

**Financial Statement Audit Coverage Plan
for Fiscal Years 2012/2013 through 2014/2015**

October 2011

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Auditor General's Comments

The government reporting entity represents the largest economic enterprise in the province, with approximately \$55 billion in revenues and expenditures, \$85 billion in assets and \$80 billion in liabilities. Consequently, the audit of the Summary Financial Statements is the largest audit performed in British Columbia.

As required by the *Auditor General Act*, my audit of the Summary Financial Statements will be conducted in accordance with Canadian generally accepted auditing standards (GAAS), prescribed by the Canadian Institute of Chartered Accountants. The Act requires me to produce a plan; however, such planning is also required under GAAS. GAAS standards require that my staff and I have an appropriate understanding of the business processes of the government reporting entity (GRE) to ensure that the information contained within the Summary Financial Statements is complete and has been fairly presented. This understanding is acquired through the:

- audit of the accounts of central government (the ministries),
- audit of the financial statements of government organizations and trust funds,
- oversight of financial statement audits performed by private sector auditors, and
- audits of economy, efficiency, effectiveness, accountability, and statutory, regulatory and contractual compliance.

My Office conducts the audit of all central government operations, including all government ministries. To complete the audits of all other government organizations, I rely on private sector audit firms to conduct much of the audit work as my Office does not have the capacity to complete this volume of work. To rely on the work of private sector auditors, I oversee the auditor appointment process, communicate my requirements for reliance, and perform detailed oversight review procedures where I have indicated an oversight level of involvement in this Plan.

This Plan meets the professional requirements under GAAS and will allow me to sign the audit opinion on government's Summary Financial Statements. The extent of direct and oversight involvement required is based on my judgment and detailed assessments of risk at both the sector and government organization level. For those organizations where I have a low level of involvement, I have determined that the potential residual audit risk is acceptable. I could further reduce my audit risk by increasing the level of direct audit and oversight work performed; however, audit coverage has to be balanced with my Office's capacity to complete a large quantum of work that is seasonal in nature. There is no cost or benefit to government overall with either approach – audit costs will be incurred whether the work is done by my Office or by private sector auditors.

I expect the work can be done within a budget envelope very similar to that which was recommended last year by the Select Standing Committee on Finance and Government Services. However, any significant reduction in funding could result in a limitation in the scope of my opinion or delayed completion of the audit.

The Plan presents all of the information required by the Act, and is presented to the Select Standing Committee on Public Accounts for its review and approval.

Summary of Recommendations

We recommend that the Select Standing Committee on Public Accounts:

1. approves the Financial Statement Audit Coverage Plan for the fiscal years 2012/2013 through 2014/2015, as shown in Appendix A (see page 18);
2. consents to the Auditor General continuing as the appointed auditor for 11 government organizations where the engagement term exceeds five consecutive fiscal years (see pages 13-15); and
3. consents to the Auditor General being appointed auditor for four organizations outside the government reporting entity: WorkSafeBC, the Provincial Employees Community Services Fund, the Science and Community Environmental Knowledge Fund and the Langley School District Foundation (see page 17).

Background

By legislation, the Auditor General is the auditor of the government reporting entity (*Auditor General Act* section 10(1)) and must report each year, in accordance with generally accepted auditing and assurance standards, to the Legislative Assembly on the financial statements of the government reporting entity. This annual audit of the Summary Financial Statements is the largest audit performed in the province and provides assurance to legislators, credit rating agencies and British Columbians as to whether the financial statements present fairly the financial position and operating results of the Province.

The opinion on the Summary Financial Statements is the Auditor General's alone, but in British Columbia the audit of the government reporting entity is accomplished through the combined work of the Office of the Auditor General and private sector auditors. The Auditor General audits the ministries of government, but most of the other organizations and trust funds comprising the government reporting entity are audited by the private sector. The Auditor General is responsible for overseeing this process.

This report is provided to the Select Standing Committee on Public Accounts in accordance with section 10(6) of the *Auditor General Act*. In addition to identifying which organizations will be audited by which auditor, this report also describes the criteria and selection process underlying the plan.

The selection process is risk-based and aligns with new assurance standards specific to the audit of group financial statements. These standards require us to be involved in the audit of all significant components of the Summary Financial Statements. This plan details the range of levels of involvement used to gain knowledge of component organizations and sectors during the overall audit of the Summary Financial Statements.

The *2012/13 – 2014/15 Financial Statement Audit Coverage Plan* (the Plan) has been prepared in accordance with the requirements of the Act, to inform the Select Standing Committee on Public Accounts as it fulfils its responsibility under section 10(9) to review and approve the Plan.

Plan Foundation and Preparation

The Province's Summary Financial Statements are a consolidation of two distinct components of the government reporting entity (GRE):

1. *core government operations, which form the consolidated revenue fund (CRF)*. Under section 10(2) of the Act, the Auditor General is the auditor of all ministries of government, officers of the legislature, and other funds or appropriations that form part of the consolidated revenue fund.
2. *government organizations that are included in the GRE*. Canadian public sector accounting standards establish criteria for determining whether organizations should be included in the GRE. Currently, as presented in Appendix A, there are 150 organizations outside of the ministries and other organizations in the consolidated revenue fund; these organizations have over 70 subsidiaries. Sections 10(3), 10(4), 10(5) and 10(11) of the Act establish the auditor appointment process for these government organizations, each of which prepares their own annual financial statements. All of the audited financial statements of these government organizations are consolidated into government's Summary Financial Statements.

Assurance standards require that we develop an appropriate understanding of the GRE in order to assess potential risks related to our audit of the Summary Financial Statements. This understanding is acquired through the:

1. audit of the consolidation of the government reporting entity,
2. audit of the accounts of central government (the ministries),
3. audit of the financial statements of government organizations and trust funds,
4. oversight of financial statement audits performed by private sector auditors, and
5. audits of economy, efficiency, effectiveness, accountability, and statutory, regulatory and contractual compliance, undertaken under sections 11(8), 12 and 13 of the Act.

Audit of the consolidation of the government reporting entity

Section 10(1) appoints the Auditor General as the auditor of the government reporting entity. There are two parts to the audit of the consolidated financial statements.

The Office of the Auditor General (OAG) communicates directly with the auditor of every component of the reporting entity to advise them of our expectations, the information we require from them, and its timing in order to fulfil our responsibilities. In addition to obtaining information about audit planning and completion, and the audited financial statements, we also review the management letters issued throughout the reporting entity to assess if there are any systemic weaknesses or breakdowns in control that should be addressed.

The consolidation of the reporting entity is prepared by government, and involves combining all 150 government organizations in the entity with the consolidated revenue fund. OAG performs the audit of the consolidation. This includes the audit of consolidation adjustments made to convert government organization financial statements to Public Sector Accounting Standards.

