

THE LEGISLATIVE ASSEMBLY OF
BRITISH COLUMBIA

ANNUAL REVIEW OF AUDITOR GENERAL REPORTS

SELECT STANDING COMMITTEE ON PUBLIC ACCOUNTS



FIRST REPORT
FIRST SESSION, THIRTY-EIGHTH PARLIAMENT

FEBRUARY 2006

Library and Archives Canada Cataloguing in Publication Data

British Columbia. Legislative Assembly. Select Standing Committee
on Public Accounts.

Annual review of Auditor General reports. – 37th
Parliament, 4th session, 2nd report-

Annual.

Previously published as monograph: British Columbia.
Legislative Assembly. Select Standing Committee on Public
Accounts. Review of Auditor General reports. 2003.

ISSN 1710-3843 = Annual review of Auditor General reports
(British Columbia. Legislative Assembly. Select Standing
Committee on Public Accounts)

1. Administrative agencies - British Columbia -
Evaluation - Periodicals. 2. Finance, Public - British
Columbia - Auditing - Periodicals. 3. Finance, Public -
British Columbia - Accounting - Periodicals. 4.
Government productivity - British Columbia - Evaluation -
Periodicals. 5. British Columbia. Office of the Auditor
General - Evaluation - Periodicals. I. Title. II.
Select Standing Committee on Public Accounts ... report.

HJ9921.Z9B74

352.4'39'0971105

C2004-960035-4

Office of the Clerk of Committees SELECT STANDING COMMITTEE ON PUBLIC ACCOUNTS

Location:

**Room 224, Parliament Buildings
Victoria, British Columbia
V8V 1X4**

Telephone: **(250) 356-2933**

Toll free at: **1-877-428-8337**

Fax: **(250) 356-8172**

Email: **ClerkComm@leg.bc.ca**

Internet Homepage:

This report and others are available at our Internet Homepage which also contains further information
about this and other Select Standing and Special Committees: **<http://www.leg.bc.ca/cmt>**



February 8, 2006

To the Honourable,
The Legislative Assembly of the
Province of British Columbia
Victoria, British Columbia

Honourable Members:

I have the honour to present herewith the First Report of the Select Standing Committee on Public Accounts for the First Session of the Thirty-Eighth Parliament.

The First Report covers the work of the Committee from October 6, 2005 to February 8, 2006.

Respectfully submitted on behalf of the Committee,

A handwritten signature in black ink, which appears to read "Rob Fleming". The signature is fluid and cursive, with a long horizontal stroke at the end.

Rob Fleming, MLA
Chair

TABLE OF CONTENTS

Composition of the Committee	i
Terms of Reference	ii
The Work of the Committee	iv
Retention and Disposal of Government Records	1
Auditor General's Financial Statement Audit Coverage Plan for Fiscal Years 2006/2007 through 2008/2009	4
Auditor General Report No.10, 2004/2005: <i>Building a Strong Public Service: Reassessing the Quality of the Work Environment in British Columbia's Public Service</i>	6
Auditor General Report No. 6, 2005/2006: <i>Monitoring the Government's Finances</i>	11
Auditor General Report No. 4, 2005/2006: <i>Building Better Reports: Our Assessment of the 2003/04 Annual Service Plan Reports of Government</i>	14
Auditor General Report No. 5, 2005/2006: <i>Keeping the Decks Clean: Managing Gaming Integrity Risks in Casinos</i>	17
Auditor General Follow-up and Attestation Reports	21
Documents Distributed	23

COMPOSITION OF THE COMMITTEE

MEMBERS

Rob Fleming, MLA	Chair	Victoria-Hillside
John Yap, MLA	Deputy Chair	Richmond-Steveston
Harry Bains, MLA		Surrey-Newton
Iain Black, MLA		Port Moody-Westwood
Ron Cantelon, MLA		Nanaimo-Parksville
Adrian Dix, MLA		Vancouver-Kingsway
Randy Hawes, MLA		Maple Ridge-Mission
Norm Macdonald, MLA		Columbia River-Revelstoke
Joan McIntyre, MLA		West Vancouver-Garibaldi
Mary Polak, MLA		Langley
Bruce Ralston, MLA		Surrey-Whalley
John Rustad, MLA		Prince George-Omenica
Ralph Sultan, MLA		West Vancouver-Capilano
Diane Thorne, MLA		Coquitlam-Maillardville

