

April 2018



SERVICE PLAN 2018/19 - 2020/21

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OFFICE OF THE
Auditor General
of British Columbia

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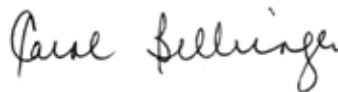
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ACCOUNTABILITY STATEMENT

THIS REPORT WAS prepared in accordance with the *Auditor General Act* and the *Performance Reporting Principles for the British Columbia Public Sector*. Fiscal assumptions and policy decisions up to January 31, 2018, have been considered in the development of this service plan.

I am accountable for the results achieved and for the selection and tracking of the performance measures. I am also accountable for ensuring that all dimensions of performance are measured accurately and in a timely manner. Any significant limitations in the reliability of the data have been identified and are explained.

This service plan focuses on aspects critical for a general audience's understanding of the performance of the office. The measures reported are consistent with the mission, goals and objectives of our office, and the estimates and interpretive statements represent the best judgement of our management team.



Carol Bellringer, FCPA, FCA
Auditor General
April 2018



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

Dear Mister Speaker:

I have the pleasure of submitting this *Service Plan 2018/19-2020/21* in fulfillment of the requirement as described in the *Auditor General Act*.



Carol Bellringer, FCPA, FCA
Auditor General
Victoria, British Columbia
April 2018

The Office of the Auditor General of British Columbia would like to acknowledge with respect that we conduct our work on Coast Salish territories. Primarily, this is on the Lkwungen-speaking people's (Esquimalt and Songhees) traditional lands, now known as Victoria, and the W̱SÁNEĆ people's (Pauquachin, Tsartlip, Tsawout, Tseycum) traditional lands, now known as Saanich.

A MESSAGE FROM THE AUDITOR GENERAL

I AM PLEASED to share our service plan for 2018/19. It describes who we are, what we do and how we support B.C.'s legislative assembly, government and public service. It also highlights our influence and relevance, and gives us an opportunity to define and present the performance measures that we seek to remain accountable for.

This is our story of how we make a significant impact on the province, and how we proudly serve the broader public interest.

My eight-year term as Auditor General of British Columbia began on September 15, 2014. Soon after that, our office launched a comprehensive planning and organizational renewal process. As part of that effort, we completed a strategic plan that now guides all of our work and provides a clear framework for our planning. We intend to refresh that strategic plan in 2018/19.

In January 2018, we published our latest annual *Performance Audit Coverage Plan* and our annual *Financial Statement Audit Coverage Plan* and presented them to the Select Standing Committee on Public Accounts at the B.C. legislature. We have updated both of these coverage plans, in addition to this service plan, each year and will continue to do so throughout my term.

As an independent office of the legislature, our budget is approved by the Finance and Government Services Standing Committee rather than by government. For 2018/19, the committee approved a limited increase to our office so that we can prepare for the financial statement audit of BC Hydro.



CAROL BELLRINGER, FCPA, FCA
Auditor General

MESSAGE FROM THE AUDITOR GENERAL

This service plan describes the actions we will focus on to achieve our objectives.

This service plan continues to show our performance against the robust range of performance measures and key performance indicators (KPIs) introduced in last year's plan.



Carol Bellringer, FCPA, FCA
Auditor General
April 2018

PURPOSE OF THE OFFICE

WHO WE ARE

NON-PARTISAN, INDEPENDENT OF THE EXECUTIVE BRANCH of government, and reporting directly to the legislative assembly of B.C., we provide assurance and advice about the overall operation of the B.C. government.

Our vision is to support B.C.'s legislative assembly, government and public service in working effectively for the people of the province.

Our mission is to provide independent assurance and advice to the legislative assembly, government and public service, all for the well-being of the people of B.C.

Performance audits are value-for-money audits that assess the efficiency, economy and effectiveness of provincial programs, services and resources. Topics include health care, education, transportation, information technology, the environment and more.

We also produce a variety of other valuable information, including management letters, guides and brochures. As well, we may publicly report on work that is not an audit such as a review or an examination.

WHAT WE DO

We primarily conduct financial and performance audits that describe how government is managing its responsibilities and resources. We also make recommendations for improvement.

Financial audits provide independent opinions on the financial statements of government organizations. This allows us to see if those statements are presented fairly and free of material errors, misstatements and omissions. Our largest financial audit is the Summary Financial Statements of the Government of British Columbia, which encompasses over 160 public-sector entities and ministries.

WHO WE SERVE

- ◆ First and foremost, we serve the legislative assembly of B.C.
- ◆ Second, through the legislative assembly, we serve the people of B.C.

