve the best value for money.
<b>9</b>	Follow-up on the Missing Women Commission of Inquiry	How the provincial government has responded to selected recommendations of the Missing Women Commission of Inquiry.
<b>10</b>	Forest Revenue (Part 1)	Whether the Ministry of Forests, Lands and Natural Resource Operations established necessary controls around timber harvest volume information to mitigate significant risk of revenue loss.
<b>11</b>	Grizzly Bear Management <b>NEW</b>	Whether the Ministry of Environment and Ministry of Forests, Lands and Natural Resource Operations are effectively managing the grizzly bear population in B.C.
<b>12</b>	Health Funding Explained II <b>NEW</b>	An informative report designed to help the public and legislators understand how provincial health care dollars are being spent.
<b>13</b>	Implicit Expenditures: Phase 1	An information piece to create awareness for legislators and the public about what programs are delivered in part through deductions or credits to revenues, and how they are used as tools for meeting policy objectives.
<b>14</b>	Management and IT Control Audits <b>NEW</b>	<ul style="list-style-type: none"> <li>◆ Out of Province Medical Claims</li> <li>◆ Sole Source Contracts</li> <li>◆ Staff Absenteeism</li> <li>◆ IT Asset Management</li> </ul>
<b>15</b>	Management of Mobile Devices	Whether B.C. government ministries are managing the use of mobile devices in a manner that maintains the security of sensitive government data.
<b>16</b>	Massey Tunnel Replacement	To be determined
<b>17</b>	Oversight of IT Investment	An information piece on common risks to significant information technology investments by government in British Columbia.
<b>18</b>	Product Stewardship	An information piece on the Ministry of Environment's oversight of product stewardship (recycling) with a focus on Multi-Materials BC.

## CURRENT PROJECTS

	Project name	Description of what the project will cover
<b>19</b>	Progress Audit: Evergreen Line Rapid Transit <b>NEW</b>	Whether the Ministry of Finance, Ministry of Transportation and Infrastructure, and Partnerships BC have fairly and accurately represented their progress against the recommendations made in <a href="#">An Audit of the Evergreen Line</a> .
<b>20</b>	Rate-regulated Accounting at BC Hydro <b>NEW</b>	To be determined
<b>21</b>	Release of Assets for Economic Generation Program ( <i>previously Land Sales</i> )	Whether government designed and followed appropriate processes, and obtained its stated program benefits from the sales of surplus assets under the RAEG program.
<b>22</b>	Reporting out on PRIME-BC	Whether the security controls are adequate to safeguard information within the PRIME BC system, which holds large amounts of highly sensitive and confidential information critical to the delivery of policing services.
<b>23</b>	Site C Dam	To be determined
<b>24</b>	Social Housing ( <i>previously BC Housing</i> )	Whether the ministry has demonstrated that the potential benefits of the Non-Profit Asset Transfer program outweigh its costs and risks, and BC Housing has managed implementation of the program to achieve its objectives.
<b>25</b>	Workstation Contract with IBM	Whether the Ministry of Technology and Innovation and Citizens' Services and Health Shared Services BC completed appropriate due diligence when expanding the IBM Workstation Support Services agreement to include the health authorities, and when extending the timeframe of the original agreement.

# FUTURE PROJECTS

In addition to our current projects, we expect the following to start sometime between this fall and March 31, 2019. The start period is our best estimate, meaning that some changes could occur. We may postpone some projects if we identify higher priority topics, or if other projects prove to be more complex than we anticipated. This flexibility allows us to be responsive and relevant to emerging issues.

We'll determine the project description, scope and anticipated completion date after we've completed our planning work. Projects started late in 2018 or in early 2019 will be completed after March 31, 2019.

Projects that we didn't include in last year's plan are marked as new. Our planning and review processes are annual, so we may have more changes next year.

Our project list also includes *Activities within the Pharmaceutical Services Division*, which is currently under investigation by the Office of the Ombudsperson. After the Ombudsperson completes his investigation, we will assess whether any further work is necessary.

Project name	
1	Access to Clean Drinking Water
2	Activities within the Pharmaceutical Services Division (previously Allegations about the Pharmaceutical Services Division)
3	BC Ferries - Coastal Ferry Services Contract
4	BC Services Card
5	BC's Commercial Vehicle Safety and Enforcement Program
6	Clinical Systems Transformation Project
7	Domestic Violence Programs
8	Driving Safety
9	Employee Performance Management and Development Programs in the K-12 system
10	Employment Programs <b>NEW</b>