Audit of the accounts of central government

Section 10(2) requires the Auditor General to audit the ministries of government, the officers of the legislature, and other funds or appropriations that form part of the consolidated revenue fund. Ministries do not currently produce their own financial statements, although they share a common financial reporting system. This work is conducted directly by the OAG. Supporting this work is a significant investment in gaining knowledge of the business – the operating and financial processes, systems and controls that form the basis for assessments of risk that are required under GAAS.

The financial statements of our office are audited by an independent auditor appointed by the Select Standing Committee on Public Accounts (PAC).

Audit of the financial statements of government organizations and trust funds - Oversight of financial statement audits performed by private sector auditors

The opinion on the Summary Financial Statements is the Auditor General's alone; however, the audit of the government reporting entity is accomplished through the combined work of the OAG and private sector auditors.

There are three levels of involvement of the Auditor General in the financial statement audits of government organizations:

- ***High (direct) involvement:*** The audit is conducted directly either by staff of the Auditor General or through private sector audit firms under contract. In either case, the Auditor General is responsible for the audit and signs the audit opinion. Direct audit involvement provides us with the greatest depth of understanding of the business.
- ***Moderate (oversight) involvement:*** A private sector firm is appointed auditor of the organization or trust fund. The Auditor General conducts extended procedures to better understand the business of, the issues in, and the audit risk involved with these organizations. These extended procedures include attending audit committee meetings and reviewing the appointed auditor's audit plans and year-end audit files. As well as providing information about the organization being audited, these procedures also look at the audit work, at the planning stage and at its conclusion, to determine if it is sufficient to enable the Auditor General to rely upon when forming an opinion on the Summary Financial Statements of the government.
- ***Low (limited) involvement:*** A private sector firm is appointed auditor of the organization or trust fund. The Auditor General ensures that professional requirements are met by, for example, communicating with the appointed auditor on intended reliance, and directing or reviewing audit work as required. The OAG will also communicate with the auditor if there is a specific issue in the organization, or in the sector, that needs to be addressed, and may require specific information to be provided or additional audit work to be performed. As well, a sample of the auditor's files may be reviewed.

For the most part, the Plan is devoted to identifying our level of involvement for each organization in the GRE, and describing the underlying process.

The financial audit process

Regardless of whether the Auditor General or a private sector firm is the auditor, a financial statement audit encompasses the following five steps:

1. Pre-engagement procedures – before the audit commences, the auditor performs certain procedures such as an independence assessment and a pre-engagement audit risk assessment. The auditor confirms his or her independence from the client and also issues an engagement letter setting out the objectives, scope and limitations of the audit engagement, the responsibilities of management and the auditor, and other matters.
2. Risk assessment – while planning for the audit, the auditor gathers information about the client and its operating environment, including an understanding of the internal controls and business processes.
3. Risk response – having assessed the audit risks, i.e. the areas where errors are more likely than others, the auditor performs audit procedures to verify the accuracy of the figures in the financial statement.
4. Reporting – as well as the opinion on the financial statements, the auditor issues a report on findings to management and the audit committee.
5. Follow-up – issues that were identified during the audit will be followed up on in next year’s audit to see if recommendations were implemented.

(For more information, see “[What to Expect from a Financial Audit](#)” on the OAG website.)

Audits of economy, efficiency, effectiveness, accountability, and statutory, regulatory and contractual compliance

Each year we conduct a body of work known as “performance audit,” much of which provides support for our opinion on the Summary Financial Statements. The information we gain from these reports, in areas such as financial management, IT security and planning, governance, risk management, P3s and others, is integral to our understanding of the functioning of the reporting entity and assessing financial risk.

How the Office of the Auditor General (OAG) prepares the plan

In some Canadian jurisdictions, the Auditor General is responsible for auditing all organizations in the reporting entity. In British Columbia, most of the organizations in the GRE are audited by private sector auditors – in other words, we have reached the conclusion that not every organization in the GRE need be audited directly by the Auditor General in order to provide sufficient information to form an opinion on the Summary Financial Statements. There is no cost advantage to either option – audit costs are either funded through the Auditor General’s annual appropriation or are paid directly to private sector auditors.

The Auditor General is responsible for the opinion on the Summary Financial Statements, and must have sufficient information in order to form an audit conclusion. High-involvement audits provide greater knowledge than audits at the moderate or low-involvement level. The intention of the Plan is that audit coverage is appropriate in order to allow us to meet professional standards under GAAS and sign the audit opinion.

We have made a number of changes to the previous plan approved by the committee, some of them as a result of new professional standards under GAAS for consolidated financial statements. These changes are detailed in Appendix B.

In designing the Plan, audit coverage decisions are made in three distinct risk assessment processes.

First, all new or planned government organizations and trust funds are assessed for significance and risk to determine if they should be audited directly for the first three years, consistent with section 10(4).

Second, for each sector (e.g. health authorities, school districts, Crown corporations) we determine the sufficient level of direct audit involvement and oversight involvement in order to understand issues that are common to the group. The Plan rotates involvement through the organizations on a two- to five-year cycle. This allows us to keep abreast of risks and issues in and across each of these groups.

Finally, for each organization we determine our level of involvement based on assessment of risk. Relevant risks considered include whether the organization:

- delivers a core service;
- has a high level of public interest;
- is significantly funded through appropriation or has a significant financial impact on the Summary Financial Statements;
- has a high inherent risk to government (with respect to programs delivered or roles fulfilled);
- is a complex organization;
- likely has future issues that could materially impact the Summary Financial Statements; or
- has other risk-based factors.

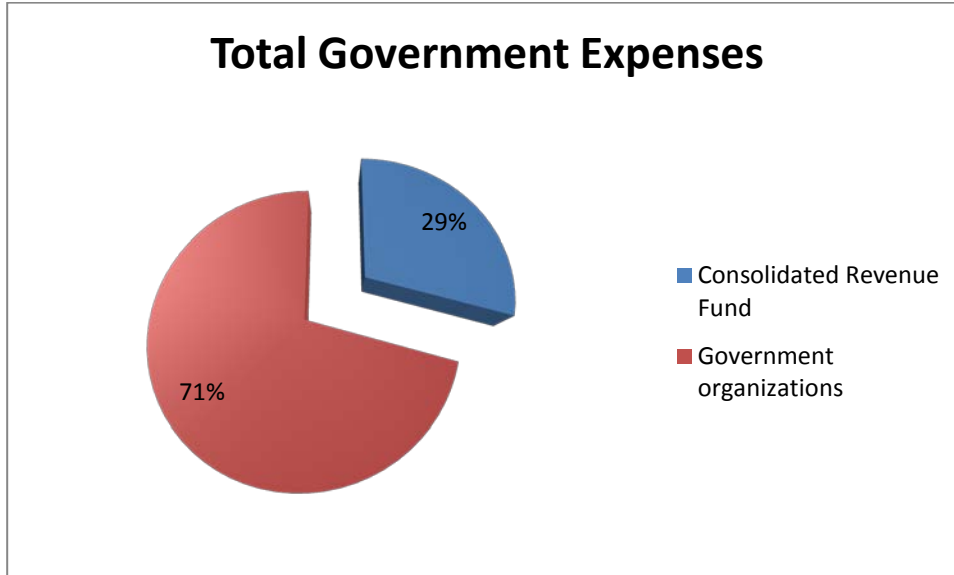
Based on these assessments of risk, we have determined that, for some organizations, our involvement must extend beyond five years. As well, for organizations that have been determined to be significant components of the Summary Financial Statements, assurance standards require that we have more than a low level of involvement.

