

August 2018



UNDERSTANDING OUR AUDIT OPINION ON B.C.'S 2017/18 SUMMARY FINANCIAL STATEMENTS

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Auditor General
of British Columbia

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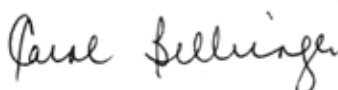
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The Honourable Darryl Plecas
Speaker of the Legislative Assembly
Province of British Columbia
Parliament Buildings
Victoria, British Columbia
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Dear Mr. Speaker:

I have the honour to transmit to the Speaker of the Legislative Assembly of British Columbia the report, *Understanding Our Audit Opinion on B.C.'s 2017/18 Summary Financial Statements*.

We conducted this audit under the authority of section 11 (1) of the *Auditor General Act*. I am required to report on whether the province's summary financial statements are presented fairly in accordance with Canadian generally accepted accounting principles.



Carol Bellringer, FCPA, FCA
Auditor General
Victoria, B.C.
August 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 WSÁNEĆ people's (Pauquachin, Tsartlip, Tsawout, Tseycum) traditional lands, now known as Saanich.

AUDITOR GENERAL'S COMMENTS

CANADA IS FORTUNATE to have strong, independently-set accounting standards for public sector organizations. In fact, after the B.C. government first enacted the *Budget Transparency and Accountability Act (BTAA)* in 2000, it required government to prepare its financial statements in accordance with those independently-set generally accepted accounting standards for senior governments.

However, in 2010, government changed the BTAA, giving itself the ability to create regulations that can modify accounting standards. Since then, government has created two such regulations that remain in effect today – one that defers revenue transfers from, for example, the federal government, and one that circumvents the accounting standards for rate-regulated accounting that require an independent regulator of utility rates. Government should apply generally accepted accounting principles (GAAP) without modification. Regulations modifying GAAP should be rescinded.

Last year, we had three qualifications (concerns) in our audit opinion on government's summary financial statements. Since then, government has changed how it accounts for the Transportation Investment Corporation, resulting in us removing one of our qualifications. We continue to disagree with the government on the other two matters, each of which is associated with a government regulation.

It's not just about the bottom line. The details matter. These errors alter the current year's results and could impact whether taxpayers or BC Hydro ratepayers cover the costs today or tomorrow.

The first matter is around the long standing difference of opinion about the recording of deferred revenues. It continues to be under discussion across Canada. While the standard is clear to us, it is not being applied



CAROL BELLRINGER, FCPA, FCA
Auditor General

AUDITOR GENERAL'S COMMENTS

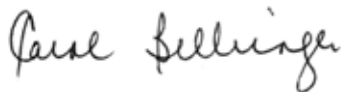
consistently across Canada. Not following GAAP clouds the true financial health of the province and compromises comparability across jurisdictions.

The second matter is around government's use of rate-regulated accounting. While government has not yet addressed our concerns around the full application of GAAP in recording the results of BC Hydro, we are encouraged that it has recognized the need to revisit the accounting treatment for BC Hydro in the summary financial statements by adjusting the regulatory accounts by \$950 million.

Rate-regulated accounting is a common practice in North America, and GAAP provides an acceptable framework for applying that practice. If government wants BC Hydro to use rate-regulated accounting, then it needs to ensure that the accounting standards that BC Hydro follows, including the method of establishing rates, come from an appropriate rate-regulated accounting framework. Overriding an established framework through government direction is not acceptable.

In late fall, we anticipate issuing a report explaining rate-regulated accounting and BC Hydro's use of regulatory accounts in more detail. Until then, we're providing this short report to help legislators, the Select Standing Committee on Public Accounts, and the people of British Columbia better understand my audit opinion on government's 2017/18 summary financial statements.

