



OFFICE OF THE
Auditor General
of British Columbia



FINANCIAL STATEMENTS 2018/19

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OUR FINANCES



STATEMENT OF MANAGEMENT RESPONSIBILITY

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

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

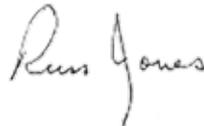
We have developed and maintain systems of internal control that give reasonable assurance that the office has:

- ♦ operated within its authorized limits
- ♦ safeguarded assets
- ♦ kept complete and accurate financial records

The Select Standing Committee on Finance and Government Services of the Legislative Assembly appointed BDO Canada, Chartered Professional Accountants, to audit the accounts of the office for the year ended March 31, 2019.



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



Russ Jones, FCPA, FCA
Deputy Auditor General, CFO

EXTERNAL AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS



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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of The Office of the Auditor General of British Columbia (the "Office"), which comprise the Statement of Financial Position as at March 31, 2019, the Statements of Operations, Changes in Net Debt and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Office as at March 31, 2019, and the results of its operations, changes in net debt, and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally-accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. We are independent of the Office in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Restated Comparative Information

We draw attention to Note 14 to the financial statements, which explains that certain comparative information presented for the year ended March 31, 2018 has been restated. The financial statements for the year ended March 31, 2018 (prior to the adjustments that were applied to restate certain comparative information explained in note 14) were audited by another auditor who expressed an unmodified opinion on those financial statements on July 5, 2018. Our opinion is not modified in respect of this matter.

Note 14 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

As part of our audit of the financial statements for the year ended March 31, 2019, we also audited the adjustments that were applied to restate certain of the comparative information presented for the year ended March 31, 2018. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review, or apply any procedures to the financial statements for the year ended March 31, 2018. Accordingly, we do not express an opinion or any other form of assurance on the financial statements for the year ended March 31, 2018 taken as a whole.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

EXTERNAL AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS



In preparing the financial statements, management is responsible for assessing the Office's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Office or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Office's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Office's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Office's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Office to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants

Victoria, British Columbia
May 30, 2019

OUR FINANCES

STATEMENT OF FINANCIAL POSITION

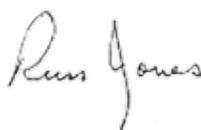
(in \$000s)

As at March 31, 2019	Note	2019	2018 Restated (Note 14)
Financial assets			
Petty cash		2	2
Due from consolidated revenue fund	3	111	72
Total financial assets		113	74
Liabilities			
Accounts payable and accrued liabilities		469	390
Total liabilities		469	390
Net debt		(356)	(316)
Non-financial assets			
Tangible capital assets	4	951	995
Prepaid expenses	5	356	316
Total non-financial assets		1,307	1,311
Net assets	6	951	995

Approved by:



Carol Bellringer, FCPA, FCA
Auditor General



Russ Jones, FCPA, FCA
Deputy Auditor General, CFO

Contractual obligations (note 10)

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

OUR FINANCES

STATEMENT OF OPERATIONS

(in \$000s)

For the fiscal year ended March 31, 2019	Note	2019		2018 Restated (Note 14)
	7	Budget	Actual	Actual
Operations				
Revenue				
Operating appropriation		17,666	17,219	16,498
Expenses				
Audit services	11	17,666	17,219	16,498
Net cost of operations		-	-	-
Capital				
Revenue				
Capital appropriation		250	245	338
Expenses				
Purchase of tangible capital assets		250	245	338
Net cost of capital		-	-	-

STATEMENT OF CHANGES IN NET DEBT

(in \$000s)

For the fiscal year ended March 31, 2019	2019	2018
Acquisition of prepaid expenses	(356)	(408)
Use of prepaid expenses	316	403
	(40)	(5)
Increase in net debt	(40)	(5)
Net debt at beginning of year	(316)	(311)
Net debt at end of year	(356)	(316)

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

OUR FINANCES

STATEMENT OF CASH FLOWS

(in \$000s)

For the fiscal year ended March 31, 2019	Note	2019	2018
Operating transactions			
Paid to employees		(12,625)	(11,950)
Paid to suppliers		(4,265)	(4,338)
Miscellaneous receipts	9	8	11
Cash used in operations		<u>(16,882)</u>	<u>(16,277)</u>
Capital transactions			
Acquisition of tangible capital assets		(245)	(338)
Appropriation for tangible capital assets		245	338
		<u>-</u>	<u>-</u>
Financing activities			
Current year appropriation		<u>16,921</u>	<u>16,248</u>
Increase/(Decrease) in due from consolidated revenue fund		39	(29)
Due from consolidated revenue fund, beginning of year		<u>72</u>	<u>101</u>
Due from consolidated revenue fund, end of year		<u><u>111</u></u>	<u><u>72</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2019 (tabular amounts in \$000s)