The requirement to appoint auditors is usually specified in the enabling legislation, constitution or bylaws of each organization. However, under section 10(11), where the Plan is inconsistent with such an appointment, the appointment does not apply. At the time of publication, there were no inconsistencies between the Plan and individual auditor appointments.

The Plan for 2012/2013 through 2014/2015

This Plan addresses the audit of entities in the government reporting entity that are not reported through the consolidated revenue fund (CRF). As shown in Figure 1, 71% of government expenses flow through these entities. CRF expenditures account for 29% of government expenditures, after excluding transfers from the CRF to fund government entities.

Figure 1 – Total government expenses



Source: Compiled by the Office of the Auditor General of British Columbia.

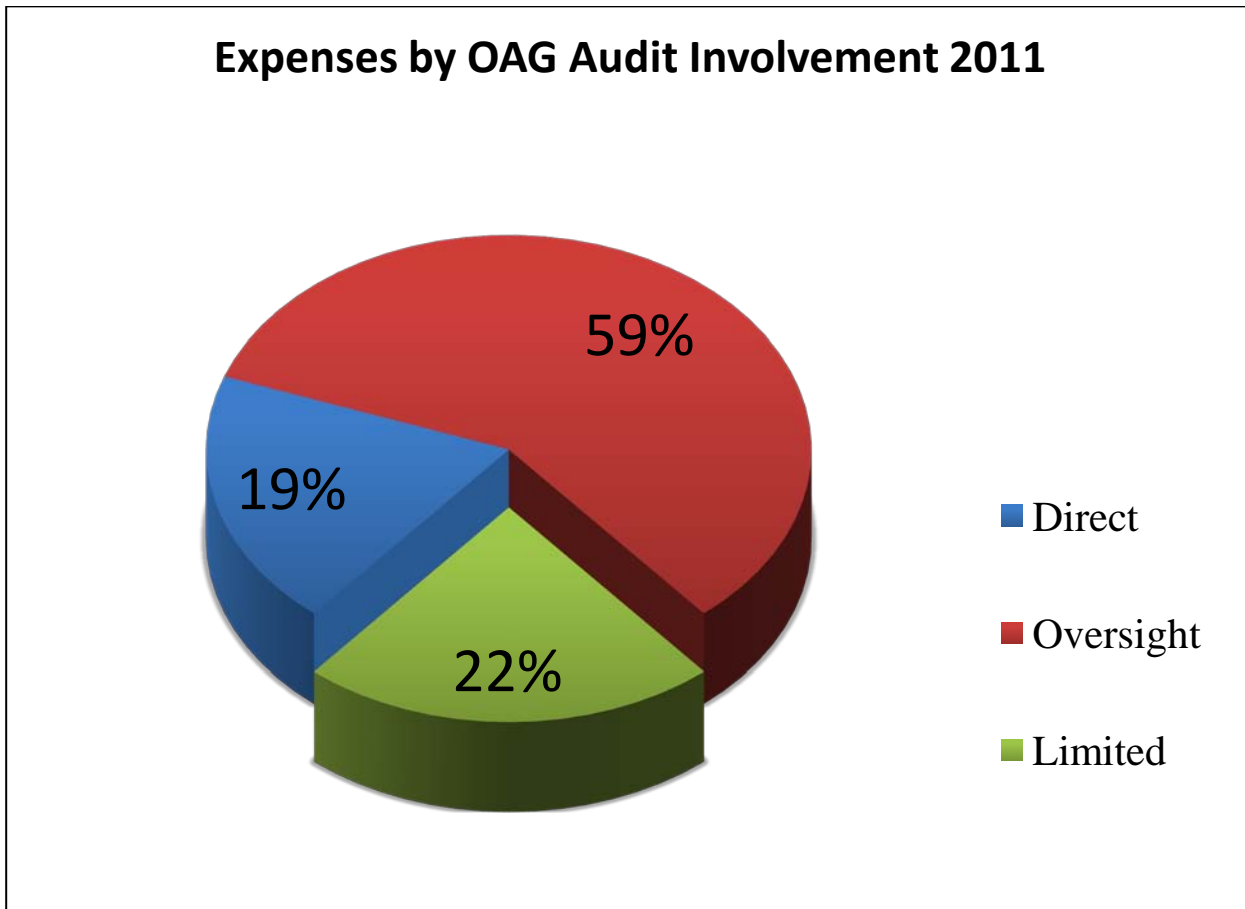
The proposed three-year audit coverage for fiscal years 2012/2013 through 2014/2015 for entities included in the GRE is summarized in the table below. The figures in this table, along with our involvement with other organizations, are presented in detail in Appendix A, starting on page 18.

Entity Types	expected # of Entities 2012/2013	2012/2013			2013/2014			2014/2015		
		Level of Involvement			Level of Involvement			Level of Involvement		
		Limited	Oversight	OAG	Limited	Oversight	OAG	Limited	Oversight	OAG
Colleges and Institutes	16	10	4	2	10	4	2	12	2	2
School districts	60	51	4	5	52	3	5	52	3	5
Universities	11	7	3	1	7	3	1	5	5	1
Health authorities	7	1	5	1	1	5	1	1	5	1
Hospital societies	9	8	1	0	8	1	0	8	1	0
Regional authorities	1	0	1	0	0	1	0	0	1	0
Trust funds	4	4	0	0	4	0	0	4	0	0
Crown corporations	42	24	4	14	24	5	13	24	5	13
Total	150	105	22	23	106	22	22	106	22	22

Unless otherwise noted in Appendix A, subsidiaries of government organizations are not presented in these figures. There are more than 70 additional organizations that are controlled subsidiaries of government organizations presented in this Plan. The financial results of these additional organizations are consolidated into the financial statements of the parent organization and, typically, the auditor of the parent organization is also the auditor of the subsidiary organization.