Through this service, we provide assurance and advice to government officials and governing boards of Crown corporations and organizations accountable to the provincial government, such as universities, colleges, school districts and health authorities.

STRATEGIC CONTEXT

THE RESPONSIBILITIES OF THE LEGISLATIVE ASSEMBLY, government and public service are vast. The current government has laid out an ambitious agenda of programs and services while maintaining a balanced budget.

As stated in the February 13, 2018 Speech from the Throne, this agenda includes a focus on child care, housing, and making life more affordable for the people of British Columbia. Budget 2018 forecasts taxpayer-supported capital spending of \$15.8 billion on schools, hospitals, housing, roads, bridges and other projects over the three-year fiscal plan period.

We continually monitor all sectors of government to ensure that we understand the environment in which we operate. We also regularly adjust our plans in response to how we can best influence positive outcomes, all while being financially responsible and remaining independent.

OUR INFLUENCE

It is a common misperception that the Auditor General's powers of audit, examination and inquiry also carry executive authority to invoke change. In fact, the Auditor General is independent of audited organizations and has no such control.

Any changes implemented in response to our work result from the independent decisions and actions of the B.C. government or of the audited organizations. Operations are the responsibility of their management teams and are subject to the policy direction of government.

Remaining independent allows us to conduct our work objectively. We do, however, strive to influence change through our work and through our relationships with auditees, government, and the legislature and its committees.

INDEPENDENCE

We maintain our independence by being free of influence, conflict of interest and bias. This means that we remain independent of government and the government organizations we audit. We are required to maintain our independence in accordance with office and professional standards.

We also remain free of associations that could potentially impair this independence, and we are not influenced by political or other external pressures that may deter us from conducting certain audits. We are accountable, and report directly, to the legislative assembly, not to the government of the day.

This means that we must understand how to be “cordial but not cozy” with those we audit. We strive to “influence without being influenced.”

STRATEGIC CONTEXT

CREDIBILITY

We remain credible through the work we complete and the standards we meet. Without credibility, our ability to influence would be diminished and we would struggle to realize our mission and vision.

OUR TALENT

The environment we work in is constantly changing and we must ensure that we are equipped to understand and account for these changes. Because our talent is central to our ability to influence, we must maintain a high level of skills and abilities in the office, and foster a culture of continuous improvement. We must promote a learning culture that is supportive, empowering and well-coordinated.

ATTRACTING AND RETAINING STAFF

Our office has a wealth of talent, including professional accountants, highly educated and experienced specialists and generalists from diverse backgrounds, and qualified administrative staff. From time to time, we have had challenges attracting and retaining staff. Although the reasons behind the challenges have varied over the years, the situation is expected to continue for us because of external competitive forces, and the movement of our staff to other government ministries and agencies.

BUDGET

Our office presents an annual budget to the Select Standing Committee on Finance and Government Services for approval. Our annual submission supports the work outlined in both the *Performance Audit Coverage Plan* and the *Financial Statement Audit Coverage Plan*. This is an important process for us to demonstrate to the public—that we are accountable to those we serve.

This year, the office did not receive the full amount requested. The Finance and Government Services Committee recommended a limited increase to support the conduct of the financial statement audit of BC Hydro. Additional funds that we sought to support increased staff resources were not provided. We have reduced our program of audits to match the resources available to us.

To ensure our funding is sufficient in future years, we continue to look for ways to fully explain the importance of our work to the committee and to show the members we are using our resources efficiently and effectively.

GOALS, OBJECTIVES AND PERFORMANCE MEASURES

OVERVIEW

THIS SERVICE PLAN outlines our high-level goals, as well as the objectives and actions that will move us toward our vision.

Our goals, objectives and performance measures remain unchanged from last year.

The main outputs of our work are our performance audit reports and our audit opinions on financial statements. Our coverage plans have more information about the work we will undertake over the next three years:

- 1. Financial Statement Audit Coverage Plan** – outlines a three-year audit plan detailing the government organizations our office will audit directly, and our involvement with the remaining organizations as part of our annual audit of government's Summary Financial Statements.
- 2. Performance Audit Coverage Plan** – sets out all performance audit topics and other projects we expect to report on or begin in the next three years.

This service plan is a guide to how we will get that work done.

GOALS

Motivated by a deep appreciation of our mandate, we want to be widely recognized as a high-performing leader in providing independent assurance and advice.

