



# Report at a glance

## Why we did this report

- The annual audit of the Government of B.C.'s *Summary Financial Statements* provides independent assurance that the statements are true and fair.
- This report can help users understand where they can rely on the *Summary Financial Statements* and where the statements should be viewed with caution.
- Our report on our financial audit work gives members of the legislature and the public a starting point for discussing the province's public accounts.
- This report also includes behind-the-scenes insights on key matters that required significant judgment, and other financial areas of interest

## Auditor general's mandate

To report to the Legislative Assembly whether British Columbia's summary financial statements fairly present the financial position of the provincial government and its operations as of March 31, 2022, in accordance with Canadian Public Sector Accounting Standards.

## Audit period

Fiscal year 2021/22

## Independent Auditor's Report

Our office issued a qualified *Independent Auditor's Report* on the 2021/22 summary financial statements, indicating that three areas of the statements should be viewed with caution. With the exception of these, the statements present fairly, in all material respects, the financial position of the government and its operations as of March 31, 2022.

[Read the full \*Independent Auditor's Report\* in Appendix A.](#)

## Report highlights

Overall, because of our audit, the government corrected errors that resulted in a \$9-million increase to the surplus.

## Basis for qualification

We have issued a qualified *Independent Auditor's Report* based on three material misstatements – significant errors or omissions – that mislead users of the *Summary Financial Statements*. Qualifications are unusual and shouldn't be taken lightly.

- **Deferral of revenue** – The government's liability for deferred revenue is overstated by \$6.48 billion, implying the government has a liability of \$6.48 billion which is not true.
- **Incomplete contractual obligations disclosure** – The government's disclosure of contractual obligations does not include all amounts, including contracts below \$50 million. As a result, disclosures for these future expenses were understated by an estimated \$3.45 billion.
- **Accounting for BC First Nations Gaming Revenue Sharing and Financial Agreement** – Government's statements do not include gaming revenues earned and transferred under this agreement, meaning that revenues and expenses were each understated by \$91 million in the Statement of Operations.

# Report at a glance (continued)

## Key audit matters

These matters required special audit attention but did not result in qualifications:

- **Personal income tax revenue** is a complex estimate that is challenging to audit and is one of the most significant annual figures in the financial statements. It was estimated to be \$13.7 billion this fiscal year.
- **Pension plan obligations** are an estimate of future amounts to be paid from pension plans that exist today. This obligation is estimated to be \$85 billion in the notes to the financial statements. The estimate is sensitive, meaning small changes in the underlying assumptions (e.g., inflation or interest rates) can have a big impact on the amount disclosed.
- **Estimating costs to remediate contaminated sites** requires expert judgements and assumptions including the types and levels of contamination. Because of the highly technical nature of this estimate, environmental consultants assisted with the audit.

## Other financial matters of interest

### The increasing cost of disasters

- In 2021, the province experienced three weather-related disasters, with response and recovery costs estimated at over \$5 billion.
- This amount was more than the previous 19 years combined.
- Emergency Management BC authorizes response and recovery expenditures.
- Eligible costs for large-scale disasters can be shared with the federal government under the Disaster Financial Assistance Arrangements program.

### Updates on the three COVID-19 benefit program

- The **BC Emergency Benefit for Workers** paid \$643 million in benefits to 643,000 people. Government identified 45,000 files for compliance reviews because the recipients did not file 2019 B.C. tax returns, one of the eligibility requirements. As of June 30, 2022, about 10,500 recipients were found ineligible and will have to repay the benefit, for a total of \$10.5 million.
- The **BC Recovery Benefit for Families and Individuals** provided \$1.3 billion and had more up-front controls than the benefit for workers (to reduce fraud or error). Just \$54,000 has been identified for recovery.
- The Ministry of Finance is reviewing the delivery and effective management of the **Small and Medium Sized Business Recovery Grant**. An additional external review is planned to ensure grants were spent in line with program requirements.

### Management letters

- Management letter points concentrate on financial accounting and control issues.
- This report includes significant current year management letter points related to one ministry, five Crown organizations, five school districts, and the Office of the Comptroller General.

## After reading the report, you may wish to ask the following questions:

1. How is the government planning to resolve the problems that caused the qualifications?
2. How will the government and government organizations address all significant management letter items?
3. Does the government have the financial processes and resources required to effectively manage a rising number of weather-related disasters?