Since many entities are selected based on the magnitude of risk to the GRE as a whole, they also tend to be more significant in terms of expenditures. As shown in Figure 2, the Auditor General had either a direct or oversight level of involvement for 78% of government organization expenditures for the 2010/11 fiscal year (as reported in the financial statements of individual government organizations).

Figure 2: OAG involvement in audit of 2010/2011 expenses

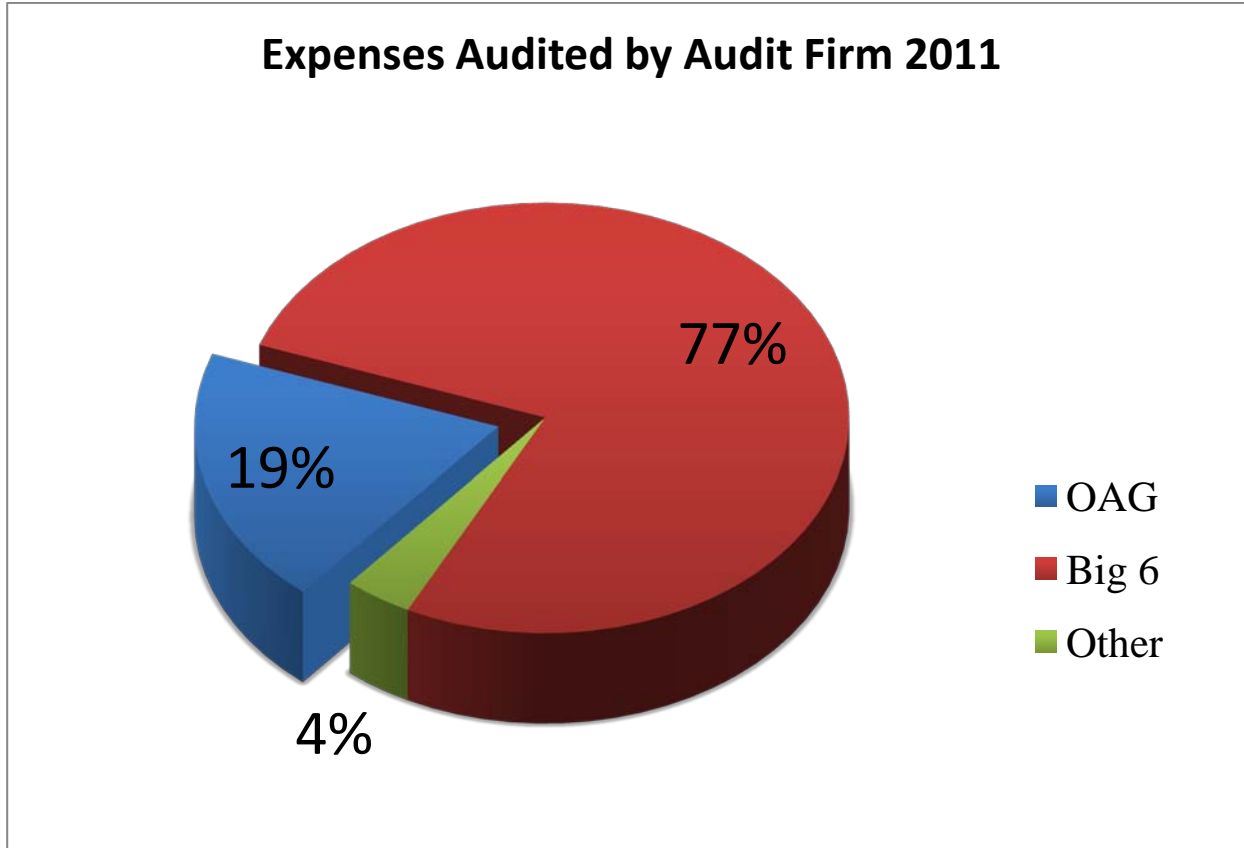


Source: Compiled by the Office of the Auditor General of British Columbia.

As shown in Figure 3, of the entities where the Auditor General is not the appointed auditor, the vast majority of government-reporting entities are audited by the “Big 6” accounting firms (BDO Dunwoody LLP, Deloitte & Touche LLP, Ernst & Young Global Limited, Grant Thornton LLP, KPMG LLP and PricewaterhouseCoopers LLP). Our Office works closely with those accounting firms regarding their involvement in auditing government organizations. Note

that Figures 2 and 3 exclude the expenses of core government operations, which are all audited directly by the Auditor General.

Figure 3: Proportion of expenses directly audited by audit firm



Source: Compiled by the Office of the Auditor General of British Columbia.

Appendix A shows the Auditor General's proposed audit coverage by level of involvement for each government organization and trust fund, by each year of the Plan. It also includes, for comparison, the implemented coverage levels for 2010/2011 and 2011/2012.

Each year, we revisit our risk and coverage assessments and revise the plan where needed. Appendix B presents a summary of all government organizations where the current year coverage (fiscal 2011/2012) and proposed coverage for 2012/2013 through 2013/2014 differ from the plan approved by PAC in November 2010. A brief explanation is given for each difference.

Additional Reporting Requirements under the Act

Auditor General appointments exceeding five years

Section 10(7) (d) of the Act requires PAC's approval for the Auditor General to be appointed as auditor of a government organization or trust fund for a period of more than five consecutive fiscal years. This provision recognizes the need to manage inherent audit risk by providing a mechanism to extend our involvement beyond five years where necessary.

When the *Auditor General Act* was revised over eight years ago, the higher standards being considered for the accounting and auditing profession at the time included limiting firms to be the auditors of organizations for only five years. The intent was to minimize the risk associated with a potential lack of independence between the auditors and those they were auditing. Since then, however, the profession has instead adopted a regime of senior staff rotation on audit engagements, in addition to other safeguards to protect independence. In British Columbia, the lead engagement partner on the audit of a financial statement of an entity listed on a stock exchange must rotate off the engagement after a period not normally exceeding seven years.

The Office of the Auditor General has a policy of rotating senior staff every five years on assurance engagements of government organizations that are considered to be significant.

In our monitoring of the auditor appointment process, we have noted that frequent audit firm rotation can be challenging in locations where there are only a few qualified audit firms to select from, or for audits where significant technical expertise must be maintained. In some cases, regular audit firm rotation is not feasible and objectivity is instead maintained through senior staff rotation.

The foundation of the Plan requires that our audit coverage is such that we are able to maintain the knowledge required to assess potential risks and appropriately plan our audit of the Summary Financial Statements. Therefore, in this Plan we are attempting to balance the benefits achieved through auditor rotation with professional standards that require us to maintain appropriate knowledge and experience as necessary to fulfil our mandate. Assurance standards specific to the audit of "group financial statements" require that we maintain involvement, either directly or in an oversight capacity, with any entity determined to be significant to the Summary Financial Statements. By definition, this necessitates some audit engagements that exceed five years. This same logic applies to the ministries of government, where the Act mandates the Auditor General as auditor in perpetuity.