CLERK TO THE COMMITTEE

Craig James, Clerk Assistant and Clerk of Committees

COMMITTEE RESEARCHERS

Josie Schofield, Committee Research Analyst
Assisted by Brant Felker and Jonathan Fershau

TERMS OF REFERENCE

On October 4, 2005, the Legislative Assembly agreed:

1. That the Select Standing Committee on Public Accounts be referred the following reports of the Auditor General of British Columbia deposited with the Speaker of the Legislative Assembly :
 - a. Auditor General Report No. 7, 2003/2004, *Building Better Reports: Our Review of the 2002/03 Annual Service Plan Reports of Government* (March 2004).
 - b. Government of BC and Office of the Auditor General Report *An Assurance Program for BC: A Progress Report on the February 2002 Recommendations of the Public Accounts Committee of BC Related to Building Better Reports* (September 2004).
 - c. Auditor General Report No. 6, 2004/2005, *Leading the Way: Adopting Best Practices in Government Financial Reporting - 2003/04* (November 2004).
 - d. Auditor General Report No. 7, 2004/2005 *Monitoring the Government's Finances* (November 2004).
 - e. Auditor General Report No. 8, 2004/2005, *Follow-up of 2002/2003 Report 5: Managing Contaminated Sites on Provincial Lands* (November 2004).
 - f. Auditor General Report No. 9, 2004/2005 *Follow-up of Two Health Risk Reports* (December 2004).
 - g. Auditor General Report No. 10, 2004/2005, *Building a Strong Public Service: Reassessing the Quality of the Work Environment in British Columbia's Public Service* (February 2005).
 - h. Auditor General Review of Partnership BC's report *Achieving Value for Money: Abbotsford Regional Hospital Care Centre Project* (February 2005).
 - i. Auditor General Report No. 11, 2004/2005, *Follow-up of A Review of Government Oversight of Multi-Employer Public Sector Pension Plans British Columbia* (February 2005).
 - j. Auditor General Report No. 12, 2004/2005, *Third Follow-up Report of Management Consulting Engagements in Government* (March 2005).
 - k. Auditor General Report No. 13, 2004/2005, *Building Momentum for Results-based Management: A Study about Managing for Results in British Columbia* (March 2005).
 - l. Auditor General Report No. 1, 2005/2006, *Follow-up of the Recommendations of the Select Standing Committee on Public Accounts contained in its Fourth Report of the 3rd Session of the 36th Parliament: Earthquake Preparedness; Performance Audit* (May 2005).
 - m. Auditor General Report No. 2, 2005/06, *Joint Follow-up of 2001/2002: Report 1 Managing Interface Fire Risks and Firestorm 2003 Provincial Review* (May 2005).
 - n. Auditor General Report No. 3, 2005/2006, *Audit of the Government's Corporate Accounting System: Part 1* (June 2005).
 - o. 2004/2005 Annual Report of the Auditor General of British Columbia, *Serving the Legislative Assembly and the People of British Columbia* (June 2005).

- p. Auditor General Report No. 4, 2005/2006, *Building Better Reports: Our Assessment of the 2003/04 Annual Service Plan Reports of Government* (July 2005).
 - q. Auditor General Report No. 5, 2005/2006, *Keeping the Decks Clean: Managing Gaming Integrity Risks in Casinos* (July 2005).
2. That the Select Standing Committee on Public Accounts be referred the Reports of the Auditor General deposited with the Speaker of the Legislative Assembly during the Thirty-eighth Parliament be deemed referred to the Select Standing Committee on Public Accounts.
 3. That the Select Standing Committee on Public Accounts be the committee referred to in sections 2, 6, 7, 10, 13 and 14 of the Auditor General Act.