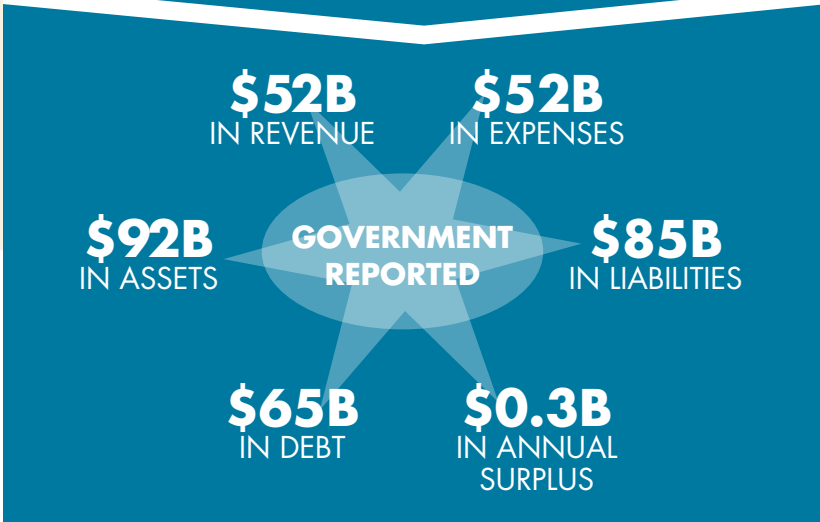
My thanks to everyone involved in this year's audit of the summary financial statements, including my own staff, auditors of other government organizations and all the individuals within government that contributed to this large audit.



Carol Bellringer, FCPA, FCA
Auditor General
Victoria, B.C.
August 2018

REPORT HIGHLIGHTS

GOVERNMENT'S FINANCIAL STATEMENTS
= LARGEST AUDIT IN B.C.
 INCLUDES **150+** ORGANIZATIONS
40,000+ HRS TO COMPLETE



GOVERNMENT SHOULD APPLY GAAP
 (generally accepted accounting principles)
 WITHOUT MODIFICATION.
REGULATIONS MODIFYING GAAP SHOULD BE RESCINDED

ALWAYS READ THE AUDIT OPINION
 It's the fastest way to tell if financial statements are reliable.

- Two qualifications/concerns:
- 1. GOVERNMENT TRANSFERS REVENUE**
 ↳ increases surplus by \$5.3B
 - 2. RATE - REGULATED ACCOUNTING**
 ↳ decreases surplus by \$4.5B

IMPACT ON SURPLUS

NET INCREASE IN SURPLUS = \$0.8B
 +
 GOVT. REPORTED SURPLUS = \$0.3B

SURPLUS SHOULD BE = \$1.1B

RESPONSE FROM THE OFFICE OF THE COMPTROLLER GENERAL

I APPRECIATE THE opportunity to respond to the Office of the Auditor General's comments.

The Province of British Columbia prepares its financial statements in accordance with the *Budget Transparency and Accountability Act (BTAA)* which, together with other relevant legislation, establishes the accountability framework government reports under. There are currently two regulations under the *BTAA* that are required to address gaps in Canadian public sector accounting standards or their application during transition.

The Auditor General identifies these regulations as departures from generally accepted accounting principles and qualifies the audit opinion. The challenge we both share is to determine how best to reconcile the requirements of accounting with the public interest objectives of public accountability first defined in the report of the Budget Process Review Panel in 1999. In her opinion on the 2017/18 Public Accounts, the Auditor General identified two audit qualifications that are outlined in this report.

Audit Qualifications for 2017/18

Deferral of Government Transfers Revenue

As the Auditor General points out, consistency in the recognition of restricted contributions does not exist across senior governments in Canada. Five provinces,

including BC, follow a policy of deferring restricted revenues because they are focussed on the long term objective of financial sustainability, matching revenues and expenses annually in a balanced budget regime, and ensuring direct comparability between their budgets and actual results. BC is the only jurisdiction that receives an audit qualification on this issue.

I remain committed to working collaboratively with the Auditor General to find a solution to this technical disagreement as accounting standard setters continue to mature the conceptual framework that guides public sector financial reporting.

Rate-Regulated Accounting

In response to the 2016/17 audit qualification on the use of rate regulated accounting, an adjustment of \$950 million was made in the 2017/18 Summary Financial Statements to reflect the estimated impact of government direction on deferred regulatory accounts.