## FUTURE PROJECTS

	Project name
11	End of Life Care
12	Environmental Impacts of Upstream Natural Gas Development
13	Executive Compensation and Benefits
14	First Nations' Accommodation Agreement Payments
15	First Responders
16	Forest Revenue (Part 2) <b>NEW</b>
17	Hospital Acquired Infections
18	Implicit Expenditures: Phase 2
19	Industrial Control Systems –Supervisory Control and Data Acquisition
20	Information Technology Landscape in Government <b>NEW</b>
21	Internal Audit Function
22	Justice Reform - Access to Justice
23	Management and IT Control Audits <b>NEW</b>
24	Oversight of Contracted Services for At Risk Children and Youth
25	Policy Capacity - Effectiveness of Public Policy Development
26	Post-Secondary International Education Strategy
27	Public, Private Partnerships (P3)/ Abbotsford Hospital
28	Rural Health
29	Strategic Outsourced Information Technology Hosting Services
30	Strategic Telecommunications Services Deal
31	Youth Corrections Case Management

# PROJECTS REMOVED

In updating our coverage plan, we've removed six projects that were included in last year's plan. In some cases, we found that the issues are better addressed within the scope of our other projects. In other cases, our early planning work demonstrated that further examination wasn't warranted.

	Project name	Rationale
<b>1</b>	Billing Integrity Program (BIP)	BIP provides audit services to the Medical Services Plan (MSP) and the Medical Services Commission. Our work to understand BIP risks related to effectiveness and compliance with investigation standards demonstrated that an audit is not warranted at this time. We continue to monitor similar risks as part of the yearly work we do on the Consolidated Revenue Fund audit.
<b>2</b>	Biosecurity Risk in Agriculture	We are not proceeding with an audit because most of the authority for biosecurity resides with the federal government.
<b>3</b>	Health Leadership	Instead of undertaking one audit of health leadership, we will examine leadership and governance issues within the more specific audit topics proposed within the coverage plan.
<b>4</b>	Special Accounts	Instead of an audit, we will include an information piece on special accounts in our 2015/16 Report on the Public Accounts.
<b>5</b>	Systems Development Controls	We have developed a guide for our internal use when auditing systems in development and have shared it with government, but it is not intended for public reporting.
<b>6</b>	Whistleblower Practices	We will consider whistleblower practices in our current audit of ethics.



# SUMMARY OF OUR COVERAGE BY SECTOR

The following list is a summary of our current and future project topics by sector to demonstrate the coverage over the coming years.

Education		
Employee Performance and Development Programs in the K-12 System	Post-Secondary International Education Strategy	
Social Services		
Employment Programs <b>NEW</b>	Oversight of Contracted Services for At Risk Children and Youth	Social Housing (previously BC Housing)
Health		
Activities within the Pharmaceutical Services Division (previously Allegations about the Pharmaceutical Services Division)	End of Life Care	Rural Health
BC Services Card	First Responders	Clinical Systems Transformation Project
Chronic Disease Prevention	Health Funding Explained II <b>NEW</b>	Hospital Acquired Infections
Justice System		
Driving Safety	Follow-up on the Missing Women Commission of Inquiry	Reporting out on PRIME-BC
Family Maintenance and Enforcement Program Contract	Justice Reform - Access to Justice	Youth Corrections Case Management

## SUMMARY OF OUR COVERAGE BY SECTOR

Natural Resources		
Access to Clean Drinking Water	Forest Revenue (Part 1)	Site C Dam
BC Utilities Commission Oversight	Forest Revenue (Part 2) <b>NEW</b>	Environmental Impacts of Upstream Natural Gas Development
Climate Change	Grizzly Bear Management <b>NEW</b>	Product Stewardship
Transportation		
BC Ferries - Coast Ferry Services Contract	Progress Audit: Evergreen Line Rapid Transit <b>NEW</b>	Massey Tunnel Replacement
BC's Commercial Vehicle Safety and Enforcement Program		
Cross-government (Finance)		
Budget Process Examination, Phase 2 ( <i>previously Budget Assurance 2016</i> )	Implicit Expenditures: Phase 1	Management and IT Control Reviews <b>NEW</b>
Capital Asset Condition	Implicit Expenditures: Phase 2	Rate-regulated Accounting at BC Hydro <b>NEW</b>
Community Gaming Grants ( <i>previously Grants to Outside Agencies</i> )	Internal Audit Function	Release of Assets for Economic Generation Program ( <i>previously Land Sales</i> )
Cross-government (Information Technology)		
Industrial Control Systems – Supervisory Control and Data Acquisition	Management of Mobile Devices	Strategic Outsourced Information Technology Hosting Services
Information Technology Landscape in Government - Cyber Security in Asset Management	Oversight of IT Investment	Strategic Telecommunications Services Deal

## SUMMARY OF OUR COVERAGE BY SECTOR

Cross-government (Other)		
Domestic Violence Programs	First Nations' Accommodation Agreement Payments	Workstation Contract with IBM
Ethics	Policy Capacity - Effectiveness of Public Policy Development	Executive Compensation and Benefits
Public, Private Partnerships (P3)/ Abbotsford Hospital		



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