In addition to the powers previously conferred upon the Select Standing Committee on Public Accounts, the Committee be empowered:

- (a) to appoint of their number, one or more subcommittees and to refer to such subcommittees any of the matters referred to the Committee;
- (b) to sit during a period in which the House is adjourned, during the recess after prorogation until the next following Session and during any sitting of the House;
- (c) to adjourn from place to place as may be convenient; and
- (d) to retain personnel as required to assist the Committee,

and shall report to the House as soon as possible, or following any adjournment, or at the next following Session, as the case may be; to deposit the original of its reports with the Clerk of the Legislative Assembly during a period of adjournment and upon resumption of the sittings of the House, the Chair shall present all reports to the Legislative Assembly.

THE WORK OF THE COMMITTEE

The all-party Select Standing Committee on Public Accounts held six public meetings during the first session of the 38th Parliament. One planning session also took place.

The first meeting of the Public Accounts Committee (PAC) was held on October 6, 2005, when the Chair and Deputy Chair were elected and the subcommittee on agenda and procedure was appointed. Members received briefings on the respective roles and functions of the PAC, the Office of the Auditor General and the Office of the Comptroller General. At this meeting, the contribution of Arn van Iersel, Comptroller General (1997-2005), was acknowledged by the Chair and the Clerk to the Committee.

On October 17 and 18, 2005, the Chair attended the 25th Anniversary National Conference of the CCAF-FCVI Inc. in Ottawa. Earlier in the year, in his capacity as convenor-designate of the PAC, the Chair represented British Columbia at the 26th Annual Conference of the Canadian Council of Public Accounts Committees, which was held in Niagara-on-the-Lake, Ontario from August 21 to 23, 2005. He was accompanied by the Clerk Assistant and Committee Clerk.

On November 3, 2005, Members met with officials from the Russian Federation who were touring Canada to learn about federal and provincial financial control systems and the role of PACs. The visitors were accompanied by an interpreter and three staff members from the Parliamentary Centre.

At five public meetings in the fall and winter, the Public Accounts Committee carried out its statutory functions related to the retention and disposal of government records and its annual review of the Auditor General's financial statement audit coverage plan. The PAC also reviewed four main reports deposited by the Auditor General with the Speaker of the Legislative Assembly relating to the public service work environment, government finances, government performance reporting, and the management of casino-gaming integrity risks. It also considered one follow-up report on B.C. public sector pension plans, and the Auditor General's attestation report regarding Partnerships BC's report on the Abbotsford Regional Hospital and Cancer Centre project.

By the end of the first session, however, the Committee had not conducted reviews of the following reports tabled by the Auditor General during the past two sessional years:

- *An Assurance Program for BC: A Progress Report on the February 2002 Recommendations of the Public Accounts Committee of BC Related to Building Better Reports* (September 2004)
- *Leading the Way: Adopting Best Practices in Government Financial Reporting - 2003 / 2004 and 2004/05* (November 2004)
- *Follow-up of 2002/2003 Report 5: Managing Contaminated Sites on Provincial Lands* (November 2004)
- *Follow-up of Two Health Risk Reports* (December 2004): *A Review of Performance Agreements Between the Ministry of Health Services and the Health Authorities; Information Use by the Ministry of Health in Resource Allocation Decisions for the Regional Health Care System*
- *Third Follow-up Report of Management Consulting Engagements in Government* (March 2005)

- *Building Momentum for Results-based Management: A Study about Managing for Results in British Columbia* (March 2005)
- *Follow-up of the Recommendations of the Select Standing Committee on Public Accounts contained in its Fourth Report of the 3rd Session of the 36th Parliament: Earthquake Preparedness; Performance Audit* (May 2005)
- *Joint Follow-up of 2001/2002: Report 1: Managing Interface Fire Risks and Firestorm 2003 Provincial Review* (May 2005)
- *Audit of the Government's Corporate Accounting System: Part 1* (June 2005)

Copies of Auditor General reports are available at: <http://bcauditor.com/AuditorGeneral.htm>.