The Auditor General's opinion on this matter clearly indicates that further steps must be taken but I am encouraged that the ongoing comprehensive review in this area has defined a direction that will inform a policy direction that is consistent with the accounting requirements of public interest rate regulation.

RESPONSE FROM THE OFFICE OF THE COMPTROLLER GENERAL

Having had the opportunity to work with the Auditor General over the past year, I am encouraged that we have been able to define where we agree, and the underlying reasons for those areas where we do not agree. That is the first step towards our common goal of resolving these two remaining qualifications.

Carl Fischer
Comptroller General
Province of British Columbia

BACKGROUND

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ARE IMPORTANT

WE AUDIT THE province's summary financial statements (SFS) each fiscal year ending March 31. This is the largest financial audit in British Columbia, covering over 150 organizations that make up the government reporting entity, including ministries, Crown corporations, school districts, colleges, universities and health organizations. This work takes us over 40,000 hours, and we audit \$52 billion in revenue, \$52 billion in expenses, \$92 billion in assets and \$85 billion in liabilities, as reported by government.

Government publishes our audit opinion (the results of our audit) on its SFS in its annual Public Accounts report. Our audit opinion states whether government has shown its financial position and results for the year fairly, in accordance with Canadian generally accepted accounting principles (GAAP). Our 2017/18 audit opinion on government's SFS (see [Appendix](#)) indicates that, except for two areas of concern (qualifications), the statements fairly present the financial performance of government, in accordance with Canadian public sector accounting standards. After taking both qualifications into account, the overall impact would be that government has understated its surplus by \$821 million, overstated its financial assets by \$4.5 billion and overstated its liabilities by \$5.3 billion. Government's reported surplus of \$301 million would therefore have been a surplus of \$1.1 billion.

Public sector accounting standards in Canada are specifically designed for the public sector by the Public Sector Accounting Board – an independent standard-setting body. These standards create consistency in financial reporting and allow the financial statements

of the province to be more easily compared with those of other Canadian jurisdictions.

Starting in 2004/05, B.C.'s *Budget Transparency and Accountability Act* required government to prepare its SFS in accordance with GAAP. This demonstrated government's commitment to providing the people of B.C. with high-quality financial reporting on its performance. However, in 2010, government changed the *Budget Transparency and Accountability Act* to allow it to enact regulations that modify GAAP. There are two such government regulations:

1. **BC Regulation 257/2010 (as amended in 2011)** – Directs BC Hydro and the government to use the United States Financial Accounting Standards Board Accounting Standards Codification 980 (ASC 980) to account for the effects of rate regulation, except the requirement for an independent third-party regulator is removed.
2. **BC Regulation 198/2011** – Directs government organizations to defer the recognition of restricted contributions, which includes revenue transfers from the federal government.

BACKGROUND

WHY DO AUDITORS ISSUE OPINIONS?

Audit opinions are an auditor's way of communicating whether the financial statements of an entity are presented fairly. Audit opinions explain any concerns auditors have with the quality and accuracy of financial reporting.

A standard audit opinion – one that doesn't have any qualifications – indicates that the financial statements can be held to a higher level of reliability than those with qualifications. A qualification should be rare. When auditors do issue a qualified opinion, they are usually expressing concerns about the entity's compliance with generally accepted accounting principles (GAAP).

WHAT'S CHANGED SINCE LAST YEAR?

REMOVAL OF THE QUALIFICATION: INAPPROPRIATE USE OF THE MODIFIED EQUITY BASIS OF CONSOLIDATION

LAST YEAR, GOVERNMENT classified the Transportation Investment Corporation (TIC), which was responsible for the Port Mann Bridge and the George Massey Tunnel Replacement Project, as a self-supporting Crown corporation. To be considered a self-supporting Crown corporation, the TIC needed to bring in enough revenue from tolls to cover all of its costs, including the ability to repay its debt. It did not, and therefore, in our opinion, it didn't meet the criteria to be considered self-supporting and should have been classified as a taxpayer-supported Crown corporation. While the classification did not impact government's bottom line, the \$3.4 billion in debt should have been reported as taxpayer-supported rather than self-supported.