Through our actions, advice and professionalism, our aim is therefore to influence three corporate goals:

- ◆ sound financial administration and financial reporting across the B.C. government
- ◆ effectively governed and well-managed provincial programs, services and resources
- ◆ comprehensive public-sector accountability reporting

To do this, we will focus on five key objectives described on the following pages.

GOALS, OBJECTIVES AND PERFORMANCE MEASURES

OBJECTIVE 1

Valuable assurance and advice: We will provide assurance and advice that adds tangible value and helps government improve programs and services.

We want elected officials and public service employees to value our assurance, advice and recommendations as they look for ways to improve government programs and services.

Therefore, we must audit the right topics and ensure that our work paints a complete and accurate picture. Our findings and recommendations must speak to government in a way that is understandable, meaningful and practical. The reports we produce must be clear, accurate and useful. And we must monitor and measure the impact of our work.

Actions

To achieve this objective, we will:

- ◆ Develop and publish the *Financial Statement Audit Coverage Plan*, outlining our three-year plan for determining which government entities we will audit and which will be audited by private-sector firms.
- ◆ Develop and publish the *Performance Audit Coverage Plan*, follow a rigorous process in selecting and planning our performance audits, and allocate the resources we have to the most significant and relevant topics where we believe we can have the greatest influence.
- ◆ Monitor the self-reporting of auditees on the implementation of our report recommendations so that we can assess the influence of our work.

GOALS, OBJECTIVES AND PERFORMANCE MEASURES

OBJECTIVE 2

Focus on our stakeholders: We will engage and involve stakeholders in our work.

We want our work to be meaningful to our stakeholders.

We must therefore invite input from our stakeholders before we plan our work, consult with them during our work, and report our findings and recommendations so they can use our work. We do not want to surprise anyone, sensationalize anything we report, or speculate. This impacts the way we do our work and the way we interact with our stakeholders. By properly engaging with them, we can enhance the relevance and effectiveness of what we do.

Actions

To achieve this objective, we will:

- ◆ Implement our external engagement strategy and plan, which includes these activities:
 - ◆ pursue opportunities to present our work at conferences (where our presence will influence positive change for B.C.) and at community of practice discussions
 - ◆ represent the office on appropriate committees
 - ◆ attend board governance meetings across the government reporting entity
 - ◆ consult with key stakeholders to understand their perspectives on audit topics
- ◆ Develop a strategy to increase our engagement with Indigenous groups.

GOALS, OBJECTIVES AND PERFORMANCE MEASURES

OBJECTIVE 3

Be a trusted advisor: We will be considered a credible and trusted advisor to the legislature, its committees, and government.

We want our stakeholders to seek out our work and support it. We must therefore demonstrate our credibility through the skills and experience we use to carry out our work. We must also be trusted to adhere to rigorous, recognized standards for auditing and to provide an objective, unbiased view of government's performance. We must also reach out to new members of the legislative assembly (MLAs) and members of the Select Standing Committee on Public Accounts to explain our role, and understand their needs.

When others use our work, we take that as an acknowledgement of our credibility and the trust put in our audit procedures, findings, conclusions and recommendations. For example, the legislature, or a committee of the legislature, can ask us to complete a particular task. We see this kind of formal request as a strong indication that we are a credible and trusted advisor.

We also receive less formal, but more regular, requests for work from individual MLAs, government and the public. This volume of requests is, we believe, an indication that we are trusted to provide advice.

Actions

To achieve this objective, we will:

- ◆ Continue to meet with the legislative assembly, government and the public service to build their trust in our work through a shared understanding of expectations and by building relationships.
- ◆ Keep our performance audit methodology consistent with that of the Office of Auditor General of Canada to leverage expertise, training material, resources and efficiencies.
- ◆ Work with other Canadian legislative audit offices to develop tools and align financial and performance audit methodologies, where appropriate.
- ◆ Continue to conduct internal quality assurance monitoring and audit file inspections.
- ◆ Pursue changes to the *Auditor General Act* to ensure that all audit information provided to our office remains confidential (amendments to the *Ombudsperson Act* have raised issues in this area).

GOALS, OBJECTIVES AND PERFORMANCE MEASURES

OBJECTIVE 4

Thriving culture: We will maintain a collaborative and supportive work environment.

We want to both attract and retain the best talent possible in order to continue meeting our commitments and providing the valuable and relevant advice that our stakeholders have come to expect from us.

We must therefore foster a collaborative and supportive work environment. About 85% of our office staff are auditors or accountants by training. The remaining 15% make our work possible through their contribution as communicators, business analysts, administrators, human resource professionals or other professions.