Minutes and transcripts of committee meetings and the reports of the Public Accounts Committee are available on the Legislative Assembly's web site at: www.leg.bc.ca/cmt/.

RETENTION AND DISPOSAL OF GOVERNMENT RECORDS

BACKGROUND

The *Document Disposal Act* requires the consent of the Legislative Assembly to destroy a government record within the provincial public service. The Public Documents Committee (PDC) reviews each year the records retention schedules created by the line ministries and central agencies according to the legal, operational and financial obligations inherent in the records. If the records have long-term value to the corporate government, then the PDC recommends their retention by the government archives. If their value is limited, the PDC recommends that the records be kept in ministry storage for a period of time and then once the obligations have lapsed, be confidentially destroyed.

Pursuant to section 3 of the Act, the Public Documents Committee (PDC) submits every year to the Public Accounts Committee a copy of each of the records retention and disposal authorities that the PDC has recommended for the approval by the Legislative Assembly. Once approved, these authorities will govern the retention and final disposition of various government records.

NOVEMBER 23 AND 29, 2005 MEETINGS

At the meetings on November 23 and 29, 2005, the PDC Chair and Provincial Archivist briefed the committee members on the role of the PAC in the process of regulating the retention and final disposition of government records. He also presented nine resolutions identifying the records retention and disposal authorities for their consideration and approval.

COMMITTEE REVIEW

After hearing from the witness, committee members asked for clarification about existing records-retention rules; the archival status of land title maps relating to aboriginal claims; the restrictions on public access to government records; the proportion of government records that are archived; the challenge of managing electronic records; the process used by the records retention and disposal authorities to implement the resolutions; the security measures for archival records; and the schedule for the retention and disposal of files relating to the defunct Waste Buster program.

The Committee also inquired about the adequacy of the existing legislation, given that the *Document Disposal Act* has been in existence since 1933 and last amended in 1983. In response, the PDC Chair explained that while the Act covers conceptually all formats of information creation (e.g. electronic, digital, paper-based, photographic) and records management, there is no statutory requirement in British Columbia to create records — unlike the Commonwealth of Australia, where public servants are required to create, maintain and preserve records of decisions.

From the PDC Chair's perspective, a new statute is needed to clarify the recordkeeping obligations of the public service, to streamline the parliamentary approval process (which is unique in Canada), and to look at harmonizing a public records act with the province's public sector access-to-information and privacy law.

COMMITTEE RECOMMENDATIONS

The Committee recommends to the Legislative Assembly acceptance of the following nine resolutions relating to the retention and disposal of government records:

1. That the management of the retention and final disposition of the operational records of the Family Maintenance Enforcement Program, Ministry of Attorney General and Minister Responsible for Multiculturalism, be in accordance with the records schedules, standards, and guidelines described in the *Maintenance Enforcement and Locate Services Operational Records Classification System*.
2. That the management of the retention and final disposition of the operational records of the Local Government Department, Ministry of Community Services, be in accordance with the records schedules, standards, and guidelines described in the *Local Government Services Operational Records Classification System*, as amended.
3. That the management of the retention and final disposition of the operational records of the Provincial Treasury and Registries Division, Ministry of Finance, be in accordance with the records schedules, standards, and guidelines described in the *Provincial Treasury Operational Records Classification System*, as amended.
4. That the retention and final disposition of Community Economic Development Program records be managed in accordance with the ongoing records retention and disposal authority for those records.
5. That the retention and final disposition of Aboriginal Health Council records be managed in accordance with the one-time records retention and disposal authority for those records.
6. That the retention and final disposition of Health Professions Council records be managed in accordance with the one-time records retention and disposal authority for those records.
7. That the retention and final disposition of Mental Health Advocate records be managed in accordance with the one-time records retention and disposal authority for those records.
8. That the retention and final disposition of Waste Buster program files be managed in accordance with the one-time records retention and disposal authority for those records.
9. That the retention and final disposition of Waste Buster web site and related electronic records be managed in accordance with the one-time records retention and disposal authority for those records.