As of September 1, 2017, government removed the tolls on the Port Mann bridge and changed the TIC's classification to be that of a taxpayer-supported Crown corporation. We agree with government's assessment; therefore, we removed that qualification this year.

WHAT ABOUT THE TWO CONTINUING QUALIFICATIONS?

QUALIFICATION: DEFERRAL OF REVENUES

THIS IS THE seventh consecutive year that we've disagreed with government on the way it records revenue from other levels of government. When the federal government transfers money, it often requires provinces and territories to use the funds for a specific purpose, such as the purchase or construction of an asset, like a new building, bridge or highway.

Generally accepted accounting principles (GAAP) require governments to record these funds as revenue in their books as soon as the asset is bought or built. Governments can only defer the revenue to future years under special circumstances, such as when there are specific repayment terms if conditions attached to the transfer are not met.

Instead of applying the standards as they were intended, the B.C. government records the money received a little bit each year for as long as the new asset is deemed useful. For example, if the B.C. government receives \$40 million to build a highway in 2018, it doesn't record the \$40 million as revenue in 2018. Instead, it records \$1 million a year over the 40-year life of the highway. Government created a

regulation (BC Regulation 198/2011, as mentioned above) that requires taxpayer-supported Crown corporations to record the money they receive from other levels of government the same way the B.C. government records it, rather than in accordance with GAAP.

As noted in our opinion, as of March 31, 2018, government has recorded \$5.3 billion of money received as a liability. To comply with GAAP this should be recorded as revenue. Not following GAAP clouds the true financial health of the province and compromises comparability across jurisdictions.

QUALIFICATION: USE OF RATE-REGULATED ACCOUNTING

Like many other utilities in Canada, British Columbia Hydro and Power Authority (BC Hydro) uses rate-regulated accounting. Rate-regulated accounting allows BC Hydro to record certain expenses and revenues in future years that would otherwise be recorded in the current year. This means that customers of BC Hydro pay rates that do not cover all of today's costs. Rather, rate-regulated accounting allows BC Hydro to defer some of its costs, which

WHAT ABOUT THE TWO CONTINUING QUALIFICATIONS

tomorrow's customers will then have to pay. As at March 31, 2018, BC Hydro recorded \$5.9 billion as regulatory assets and \$437 million as regulatory liabilities, for a net regulatory asset balance of \$5.5 billion.

While rate-regulated accounting is a relatively common practice in North America in industries where an essential public service such as power is

provided, it is different from typical accounting practices used by other industries and organizations. With rate-regulated accounting, what would normally be an expense (that reduces net income) can now be considered an asset (that is, the expense is now considered an account receivable from future customers). As such, in order to apply rate-regulated accounting, there are strict requirements that must be followed.

ACCOUNTING STANDARDS - THE PATH TO RATE-REGULATED ACCOUNTING

PSAS



IFRS



IFRS 14



ASC 980*

*the three criteria listed on [page 13](#)

BC Hydro is classified as a government business enterprise under Canadian public sector accounting standards (PSAS). Government business enterprises are required to prepare their financial statements in accordance with International Financial Reporting Standards (IFRS).

Under IFRS, in order to be eligible to apply rate-regulated accounting, an organization must meet the scope requirements of IFRS 14 (Regulatory Deferral Accounts). This includes the requirement that rates be set both in the interest of customers and to ensure the overall financial viability of the entity. Because IFRS 14 does not contain detailed guidance on how to apply rate-regulated accounting, many rate-regulated entities in Canada use the United States Financial Accounting Standards Board Accounting Standards Codification (ASC) 980, *Regulated Operations*. ASC 980 builds on a long history of rate regulation and legal precedents in the United States.

WHAT ABOUT THE TWO CONTINUING QUALIFICATIONS

ASC 980 includes three criteria that must all be met for an entity to apply rate-regulated accounting:

1. rates are established by an independent third-party regulator or the entity's own governing board empowered by statute or contract to establish rates that bind customers,
2. rates are designed to recover the costs of service, and
3. in view of the demand for the regulated services and the level of competition, it is reasonable to assume that rates can be charged to and collected from customers.