We recognize that, with an eye to continuous improvement, we can always do more. Staff should feel highly engaged and supported by senior management. By focusing on our human resources practices, particularly in the areas of leadership and staff recognition, we will strive to be an employer of choice.

Actions

To achieve this objective, we will:

- ◆ Develop and update our workforce plan in a cohesive manner with input from across our office. The workforce plan will include recruitment planning, succession planning and individual performance management.
- ◆ Explore establishing a satellite office in Vancouver to increase retention and reduce travel costs between Victoria and Vancouver, and explore options for using any space created in the Victoria office by staff relocating to Vancouver.

GOALS, OBJECTIVES AND PERFORMANCE MEASURES

OBJECTIVE 5

Productive and forward-thinking: We will remain an innovative, effective and efficient organization.

We want to excel at our mission by operating in an environment of continuous improvement, serving our stakeholders as best we can, and setting an example for others to follow.

We must therefore be prepared to adapt to changes and to create a workplace culture where staff feel welcome to propose new ideas.

Our policies, practices and processes should always be current and meet our needs, and staff should be willing to comply with them.

Our aim is to meet or exceed our targets for the number of audits completed. This means finding better ways to create more value, and striving to accomplish as much as possible with the resources at our disposal.

Actions

To achieve this objective, we will:

- ◆ Determine an overall strategy for the role, direction and expertise of our IT audit function, and understand our future internal demand for IT audit support, the technical competencies necessary to support our office, and choose IT performance audits strategically.
- ◆ Build trust and understanding with those we audit, to improve access to information needed for us to conduct our audit work.
- ◆ Conduct a needs analysis of business tools currently in place as well as future needs.
- ◆ Complete, update and centralize principles, policies and practices that guide decision making.
- ◆ Develop a change management framework; work to build capacity and require a change management approach in new initiatives.

MEASURING PERFORMANCE

THIS SERVICE PLAN shows our performance against a more robust range of performance measures and key performance indicators (KPIs) than last year's plan. We've added one new KPI for 2018/19, to ensure that we track the implementation of all of our audit report recommendations, including recommendations related to both financial administration and performance management. This new measure will show the percentage of our performance report recommendations that auditees have self-reported as accepted and fully implemented.

All performance measures presented this year align, in aggregate, with our goals and objectives.

Performance Measures	Key Performance Indicators (KPIs)	2016/17 Actual	2017/18 Forecast	2018/19 Target	2019/20 Target	2020/21 Target
We will increase our relevance and our influence to support effectively governed and well-managed provincial programs, services and resources	Percentage of auditees (including deputy ministers) reporting by survey that our reports and recommendations will add value to their organization (%)	NA	90	90	90	90
	Percentage of OAG audit report recommendations that auditees have self-reported as accepted and fully implemented within three years of publication (%) ¹ (NEW)	NA	72%	80	85	90
We will sustain our current strong contribution to the broader public interest	Percentage of PAC* MLAs satisfied that our office is effectively delivering on our legislated mandate and is making a real difference for the people of B.C. (%)	NA	95	95	95	95
We will meet planned levels of public reporting of our advice and assurance	Total number of reports and opinions completed (#)	66	52	58	58	58
	Opinions on financial statements (#)	NA	40	42	42	42
	Performance audits (#)	NA	8	12	12	12
	Other publications (#)	NA	4	4	4	4

¹ The KPI captures recommendations that were published between 24 and 36 months prior to the end of the fiscal year.

MEASURING PERFORMANCE

Performance Measures	Key Performance Indicators (KPIs)	2016/17 Actual	2017/18 Forecast	2018/19 Target	2019/20 Target	2020/21 Target
We will sustain our contribution to sound financial administration and financial reporting across the B.C. government	Percentage of recommendations from management letters that auditees have fully implemented within three years (%)	NA	70	75	75	75
We will increase our contribution to comprehensive public-sector accountability reporting	Percentage of recommendations made to improve accountability reporting that auditees have accepted and self-reported as fully implemented within three years ² (%)	NA	100	100	100	100
	Number of reports downloaded annually from our website (#)	NA	21,500	27,500	28,000	23,000
We will increase the degree to which staff are motivated and inspired by their work	Workforce Engagement Survey (WES) score	70	68	75	75	75
We will increase the efficient use of our internal financial and human resources	Percentage of vacant staff positions (%)	NA	6	<5	<5	<5
	Percentage of our annual budget that is unspent each year (%)	NA	6	1	1	1

*Select Standing Committee on Public Accounts

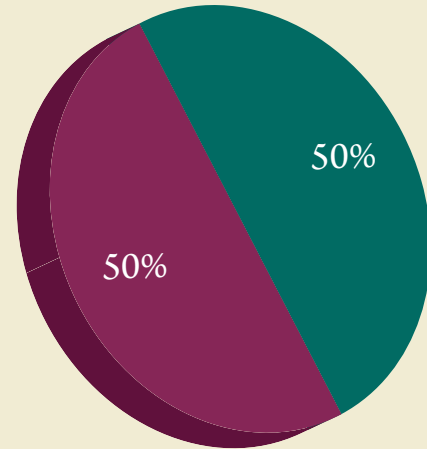
² The KPI captures recommendations that were published between 24 and 36 months prior to the end of the fiscal year.