In the preparation of this plan we review each appointment exceeding five years and consider if rotation to a private sector audit firm would be appropriate. Rotation of certain organizations to private sector auditors is either not feasible or will have limited benefits at an increased cost. We are also mindful to avoid rotation, when possible, in a year when an organization is changing to a new financial reporting framework. Having an auditor in place that has detailed knowledge of the organization reduces the risks associated with such a change.

We are requesting PAC's approval to continue as the appointed auditor for 11 government organizations where the terms as presented in the Plan will exceed five years. Note that for one of these (Simon Fraser University), rotation to

the private sector is planned to occur in the near future. The rationale for extending each appointment is listed in the following table.

Organization	Rationale for exceeding five years
BC Immigrant Investment Fund Ltd	The complexity of the entity's programs and the risks associated with its financial reporting warrant the continued direct involvement of the Office.
BC Pavilion Corporation	The nature of the entity's operations is changing and expanding. The changes, and how they are managed, represent a potential source of audit risk. This risk warrants the continued involvement of the Office.
BC Transportation Financing Authority	<p>This organization is responsible for the significant capital financing of highway infrastructure projects. The significance and risks associated with these activities warrant the continued involvement of the Office.</p> <p>The audit opinion in 2011 was qualified, and so our assessment of the financial reporting risk continues to be high.</p> <p>There is also a high degree of administrative integration with the Ministry of Transportation and Infrastructure. As a result, it is more efficient for the audits of the ministry and the Authority to be conducted by the same auditor. (The Auditor General is, by legislation, the auditor of the ministry.)</p>
British Columbia Enterprise Corporation	This corporation is a non-active company managed by a ministry we already audit. Due to the high degree of integration with the ministry, it is more efficient for the Auditor General to continue as the auditor.
British Columbia Liquor Distribution Branch	<p>The British Columbia Liquor Distribution Branch is a branch of the Ministry of Public Safety and Solicitor General. Therefore, the Auditor General of British Columbia is the auditor of record by statute.</p> <p>However, as our continued direct involvement is not warranted on the basis of risk, we conduct this audit by engaging a private sector contractor.</p>
British Columbia Securities Commission	The continuation of direct involvement is warranted given the risks associated with the development of a new federal <i>Securities Act</i> , which could impact the Commission's role as an industry regulator.
Columbia Power Corporation	Columbia Power Corporation plays a significant role in energy infrastructure projects, most recently the Waneta Dam. Management of these projects can have a large impact on stakeholders in the province. The risks associated with this company's operations warrant the Office's continued involvement in the annual financial statement audit.

Organization	Rationale for exceeding five years
Forestry Innovation Investment	This company engages in overseas operations, which inherently increases the risk. It is also closely integrated with the ministry and, as a result, it is more efficient for the Auditor General to continue as the auditor.
Oil and Gas Commission	<p>There was a significant change in legislation recently that may impact the Commission and how it operates.</p> <p>The oil and gas industry is significant to the province and there are several high-profile issues including potential pipeline projects. The Office believes that retaining this engagement as a direct audit is warranted at this time in order to stay informed of activities that may impact the public.</p>
Simon Fraser University	<p>The fifth year of the Auditor General's appointment is 2011/2012. This audit will be rotated to a private sector auditor in fiscal 2014/2015.</p> <p>Our assessment of the assurance standards for the audit of consolidated financial statements is that the Office must maintain direct audit involvement with at least one of the three large universities at all times (University of British Columbia, University of Victoria and Simon Fraser University). Our direct involvement at Simon Fraser University was extended from five to seven years in total in order to maintain this direct involvement while respecting existing auditor contracts at the other universities.</p>
Transportation Investment Corporation	<p>The fifth year of the Auditor General's appointment is 2012/2013.</p> <p>This organization is responsible for the construction and operation of the new Port Mann Bridge, which is expected to be operational in 2012. There are two distinct phases: the current construction phase, which will be completed in 2012/13, followed by the operational phase. The risks in the construction phase and the operations phase are unique. Therefore, our continued involvement at this time is warranted.</p>

Summary of Consultations

Section 10(7) (g) of the *Auditor General Act* requires a summary of consultations made with respect to the plan.

Our annual consultation process starts with discussion of proposed changes with governing boards and senior management of organizations that will be impacted by changes to the Plan from the previously approved version. This consultation occurs during drafting of the Plan. The form of consultation varies, but may include discussions with senior management and audit committee chairs or equivalent, and attendance and discussion at audit committee meetings.

We have finished consulting with all organizations affected by changes to this recommended Plan, and all parties understand the proposed audit coverage. After the Plan has been reviewed and approved by PAC, we will communicate in writing with those organizations impacted by changes to the Plan. Periodically, we communicate with all government organizations to provide information on the Financial Statement Audit Coverage Plan process.

Implications for the Office budget

Section 10(7) (c) of the *Auditor General Act* requires the plan to describe how this proposal will affect the Office's budget.

In our assessment, changes to the audit coverage proposed will have negligible impact on our budgeted cost for each of the fiscal years from 2012/2013 to 2014/2015. This is because changes to the overall level of audit coverage are generally small and incremental. And as previously described, audit coverage involvement is only part of the year-round stream of activity relating to our audit of the Province's Summary Financial Statements.

Changes in the coverage plan also have negligible impact on the cost to government of auditing the GRE. This is because government will still incur private sector audit fees when our Office is not directly involved in the basic financial statement audit work. Therefore, to government as a whole, coverage decisions are viewed to be cost neutral.

Accounting standards in Canada are changing, which means that, this year and next, virtually all government entities will need to change to a different financial reporting framework. The majority of government organizations have been directed by government to convert to Public Sector Accounting Standards. However, government business-type organizations will be reporting under International Financial Reporting Standards (IFRS); and the British Columbia Hydro and Power Authority will be reporting under IFRS with the additional government-directed requirement to adopt a specific U.S. accounting standard for its rate-regulated costs. These changes will increase the quantum of work (and cost) during the transition for both our Office and the private sector audit firms that audit government entities.

The way in which government conducts business has become increasingly complex in recent years. For example, public-private partnerships significantly increase the complexity of government's management of capital investment

and operations. This makes our monitoring of risk to the Summary Financial Statements more onerous and will continue to increase the demands on our professional staff and resources.

Request for approval to audit organizations outside the government reporting entity

Section 14 of the *Auditor General Act* allows the Auditor General, with the consent of PAC, to be appointed auditor of an organization or trust fund that is not part of the Province's Summary Financial Statements.