1. Nature of operations

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

The Auditor General's mandate is established by the *Auditor General Act*. The Act requires the Auditor General to audit the government's annual Summary Financial Statements, and allows the Auditor General to be appointed as the financial statement auditor of any government organization or trust fund. The Act also allows the Auditor General to carry out examinations—focusing, among other things—on whether government or a government organization is operating economically, efficiently and effectively; and whether the accountability information provided to the legislative assembly by the government or a government organization with respect to the results of its programs is adequate.

Funding for the operation of the Office of the Auditor General (the office) comes from a voted appropriation (Vote 2) of the legislative assembly.

2. Significant accounting policies

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

a) Legislative appropriations

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

b) Financial instruments

It is management's opinion that the office is not exposed to significant interest, currency or credit risk arising from these instruments.

A statement of remeasurement gains and losses has not been prepared as there are no such gains or losses.

c) Tangible capital assets

Tangible capital assets are recorded at historical cost less accumulated depreciation. Depreciation begins when the assets are put into use and is recorded on the straight-line method over the estimated useful lives of the assets as follows:

Computer hardware and software	3 years
Mainframe hardware and software	5 years
Furniture and equipment	5 years
Tenant improvements	Term of lease (20 years)

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2019 (tabular amounts in \$000s)

d) Employee future benefits

i) Pension benefits

All eligible employees participate in a multi-employer defined benefit pension plan. Defined contribution plan accounting has been applied to the plan as the office has insufficient information to apply defined benefit plan accounting. Accordingly, the office's contributions are expensed in the year in which the services are rendered, and represent its total pension obligation.

ii) Other future benefits

Eligible employees are entitled to post-employment health care and other benefits as provided under terms of employment or collective agreements. The cost of these benefits is accrued as employees render the services necessary to earn them.

iii) Leave liability

Eligible employees are entitled to accumulate earned, unused vacation and other eligible leave entitlements as provided under terms of employment or collective agreements. The liability for the leave is managed and held by the BC Public Service Agency.

e) Measurement uncertainty

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

OUR FINANCES

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2019 (tabular amounts in \$000s)

3. Due (to)/from the Consolidated Revenue Fund

The office does not have its own bank account or hold cash or cash equivalents. All monetary transactions of the office are processed through the Consolidated Revenue Fund of the Province of British Columbia (CRF). This balance is reflective of differences in the timing of events that obligate the office, and therefore the CRF to distribute funds, and the receipt of the benefit from disbursing those funds.

	March 31, 2019	March 31, 2018
Balance, beginning of year	72	101
Cash provided for operations	16,921	16,248
Cash provided from miscellaneous receipts	8	11
Cash provided for the acquisition of tangible capital assets	245	338
	<u>17,246</u>	<u>16,698</u>
Expenses during year:		
Paid to employees	(12,625)	(11,950)
Paid to suppliers	(4,265)	(4,338)
Paid for the acquisition of tangible capital assets	(245)	(338)
	<u>(17,135)</u>	<u>(16,626)</u>
Balance, end of year	<u>111</u>	<u>72</u>

OUR FINANCES

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2019 (tabular amounts in \$000s)

4. Tangible capital assets

	Computer hardware & software	Mainframe hardware & software	Furniture & equipment	Tenant improvements	Total
Year ended March 31, 2018					
Opening net book value	182	185	212	333	912
Additions	140	190	8	-	338
Disposals	-	-	-	-	-
Depreciation	(106)	(59)	(71)	(19)	(255)
Closing Net Book Value	216	316	149	314	995
At March 31, 2018					
Cost	643	677	591	370	2,281
Accumulated depreciation	(427)	(361)	(442)	(56)	(1,286)
Net Book Value	216	316	149	314	995
Year ended March 31, 2019					
Opening net book value	216	316	149	314	995
Additions	84	151	10	-	245
Disposals	-	-	-	-	-
Depreciation	(113)	(93)	(64)	(19)	(289)
Closing Net Book Value	187	374	95	295	951
At March 31, 2019					
Cost	727	828	601	370	2,526
Accumulated depreciation	(540)	(454)	(506)	(75)	(1,575)
Net Book Value	187	374	95	295	951