RESOURCE SUMMARY

TO DELIVER ON our *Financial Statement Audit Coverage Plan, Performance Audit Coverage Plan* and related work for the 2018/19 fiscal year, the office received a budget of \$17.6 million. We have allocated \$8.79 million for financial audit work and \$8.84 million for performance audit work (see Exhibit 1).

Salaries and benefits for the office’s employees—our largest resource account for 72% of the budget (see Exhibit 2). We supplement our audit staff with contracted expert professional services, which account for a further 7% of the budget. The mix between staff and contracted resources can often fluctuate and a decrease in actual staffing costs is often offset with an increase in professional services.

Exhibit 1: Budget for 2018/19 by portfolio



■ Financial Audit
■ Performance Audit

Source: Office of the Auditor General of British Columbia

Exhibit 2: Office expenditures planned for fiscal years 2018/19–2020/21 (\$ thousands)

Description	2018 Forecast		2019 Budget		2020 Planned		2021 Planned	
	(\$)	(%)	(\$)	(%)	(\$)	(%)	(\$)	(%)
Salaries and benefits	12,500	72%	12,740	72%	12,875	72%	12,875	72%
Professional services	1,265	7%	1,265	7%	1,290	7%	1,290	7%
Audit travel	561	3%	561	3%	631	4%	631	4%
Support	1,318	8%	1,364	8%	1,369	8%	1,369	8%
Occupancy costs	1,420	8%	1,425	8%	1,425	8%	1,430	8%
Amortization	275	2%	280	2%	280	2%	280	2%
	17,339		17,635		17,870		17,875	

Source: Office of the Auditor General of British Columbia and the Estimates of the Fiscal Year ending March 31, 2019

RESOURCE SUMMARY

CAPITAL SPENDING

The office is responsible for maintaining its own IT systems, furniture and equipment. As part of the normal life cycle, replacement is required and the office plans for this as part of its ongoing operations. The cost ranges from \$100,000 to \$250,000 each year, depending on the replacements required.

For the 2018/19 fiscal year, the office is planning for upgrades to IT tools and has been provided with funding to support ongoing operations. The office had requested funds to support potential technology innovations related to replacing the audit software platform; however, this request was not supported.

The office capital expenses for ongoing operations and new technology initiatives are shown in Exhibit 3.

Exhibit 3: Office capital expenses planned for fiscal years 2018/19–2020/21 (\$ thousands)

Description	2018 Forecast (\$)	2019 Budget (\$)	2020 Planned (\$)	2021 Planned (\$)
Ongoing operations	125	250	250	250
New technology	225	0	0	0
	350	250	250	250

Source: Office of the Auditor General of British Columbia and the Estimates of the Fiscal Year ending March 31, 2019

APPENDIX A: HOW WE OPERATE

Inputs

- ◆ Talent
- ◆ Professional standards
- ◆ IT and other workplace tools
- ◆ The work environment
- ◆ Executive team

Activities

- ◆ Financial statement audits
- ◆ Performance and IT audits
- ◆ Professional practices
- ◆ Training programs
- ◆ Corporate Services support (Communications, Human Resources, Finance, IT Support, Operations Support Services)
- ◆ Follow-up of citizen concerns
- ◆ Sharing with other Legislative auditors
- ◆ Presentation of audit results to the Public Accounts Committee (PAC) and other interested stakeholders

Outputs

- ◆ Assurance (opinions on financial statements and performance audit reports)
- ◆ Advice (recommendations)
- ◆ Education
- ◆ Guidance

Outcomes (Goals)

- ◆ We want to be recognized as a high-performing leader in providing independent assurance and advice, and we want to influence:
 - ◆ Sound financial administration and reporting across government
 - ◆ Effectively governed and well-managed provincial programs, services and resources
 - ◆ Comprehensive public sector accountability reporting

Outcomes (Vision)

- ◆ A Legislative Assembly, government and public service that work effectively for the people of B.C.



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