As a result of BC regulation 257/2010, introduced by government in 2010 and amended in 2011, while BC Hydro has not formally adopted IFRS or IFRS 14, it is required to use ASC 980, but with one exemption. As a result of government's exemption, BC Hydro's rates do not have to be established by an independent third-party regulator.

If BC Hydro were to adopt IFRS, IFRS 14 would permit it, as a first-time adopter, to continue to apply rate-regulated accounting using its previous generally accepted (GAAP) framework. In our view, IFRS, along with ASC 980 in its entirety, is an acceptable GAAP framework for BC Hydro.

Regulators are important. They balance the interests of customers with the financial viability of the regulated entity. They ensure that the costs charged by the entity are both allowable for rate-setting purposes and incurred by the organization, that rates have been designed to recover the costs of the service provided, and that ultimately, through the rates that they are

approving, the costs can be recovered from the ratepayers in the future.

An effective regulatory process helps to ensure that rates are just, reasonable and non-discriminatory; costs are controlled; large capital projects have sufficient justification and appropriate oversight; and accounting deferrals have sufficient regulatory justification.

The British Columbia Utilities Commission (BCUC) is the government regulator for utilities in B.C. [Our recent report on the BCUC](#) noted that regulators act as a control for a lack of market competition when an organization, such as a utility like BC Hydro, is a monopoly. Regulators are required to follow fair, reasonable and transparent processes, and their decisions are based on evidence. The BCUC proceedings include expert testimony, cross-examination of evidence, and final arguments, and they abide by the standards of procedural fairness and natural justice.

Sections 59–60 of the *Utilities Commission Act* provide a framework for the BCUC to establish BC Hydro's rates on a cost of service basis (as required by ASC 980), and to set rates that allow for both the interests of customers and that ensure the overall financial viability of the entity (as required by IFRS 14).

However, when government issues a direction under section 3 of the *Utilities Commission Act*, the direction is not required to comply with that framework. The BCUC has been impacted by significant government direction since 2012, and it has been directed to approve BC Hydro's rates and costs as determined by government.