Therefore, we request approval to continue to be the appointed auditor for the following four organizations that are outside the GRE:

- WorkSafeBC – As an entity that is not controlled or managed by government, WorkSafeBC is not included in the Summary Financial Statements, yet it is still an entity of significance to all British Columbians.
- Provincial Employees Community Services Fund – This organization is a small charitable employee trust for provincial employees. The Office conducts a review of the annual financial statements, free of charge, to support the organization.
- Science and Community Environmental Knowledge Fund – Recent changes to the governance over this fund have resulted in its removal from the accounts of the Oil and Gas Commission and the GRE. As the Oil and Gas Commission, in its capacity as administrator, still maintains the accounting records for this small fund, it is efficient and practical for the audit to be completed by the auditor of the Commission, which is the Office.
- Langley School District Foundation – Staff at School District No. 35 (Langley) maintain the accounting records for the foundation, and so it is efficient and practical for the audit to be completed by the auditor of the School District, which is the Office.

Administration of the auditor appointment process

Once we have communicated PAC's decisions, each governing board appoints its financial statement auditor according to the approved coverage Plan – either the Auditor General or a private sector auditor selected by the governing board.

Through our oversight involvement in the audit process of many government organizations, we monitor how this process is operating and how well it aligns with the mandate of our Office. As part of our risk analysis, we also monitor length of appointment, audit cost and frequency of competitive process across the government reporting entity.

We assist boards and audit committees in the selection and appointment of auditors by:

- making available a template for a request for proposal process, including a model service agreement for audit services; and
- being available to provide advice on specific issues or to provide more active advisory participation in the selection and appointment process.

We require that governing boards of government organizations include provisions for the appropriate involvement of the Auditor General in the service agreements with their financial statement auditors. We also recommend selection criteria based largely on auditor capability, audit strategy and price.

Appendix A: Detailed Financial Statement Audit Coverage Plan for Fiscal Years 2012/2013 through 2014/2015

PLAN LEGEND

- OAG: High involvement** – Audit performed by the Auditor General using existing staff (OAG-Direct) or private sector audit firms under contract (OAG-Contract).
- Oversight: Moderate involvement** – Auditors other than the Auditor General are the appointed auditors. However, the Auditor General conducts oversight procedures.
- Blank cells: Low involvement** – Auditors other than the Auditor General are the appointed auditors. The Auditor General has limited involvement, but may conduct work as required.

Organization	HISTORICAL COVERAGE		PROPOSED 3-YEAR COVERAGE		
	Fiscal Year 2010/2011	Fiscal Year 2011/2012	Fiscal Year 2012/2013	Fiscal Year 2013/2014	Fiscal Year 2014/2015
Colleges and Institutes					
British Columbia Institute of Technology	Oversight	Oversight	Oversight	Oversight	Oversight
Camosun College	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct
College of New Caledonia		Oversight	Oversight		
College of the Rockies					
Douglas College	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct	
Great Northern Way Campus Trust ¹	Oversight	Oversight	Oversight	Oversight	
Justice Institute of British Columbia				Oversight	Oversight
Langara College					
Nicola Valley Institute of Technology					
North Island College					
Northern Lights College					
Northwest Community College					
Okanagan College	Oversight				

¹ The Great Northern Way Campus Trust is owned equally by the British Columbia Institute of Technology, Emily Carr University of Art and Design, Simon Fraser University and the University of British Columbia.

PLAN LEGEND

OAG: High involvement – Audit performed by the Auditor General using existing staff (OAG-Direct) or private sector audit firms under contract (OAG-Contract).

Oversight: Moderate involvement – Auditors other than the Auditor General are the appointed auditors. However, the Auditor General conducts oversight procedures.

Blank cells: Low involvement – Auditors other than the Auditor General are the appointed auditors. The Auditor General has limited involvement, but may conduct work as required.

Organization	HISTORICAL COVERAGE		PROPOSED 3-YEAR COVERAGE		
	Fiscal Year 2010/2011	Fiscal Year 2011/2012	Fiscal Year 2012/2013	Fiscal Year 2013/2014	Fiscal Year 2014/2015
Okanagan University College ²					
Selkirk College		Oversight	Oversight		
Vancouver Community College				Oversight	OAG-Direct
School Districts					
Board of Education School District No. 5 (South East Kootenay)					
Board of Education School District No. 6 (Rocky Mountain)			Oversight	Oversight	
Board of Education School District No. 8 (Kootenay Lake)					
Board of Education School District No. 10 (Arrow Lakes)					
Board of Education School District No. 19 (Revelstoke)					
Board of Education School District No. 20 (Kootenay-Columbia)					
Board of Education School District No. 22 (Vernon)					
Board of Education School District No. 23 (Central Okanagan)		Oversight	Oversight		

² This entity is now inactive, but will continue to be included in the coverage plan until wind-up occurs.

PLAN LEGEND

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Organization	HISTORICAL COVERAGE		PROPOSED 3-YEAR COVERAGE		
	Fiscal Year 2010/2011	Fiscal Year 2011/2012	Fiscal Year 2012/2013	Fiscal Year 2013/2014	Fiscal Year 2014/2015
Board of Education School District No. 27 (Cariboo-Chilcotin)					
Board of Education School District No. 28 (Quesnel)					
Board of Education School District No. 33 (Chilliwack)	Oversight				
Board of Education School District No. 34 (Abbotsford)			Oversight	Oversight	
Board of Education School District No. 35 (Langley)	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct
Board of Education School District No. 36 (Surrey)	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct	
Board of Education School District No. 37 (Delta)					
Board of Education School District No. 38 (Richmond)	OAG-Contract				
Board of Education School District No. 39 (Vancouver)				Oversight	OAG-Direct
Board of Education School District No. 40 (New Westminster)	Oversight	Oversight			
Board of Education School District No. 41 (Burnaby)					

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Organization	HISTORICAL COVERAGE		PROPOSED 3-YEAR COVERAGE		
	Fiscal Year 2010/2011	Fiscal Year 2011/2012	Fiscal Year 2012/2013	Fiscal Year 2013/2014	Fiscal Year 2014/2015
Board of Education School District No. 42 (Maple Ridge-Pitt Meadows)					
Board of Education School District No. 43 (Coquitlam)					
Board of Education School District No. 44 (North Vancouver)					
Board of Education School District No. 45 (West Vancouver)					
Board of Education School District No. 46 (Sunshine Coast)					
Board of Education School District No. 47 (Powell River)					
Board of Education School District No. 48 (Sea to Sky)					Oversight
Board of Education School District No. 49 (Central Coast)					
Board of Education School District No. 50 (Haida Gwaii-Queen Charlotte)					
Board of Education School District No. 51 (Boundary)					
Board of Education School District No. 52 (Prince Rupert)					