OUR FINANCES

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2019 (tabular amounts in \$000s)

5. Prepaid expenses

	March 31, 2019	March 31, 2018
Travel	15	1
Software & hardware maintenance	210	164
Other	131	151
Total	<u>356</u>	<u>316</u>

6. Net asset balance

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

7. Voted, unused and used appropriation

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

The budget shown on the Statement of Operations is based on the budgeted expenses that the Select Standing Committee on Finance and Government Services approved on December 18, 2017. The following table compares the office's actual expenditures to the approved budgets.

Year ended March 31	2019		2018	
	Operating	Capital	Operating	Capital
Appropriation (Vote 2)	17,666	250	17,339	350
Total appropriation available	17,666	250	17,339	350
Total operating expenses	(17,219)	-	(16,498)	-
Capital acquisitions	-	(245)	-	(338)
Unused appropriation	<u>447</u>	<u>5</u>	<u>841</u>	<u>12</u>

OUR FINANCES

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2019 (tabular amounts in \$000s)

8. Employee future benefits

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

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

Every three years, an actuarial valuation is performed to assess the financial position of the pension plan and the adequacy of the funding. The latest actuarial valuation as at March 31, 2017 reported the fund was 108% funded. There were no significant changes to the benefits plan during the year.

Expenses related to employee future benefits incurred during the year were \$881,199.

9. Miscellaneous receipts

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

10. Commitments

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

The office entered into a 20-year lease agreement for newly built office space, commencing November 1, 2014. The total future minimum lease payments for the duration of the lease are \$20.6 million.

Future minimum payments for each of the next five years under the terms of the commitments, as of March 31, 2019, are as follows:

Fiscal Year	Commitment
2019/20	1,495
2020/21	1,507
2021/22	1,507
2022/23	1,507
2023/24	1,507
TOTAL	<u>7,523</u>

OUR FINANCES

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2019 (tabular amounts in \$000s)

11. Audit services

Classification of audit service expenses by object:

Year Ended March 31	2019	2018	
	Budget	Actual	Actual
Salaries and benefits	12,771	12,684	11,976
Occupancy costs	1,425	1,443	1,435
Professional services	1,265	1,130	1,254
Office expenses	760	514	509
Travel	600	536	534
Information technology	500	517	470
Depreciation	275	288	250
Research grants	70	107	70
	<u>17,666</u>	<u>17,219</u>	<u>16,498</u>

12. Related party transactions

The office is related as a result of common ownership to all Province of British Columbia ministries, agencies, crown corporations and all other public sector entities. Transactions with entities are recorded on an accrual basis and are considered to be in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

13. Comparative figures

Certain comparative figures have been restated to conform to the current year's presentation.

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2019 (tabular amounts in \$000s)

14. Accounting changes

The office changed the policy for accounting for the estimated useful life of tangible capital asset class tenant improvements. The policy changed from the lesser of the life of the lease or 5 years to the life of the lease. The previous policy was in accordance with the Provincial Government's Core Policy and Procedures Manual (Note 15) and the new policy is in accordance with PSAS. The change was made retrospectively and the 2018 comparative year's financial information has been restated as follows in the table below.

	Previous	Change in accounting policy	Restated
Statement of Financial Position			
Tangible capital assets	827	168	995
Total non-financial assets	1,143	168	1,311
Net assets	827	168	995
Statement of Operations			
Audit services	16,553	(94)	16,459
Note 4: Tangible Capital Assets, Tenant improvements			
Year ended March 31, 2018			
Opening net book value	220	113	333
Depreciation	(74)	55	(19)
Closing net book value	146	168	314
At March 31, 2018			
Cost	370	-	370
Accumulated depreciation	(224)	168	(56)
Net book value	146	168	314

OUR FINANCES

14. Accounting Changes (continued)

	Previous	Change in accounting policy	Restated
Note 4: Tangible Capital Assets, Total			
Year ended March 31, 2018			
Opening net book value	779	133	912
Additions	338	-	338
Depreciation	(310)	55	(255)
Closing net book value	827	168	995
At March 31, 2018			
Cost	2,281	-	2,281
Accumulated depreciation	(1,454)	168	(1,286)
Net book value	827	168	995
Note 11: Audit Services			
Depreciation	305	(55)	250



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