WHAT ABOUT THE TWO CONTINUING QUALIFICATIONS

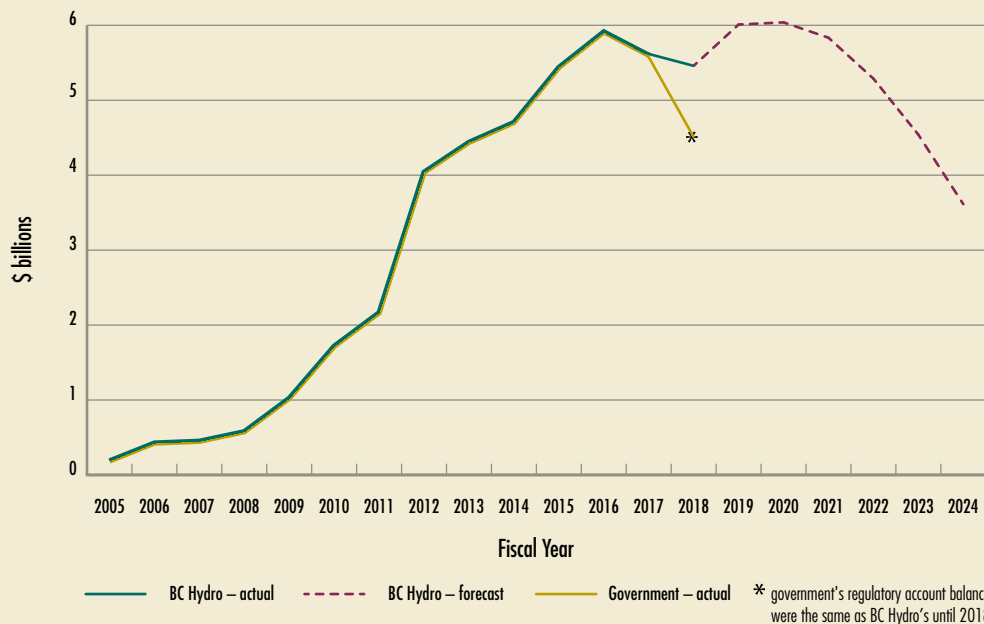
The audit opinion qualification

In 2016/17, we issued a [qualified audit opinion](#) on the province's SFS. We noted that although a third-party regulator is in place (the BCUC), government has issued a number of directions to the regulator that must be followed in the rate-setting process. The result is that government is directing its own bottom line. When we issued the qualification, we did not quantify this inappropriate use of rate-regulated accounting and instead noted that net earnings, equity and other comprehensive income had been overstated in government's SFS.

For 2017/18, as a result of our additional work, we have concluded that when BC Hydro's results are assessed using a GAAP framework, rather than the framework prescribed by government, it doesn't meet the requirements for a rate-regulated entity under IFRS 14 and ASC 980. Specifically:

- ◆ As a result of government direction, the BCUC is not able to set rates that both are in the interests of customers and ensure the overall financial viability of BC Hydro, as required under IFRS 14.
- ◆ Rates have largely been determined by government, not the BCUC or BC Hydro's governing board.

Exhibit 1: Net Regulatory Account Balances (\$ billions)



Source: BC Hydro's financial statements and 2017-2019 Revenue Requirements Application; and B.C. government's summary financial statements

WHAT ABOUT THE TWO CONTINUING QUALIFICATIONS

- ◆ Government direction has largely predetermined BC Hydro's allowable costs, rates, use of regulatory accounts, and net income, leading to rates that have not been designed to recover the costs of service. One result is that BC Hydro's net income is no longer connected to risk or performance.
- ◆ Rates have not been designed to ensure that each customer class pay their appropriate share of the costs (that is, residents are underpaying and commercial customers are overpaying) and the BCUC has not had the authority to rebalance the rate design for different customer classes because of government direction.

One outcome of this is that government is predetermining the financial results of BC Hydro, which it then includes in its own SFS.

Government has adjusted the 2017/18 SFS for some of the impact of previous government direction on BC Hydro's regulatory accounts. Government has reduced BC Hydro's net regulatory asset balance and net income by \$950 million in the SFS. This results in a \$950 million reduction in both the net earnings of self-supported Crown corporations and agencies, and equity in self-supported Crown corporations and agencies. As a result, our qualification of the SFS is for \$4.5 billion, rather than the \$5.5 billion net regulatory asset balance as stated in SFS Note 38 and in BC Hydro's financial statements.

APPENDIX: AUDIT OPINION 2018



OFFICE OF THE
Auditor General
of British Columbia

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of the Province of British Columbia

I have audited the accompanying summary financial statements of the Government of the Province of British Columbia (government), which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statements of operations, change in net liabilities and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Government's Responsibility for the Summary Financial Statements

Government is responsible for the preparation and fair presentation of these summary financial statements in accordance with the *Budget Transparency and Accountability Act* (BTAA) as set out in note 1(a) to the summary financial statements, and for such internal control as government determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor General's Responsibility

My responsibility is to express an opinion, based on my audit, on these summary financial statements, and to report whether these financial statements are presented fairly in accordance with generally accepted accounting principles, being Public Sector Accounting Standards for senior governments in Canada.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the summary financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the summary financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the summary 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 summary 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 summary financial statements.

In my view, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

APPENDIX: AUDIT OPINION 2018

LEGISLATIVE ASSEMBLY OF THE PROVINCE OF BRITISH COLUMBIA
Independent Auditor's Report

Basis for Qualified Opinion

Deferral of revenues

Government's accounting treatment for funds received from other governments and for externally restricted funds received from non-government sources is to initially record them as deferred revenue (a liability) and then recognize revenue in the statement of operations either on the same basis as the related expenditures occur or, in the case of funds for the purchase or construction of capital assets, to recognize revenue on the same basis as the related assets are amortized.