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Organization	HISTORICAL COVERAGE		PROPOSED 3-YEAR COVERAGE		
	Fiscal Year 2010/2011	Fiscal Year 2011/2012	Fiscal Year 2012/2013	Fiscal Year 2013/2014	Fiscal Year 2014/2015
Board of Education School District No. 53 (Okanagan-Similkameen)					Oversight
Board of Education School District No. 54 (Bulkley Valley)	Oversight	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct
Board of Education School District No. 57 (Prince George)					
Board of Education School District No. 58 (Nicola-Similkameen)					
Board of Education School District No. 59 (Peace River South)		Oversight	Oversight		
Board of Education School District No. 60 (Peace River North)					
Board of Education School District No. 61 (Greater Victoria)	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct
Board of Education School District No. 62 (Sooke)					
Board of Education School District No. 63 (Saanich)					
Board of Education School District No. 64 (Gulf Islands)					
Board of Education School District No. 67 (Okanagan-Skaha)					

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Organization	HISTORICAL COVERAGE		PROPOSED 3-YEAR COVERAGE		
	Fiscal Year 2010/2011	Fiscal Year 2011/2012	Fiscal Year 2012/2013	Fiscal Year 2013/2014	Fiscal Year 2014/2015
Board of Education School District No.68 (Nanaimo-Ladysmith)					
Board of Education School District No. 69 (Qualicum)					
Board of Education School District No. 70 (Alberni)					
Board of Education School District No. 71 (Comox Valley)					Oversight
Board of Education School District No. 72 (Campbell River)	Oversight	Oversight			
Board of Education School District No. 73 (Kamloops-Thompson)					
Board of Education School District No. 74 (Gold Trail)					
Board of Education School District No. 75 (Mission)					
Board of Education School District No. 78 (Fraser-Cascade)					
Board of Education School District No. 79 (Cowichan Valley)	Oversight	Oversight			
Board of Education School District No. 81 (Fort Nelson)					

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Organization	HISTORICAL COVERAGE		PROPOSED 3-YEAR COVERAGE		
	Fiscal Year 2010/2011	Fiscal Year 2011/2012	Fiscal Year 2012/2013	Fiscal Year 2013/2014	Fiscal Year 2014/2015
Board of Education School District No. 82 (Coast Mountains)					
Board of Education School District No. 83 (North Okanagan-Shuswap)	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct
Board of Education School District No. 84 (Vancouver Island West)					
Board of Education School District No. 85 (Vancouver Island North)					
Board of Education School District No. 87 (Stikine)					
Board of Education School District No. 91 (Nechako Lakes)					
Board of Education School District No. 92 (Nisga'a)					
Board of Education School District No. 93 (Conseil Scolaire Francophone)					
Universities					
Capilano University					
Emily Carr University of Art and Design					
Kwantlen Polytechnic University					Oversight

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Organization	HISTORICAL COVERAGE		PROPOSED 3-YEAR COVERAGE		
	Fiscal Year 2010/2011	Fiscal Year 2011/2012	Fiscal Year 2012/2013	Fiscal Year 2013/2014	Fiscal Year 2014/2015
Royal Roads University					
Simon Fraser University	OAG-Contract	OAG-Contract	OAG-Contract	OAG-Contract	Oversight
Thompson Rivers University	Oversight	Oversight	Oversight		
University of British Columbia	Oversight	Oversight	Oversight	Oversight	Oversight
University of the Fraser Valley				Oversight	Oversight
University of Northern British Columbia					Oversight
University of Victoria	Oversight	Oversight	Oversight	Oversight	OAG-Direct
Vancouver Island University					
Health Authorities					
Fraser Health Authority	Oversight	Oversight	Oversight	Oversight	Oversight
Interior Health Authority	Oversight	Oversight	Oversight	Oversight	Oversight
Nisga'a Valley Health Authority	Oversight	Oversight			
Northern Health Authority		Oversight	Oversight	Oversight	Oversight
Provincial Health Services Authority	Oversight	Oversight	Oversight	Oversight	Oversight
Vancouver Coastal Health Authority	Oversight	Oversight	OAG-Direct	OAG-Direct	OAG-Direct
Vancouver Island Health Authority	OAG-Direct	OAG-Direct	Oversight	Oversight	Oversight
Hospital Societies					
Bella Coola General Hospital					

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Organization	HISTORICAL COVERAGE		PROPOSED 3-YEAR COVERAGE		
	Fiscal Year 2010/2011	Fiscal Year 2011/2012	Fiscal Year 2012/2013	Fiscal Year 2013/2014	Fiscal Year 2014/2015
Louis Brier Home and Hospital					
Menno Hospital					
Mount St. Mary Hospital					
Providence Health Care		Oversight	Oversight	Oversight	Oversight
R.W. Large Memorial Hospital					
St. Joseph’s General Hospital					
St. Michael’s Centre					
Wrinch Memorial Hospital					
Children and Family Services Regional Authorities					
Community Living British Columbia	OAG-Direct	Oversight	Oversight	Oversight	Oversight
Trust Funds³					
BC Public Service Long Term Disability Plan (Other Trust Funds)					
Credit Union Deposit Insurance Corporation of British Columbia ⁴					
Public Guardian and Trustee of British Columbia (Estates and Trusts)					
Supreme and provincial court (Suitors’ Funds) ⁵					

³ Only those government Trust Funds that are significant to the Summary Financial Statements are included in this plan.

⁴ An audit of some part of the organization’s operations is being considered.

⁵ An audit of some part of the funds’ operations is being considered.

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Organization	HISTORICAL COVERAGE		PROPOSED 3-YEAR COVERAGE		
	Fiscal Year 2010/2011	Fiscal Year 2011/2012	Fiscal Year 2012/2013	Fiscal Year 2013/2014	Fiscal Year 2014/2015
Crown Corporations					
BC Academic Health Council					
BC Games Society					
BC Health Services Purchasing Organization	Oversight	Oversight	OAG-Direct	OAG-Direct	OAG-Direct
BC Immigrant Investment Fund Ltd.	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct
B.C. Pavilion Corporation	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct
BC Transportation Financing Authority	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct
BCIF Management Ltd. ⁶	OAG-Direct	OAG Direct	N/A	N/A	N/A
British Columbia Assessment Authority	OAG-Direct				
British Columbia Enterprise Corporation	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct
British Columbia Housing Management Commission	Oversight				
British Columbia Hydro Power Authority	Oversight	Oversight	Oversight	Oversight	Oversight
British Columbia Innovation Council					
British Columbia Liquor Distribution Branch	OAG-Contract	OAG-Contract	OAG-Contract	OAG-Contract	OAG-Contract
British Columbia Lottery Corporation	Oversight	Oversight	Oversight	Oversight	Oversight
British Columbia Public Schools Employers' Association					

⁶ This entity was wound up in May 2011.