The Committee agreed that the process which results in it considering the retention and disposal applications approved by the Public Documents Committee be reviewed by the appropriate government agency, the Ministry of Labour and Citizens' Services.

FEBRUARY 8, 2006 MEETING

At the meeting on February 8, 2006, the PDC Chair and Provincial Archivist presented an additional five resolutions for the Committee's consideration and approval.

COMMITTEE RECOMMENDATION

The Committee recommends to the Legislative Assembly acceptance of the following five resolutions relating to the retention and disposal of government records:

1. That the management of the retention and final disposition of the operational records of the Vital Statistics Agency, Ministry of Health, be in accordance with the records schedules, standards, and guidelines described in the *Vital Statistics Services Operational Records Classification System*.
2. That the management of the retention and final disposition of the operational records of the PharmaCare program, Ministry of Health, be in accordance with the records schedules, standards, and guidelines described in the *PharmaCare Services Operational Records Classification System*, as amended.
3. That the management of the retention and final disposition of the operational records of the Liquor Control and Licensing Branch, Ministry of Public Safety and Solicitor General, be in accordance with the records schedules, standards, and guidelines described in the *Liquor Control and Licensing Operational Records Classification System*, as amended.
4. That the retention and final disposition of the operational records of the Security Programs Division, Ministry of Public Safety and Solicitor General, be in accordance with the records schedules, standards, and guidelines described in the *Security Programs Operational Records Classification System*.
5. That the retention and final disposition of the operational records of the Archaeology Branch, Ministry of Tourism, Sport and the Arts, be in accordance with the records schedules, standards, and guidelines described in the *Archaeology Operational Records Classification System*.

AUDITOR GENERAL'S FINANCIAL STATEMENT AUDIT COVERAGE PLAN FOR FISCAL YEARS 2006/2007 THROUGH 2008/2009

Pursuant to section 10 of the *Auditor General Act*, the Auditor General must provide to a committee of the Legislative Assembly each year a plan for the appointment of auditors for government organizations and trust funds for the following three fiscal years. In addition, section 14 of that Act states that the Auditor General, with the prior consent of the committee, may agree to be appointed, for a term specified by the committee, as the auditor of an organization other than a government organization or trust fund.

Under the terms of reference, adopted by the House on October 4, 2005, the Public Accounts Committee was identified as the committee to review the report containing the Auditor General's financial statement audit coverage plan. The PAC conducted its review of the plan at the meetings on November 23 and 29, 2005, with staff from the Office of the Auditor General in attendance.

SUMMARY OF PROPOSED PLAN

The Assistant Auditor General, Finance Sector, informed the Committee that the six essential elements of the proposed plan represent the minimum requirements to permit the Auditor General to sign the audit opinion on the provincial government's summary financial statements. The first element is a list of the 24 government organizations and trust funds that the Auditor General proposes to audit directly on a fee-for-service basis during 2006/07 (in addition to the 19 ministry audits financed by the office's annual appropriation). Next, there is a list of the 128 government organizations to be audited by private sector firms in 2006/07, and information about the office's increased level of involvement in 20 of these audits. The proposed distribution of financial statement audit responsibilities for the next three fiscal years is outlined in Appendix B.

The report includes the results of consultations held with government organizations. There is also a section on the impact of the plan for the office's budget (appropriation), as the fees charged by the office for financial statement audit services will be less than last year. Finally, information is provided about the criteria and selection process for the appointment of auditors.

The Auditor General then asked the Public Accounts Committee to endorse the recommendations proposed on page 9 of the report:

1. approve the changes from the previously approved plan for the fiscal years 2005/06 through 2007/08 as identified in Appendix A of the report;
2. approve the financial statement audit coverage plan for the fiscal year 2008/09 as presented in Appendix B of the report;
3. approve the Auditor General appointment term of ten government organizations and trust funds for a period of more than five consecutive fiscal years as identified in the report;
4. approve the Auditor General to continue to be the appointed auditor of one organization outside of the government reporting entity — the Workers' Compensation Board;

5. endorse the Auditor General to continue to administer the auditor appointment process as described in the report.