Under Canadian Public Sector Accounting Standards, government's method of accounting for contributions is only appropriate in circumstances where the funding meets the definition of a liability. Otherwise, the appropriate accounting treatment is to record contributions as revenue when they are received or receivable. In my opinion, certain contributions from others do not meet the definition of a liability, and as such, government's method of accounting for those contributions represents a departure from Canadian Public Sector Accounting Standards.

This departure has existed since the inception of the standard, which applies to periods beginning on or after April 1, 2012. Had government made an adjustment for this departure in the current year, deferred revenue as at March 31, 2018, would have been lower by \$5,326 million, accumulated surplus would have been greater by \$5,326 million, and contribution revenue and surplus for the year would have been greater by \$5,326 million.

Use of rate-regulated accounting

Note 38 to the summary financial statements refers to the use of regulatory accounting by the British Columbia Hydro and Power Authority (BC Hydro), a Crown corporation consolidated into the summary financial statements using the modified equity method. In accordance with the BTAA Regulation 257/2010 issued by Treasury Board, BC Hydro is required to adopt the United States Financial Accounting Standards Board Accounting Standards Codification 980 (ASC 980), but with a modification.

The purpose of rate-regulated accounting is for financial reporting to reflect the economic effects of certain rate-regulated activities and actions taken by regulators that arise in the normal course of regulated operations. By adopting rate-regulated accounting, BC Hydro is able to defer some of its expenses and revenues to future years. As at March 31, 2018, BC Hydro has recorded on its statement of financial position \$5,892 million (2017: \$6,127 million) as regulatory assets and \$437 million (2017: \$530 million) as regulatory liabilities, for a net regulatory asset balance of \$5,455 million (2017: \$5,597 million).

ASC 980 is a recognized accounting standard for the application of rate-regulated accounting and is acceptable under Canadian Public Sector Accounting Standards. It establishes a framework for the use of rate-regulated accounting that includes three criteria that must all be met for an entity to apply rate-regulated accounting. Rates must be established by an independent third-party regulator or the entity's own governing board empowered by statute or contract to establish rates that bind customers, rates must be designed to recover the costs of service, and



APPENDIX: AUDIT OPINION 2018

LEGISLATIVE ASSEMBLY OF THE PROVINCE OF BRITISH COLUMBIA
Independent Auditor's Report

rates must be chargeable to and collectable from customers. Contrary to ASC 980, Regulation 257/2010 waives the requirement for an independent third-party regulator.

In my opinion, BC Hydro does not meet the requirements of a rate-regulated entity under ASC 980 as it does not meet two of the three required criteria. Specifically:

- Rates have largely been determined by government, not the third-party regulator or BC Hydro's governing board; and
- Government direction has largely predetermined BC Hydro's allowable costs, rates, use of regulatory accounts, and net income, leading to rates that have not been designed to recover the costs of service.


Under Canadian Public Sector Accounting Standards, BC Hydro is required to apply International Financial Reporting Standards (IFRS). However, it has not been allowed to adopt IFRS because of government direction. Currently, BC Hydro does not meet the requirements of a rate-regulated entity under IFRS 14 (Regulatory Deferral Accounts), as the third-party regulator is not able to set rates that both are in the interests of customers and ensure the overall financial viability of BC Hydro. Because IFRS 14 and ASC 980 standards are not met, government, in the summary financial statements, should have reversed all of the regulatory assets and liabilities.

Notes 38 and 39 to the summary financial statements note that government made an adjustment of \$950 million, reducing its equity in, and net earnings from, BC Hydro. Had government made a full adjustment for the impact of this departure from generally accepted accounting principles in the current year, equity in self-supported Crown corporations and agencies, and accumulated surplus, as at March 31, 2018, would have been lower by \$4,505 million, and both net earnings of self-supported Crown corporations and agencies and surplus for the year would have been lower by \$4,505 million.

Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraphs, the summary financial statements present fairly, in all material respects, the financial position of the Government of the Province of British Columbia as at March 31, 2018, and the results of its operations, change in its net liabilities, and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Victoria, British Columbia
August 22, 2018


Carol Bellinger, FCPA, FCA
Auditor General





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