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Organization	HISTORICAL COVERAGE		PROPOSED 3-YEAR COVERAGE		
	Fiscal Year 2010/2011	Fiscal Year 2011/2012	Fiscal Year 2012/2013	Fiscal Year 2013/2014	Fiscal Year 2014/2015
British Columbia Railway Company ⁷	OAG-Contract	OAG-Contract	OAG-Contract	OAG-Contract	OAG-Contract
British Columbia Securities Commission	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct
British Columbia Transit	OAG-Contract	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct
Canadian Blood Services					
Columbia Basin Trust ⁸					
Columbia Power Corporation	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct
Community Social Services Employers Association of BC					
Creston Valley Wildlife Management Authority Trust Fund ⁹					
First Peoples' Heritage, Language and Culture Council					
Forestry Innovation Investment Ltd.	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct
Health Employers Association of BC					
Industry Training Authority	OAG-Direct	OAG-Direct			
Insurance Corporation of British Columbia	Oversight	Oversight	Oversight	Oversight	Oversight
Knowledge Network Corporation					

⁷ The British Columbia Railway Company is a subsidiary of the BC Transportation Financing Authority.

⁸ Although named as a "trust", this is not a trust fund but a fully consolidated government organization

⁹ This entity was wound up in May 2011.

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Organization	HISTORICAL COVERAGE		PROPOSED 3-YEAR COVERAGE		
	Fiscal Year 2010/2011	Fiscal Year 2011/2012	Fiscal Year 2012/2013	Fiscal Year 2013/2014	Fiscal Year 2014/2015
Leading Edge Endowment Fund					
Legal Services Society					
Nechako-Kitamaat Development Fund Society					
Oil and Gas Commission	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct
Organized Crime Agency of British Columbia Society					Oversight
Pacific Carbon Trust Inc. ¹⁰	OAG-Direct	OAG-Direct	OAG-Direct	Oversight	Oversight
Partnerships British Columbia Inc.		Oversight	Oversight	Oversight	
Post-Secondary Employers Association					
Private Career Training Institutions Agency					
Provincial Capital Commission					
Provincial Rental Housing Corporation	Oversight				
Rapid Transit Project 2000 Ltd.					
The Royal British Columbia Museum Corporation					
Transportation Investment Corporation	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct

¹⁰ Although named as a “trust”, this is not a trust fund but a fully consolidated government organization.

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Organization	HISTORICAL COVERAGE		PROPOSED 3-YEAR COVERAGE		
	Fiscal Year 2010/2011	Fiscal Year 2011/2012	Fiscal Year 2012/2013	Fiscal Year 2013/2014	Fiscal Year 2014/2015
Other Organizations - CRF Organizations					
Office of the Representative for Children and Youth ¹¹	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct
Other Organizations - Non Government Reporting Entity Engagements¹²					
Provincial Employees Community Services Fund	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct
Worksafe British Columbia	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct
Science and Community Environmental Knowledge Fund	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct
Langley School District Foundation	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct	OAG-Direct

¹¹ Pursuant to its enabling legislation, the Office of the Representative for Children and Youth is required to have an audit of its accounts performed each year by the Auditor General.

¹² This table only includes those Non-Government Reporting Entity engagements for which the Auditor General is proposing audit coverage.

Appendix B: Summary of Changes from the Prior Year Plan Approved by the Select Standing Committee on Public Accounts in November 2010, for Fiscal Years 2011/2012 through 2013/2014

Organization	Changes	Rationale
Vancouver Community College	<p>The prior year plan was for low involvement in 2013/2014.</p> <p>The current year plan is for oversight involvement in 2013/2014 and then direct audit coverage beginning in 2014/2015.</p>	<p>The plan calls for rotation to direct audit coverage at Vancouver Community College when we rotate from Douglas College in 2014/2015. Oversight involvement in 2013/2014 is required to facilitate a smooth transition.</p>
Northern Health Authority	<p>The prior year plan was for low involvement from 2011/12 through to 2013/2014.</p> <p>The current year plan is for oversight involvement beginning in 2011/2012.</p>	<p>With the adoption of the new standard for group audits, we have refined our assessment of what is a significant component, and now include the Northern Health Authority in that category. Assurance standards require that we be involved at some level in the audit of all significant entities, and we have determined that oversight is appropriate in this case.</p>
Vancouver Coastal Health Authority	<p>The prior year plan was for OAG to audit this organization by engaging a contractor in 2011/2012, and then to begin auditing directly beginning in 2012/2013.</p> <p>The current year plan is for oversight involvement in 2011/2012, and then direct audit involvement beginning in 2012/2013.</p>	<p>As a result of further discussions with the entity and the auditor, it was determined that oversight as opposed to contract audit was a better approach to transition to direct audit coverage in the following year.</p>
Providence Health Care	<p>The prior year plan was for low involvement from 2011/12 through to 2013/2014.</p> <p>The current year plan is for oversight involvement beginning in 2011/2012.</p>	<p>With the adoption of the new standard for group audits, we have refined our assessment of what is a significant component, and now include Providence Health Care in that category. Assurance standards require that we be involved at some level in the audit of all significant entities, and we have determined that oversight is appropriate in this case.</p>

Organization	Changes	Rationale
Community Living British Columbia	<p>The prior year plan was for low involvement from 2011/12 through to 2013/2014.</p> <p>The current year plan is for oversight involvement beginning in 2011/2012.</p>	<p>With the adoption of the new standard for group audits, we have refined our assessment of what is a significant component, and now include Community Living British Columbia in that category. Assurance standards require that we be involved at some level with the audit of all significant entities, and we have determined that oversight is appropriate in this case.</p>
BC Health Services Purchasing Organization	<p>The prior year plan was for direct audit involvement beginning in 2011/2012.</p> <p>The current year plan is for oversight involvement in 2011/2012 and then direct audit involvement beginning in 2012/2013.</p>	<p>This organization is co-located with Vancouver Coastal Health Authority, and is most efficiently audited by the health authority's auditor. As noted above, we will be taking on the role of the health authority's auditor in 2012/2013.</p>
British Columbia Railway Company	<p>The prior year plan was for direct audit involvement beginning in 2011/2012.</p> <p>The current year plan is for OAG to continue auditing this organization by engaging a contractor over the term of the plan.</p>	<p>After further assessment of the impact of the recent restructuring of this organization, we have determined that using a contractor is the best approach for achieving direct audit coverage. One key benefit of involving the incumbent auditor over the next few years is that their detailed knowledge of the organization would facilitate a smoother transition to IFRS.</p>