COMMITTEE REVIEW

Members asked for clarification about the fee-for-service work undertaken by the Office of the Auditor General — in particular, whether the fees charged for a financial statement audit are comparable to a market rate. To illustrate their concern, they suggested that the prospect of a lower fee might have motivated the board of the B.C. Pavilion Corporation to ask the Auditor General to audit its financial statements. They were informed by the Auditor General that this particular audit is appropriate since the corporation has a lot of transactions with the Ministry of Finance. The Auditor General also explained that the basis on which the office may charge fees requires the approval of the Select Standing Committee on Finance and Government Services, while the role of the PAC is to endorse his three-year plan for the appointment of financial statement auditors.

Regarding the proposed changes to the audit coverage plan submitted last year, outlined in Appendix A, some committee members asked for an explanation of the Auditor General's decision not to continue as the auditor of Partnerships BC in 2006/07. They learned that the Office of the Auditor General plans to remain involved by carrying out extended procedures to support reliance, and that its current work with Partnerships BC on the value-for-money disclosure report relating to the Sea-to-Sky Highway project provides a window on its operations.

Members expressed interest in the rationale for the choice of school districts listed in Appendix B. The Auditor General explained that size of school district is the criterion, with Richmond qualifying as large and Nanaimo-Ladysmith as medium. In a follow-up response, the committee members proposed a shorter time frame for these audits by the Auditor General (one year rather than three).

Questions were also asked about the Auditor General's jurisdiction regarding the audit appointment process for school districts. Some Members brought up the situation in Richmond where the board of trustees is continuing to appoint an auditor under section 158 of the *School Act* when the Office of the Auditor General has decided to be the auditor of record.

In a follow-up letter to the Committee, the A/Comptroller General confirmed that section 10(11) of the *Auditor General Act* provides the Auditor General with the power to audit any organization within the government reporting entity, irrespective of conflicting clauses in other statutes. However, the legislation came into force before a consequential amendment to the *School Act* could be made clarifying the new auditor appointment process — a legislative change that is not likely to occur until spring 2007.

COMMITTEE DECISION

The Committee approved the Auditor General's Financial Statement Audit Coverage Plan for Fiscal Years 2006/2007 through 2008/2009 (dated November 2005) and the five recommendations listed on page 9 of the report.

AUDITOR GENERAL REPORT No. 10, 2004/2005:

Building a Strong Public Service: Reassessing the Quality of the Work Environment in British Columbia's Public Service

The Public Accounts Committee met on December 7, 2005 to consider the Auditor General's second report on the work environment in British Columbia's public service. It heard presentations by the Office of the Auditor General and the BC Public Service Agency.

BACKGROUND

SUMMARY OF REPORT

In April 2002, the Auditor General made four recommendations in his first report on the work environment in British Columbia's public service. The recommendations were that government develop a strategy to manage its human resources; that it carefully plan and manage the downsizing that was occurring; and that it measure, as well as publicly report on, the strength of the work environment and quality of services it provides.

The 2005 report contains the results of the second audit conducted by the Office of the Auditor General. The purpose of this audit was to reassess the quality of the work environment, by examining four key factors: engaged employees, strong executive leadership, a citizen-centred organizational culture, and good performance management and reporting.

The report's findings are based primarily on a government-wide survey sent electronically to almost 6,000 ministry employees between November and December of 2003. There was a 75 percent response rate to the survey. The audit team compared the results with the results of the first survey conducted in 2001, and to the benchmarks provided by Hewitt Associates, an international human resources consulting firm that identifies annually 50 top Canadian companies to work for.

In addition to the work environment survey, the audit team also used more qualitative sources to prepare the report. It reviewed the best-practice literature and relevant government documents. Interviews with executive leaders and other key human resources managers, and seven focus groups with public service employees across the province were also conducted in the spring of 2004.

The report's overall conclusion is that there has been a slight improvement from the results of the 2001 survey, but that the work environment of the B.C. public service still needs to be enhanced. The report's three recommendations are:

- That the deputy ministers of government continue to implement the 2002 recommendations to strengthen the work environment.
- That the deputy ministers of government take action in four areas that provide the best opportunity to improve employee engagement: executive leadership; learning and development opportunities; career advancement opportunities; and individual recognition. Specifically, that the government create or re-examine its strategies for improving performance in the four areas; incorporate those strategies, along with specific performance indicators and targets, into key planning documents and all executive performance and

development plans; and report annually to the Legislative Assembly on its progress in strengthening each of the four areas.

- The deputy ministers of government survey public service employees annually on their views of the work environment and report the results to the Legislative Assembly and the public.

SUMMARY OF GOVERNMENT'S RESPONSE

The Deputy Minister of the BC Public Service Agency appeared before the Committee as the representative of the Deputy Ministers' Council. Before summarizing the government's response to the Auditor General's report, he explained that the Public Service Agency is responsible for providing leadership throughout government with respect to human resource management and for providing, on behalf of ministries, basic human resource functions.

Turning to the report, the witness stated that the deputy ministers across government acknowledge that the public service survey results are below the private sector benchmarks and that the shifts in the assessment scores from the 2001 baseline survey results have been small, overall. However, they regard all the significant shifts as positive ones, and see the report as a signal that the government is on the right track but still has a lot of work to do, particularly in regard to the recruitment challenge.

With regard to the report's first recommendation, the Deputy Minister reported that the 2002 recommendations were either partially or substantially implemented. Specific actions include: implementation of a corporate human resource strategy and a workforce adjustment transition plan; measuring government-wide performance in managing the work environment; and establishing service standards and measuring performance against these standards.

The agency's A/Assistant Deputy Minister of Business Transformation and Learning then updated the Committee on steps taken to implement the second recommendation. Members learned that the government was working towards meeting its stated objectives in the four areas in order to improve employee engagement. First, to promote executive leadership, several initiatives are in place — including the Leading the Way Program, the new senior manager/executive leadership competency framework, executive leadership forums, executive orientation, accelerated development (assistant deputy minister, executive director and director positions), and learning leader forums. Second, to expand learning and development opportunities, the agency has implemented a corporate learning strategy, made a \$10.3 million annual investment, and implemented employee development and performance plans (including learning plans). Third, to improve career advancement opportunities, the BCPSA has developed a career management curriculum and a talent management strategy (that includes the new public-service branding initiative). Fourth, for individual recognition, there are now the Premier's Innovation and Excellence Awards, long service awards, staff appreciation awards, and employee improvement awards.

Regarding the final recommendation, the Deputy Minister reported that the Public Service Agency will conduct, on behalf of government, an annual survey of all public service employees and report the results in the agency service plan report. Specific actions planned for 2006/07 include: the implementation of the talent management strategy, the launch of an orientation initiative to support new employees, and the implementation of the learning strategy to address critical shortages and to build competencies.

COMMITTEE INQUIRY

After hearing from the witnesses, the committee inquiry focused on the following topics: the methodology of the focus groups and the methodology of the work environment survey. Individual committee members also inquired about private sector competition for talented employees; the proportion of visible minorities in senior management; the basis of career advancement in the public service; the role of ministry communications branches in building a corporate identity; and the public-service branding initiative.

Focus Group Methodology

Some committee members voiced concerns about the lack of accessible information in the report on the methodology used by the audit team to conduct the seven focus groups. They asked first for clarification on the criteria used to select the participants. In response, the audit team leader explained that the participants were randomly selected from the survey respondents since the purpose of the focus groups was to explore the results in greater detail. These employees represented a range of positions (clerical staff to managers).

Members also commented on the lack of details in the report on the conduct of focus group sessions, particularly the level of moderator involvement. They stated that normally such a report would contain an elaborate description of how the focus groups were conducted, as well as the moderator's guide listing what questions were asked and how. In addition to the focus groups, exit interviews and data on complaints against managers were suggested as other useful tools to assess employee satisfaction in the future.

Survey Methodology

Survey Design

Another theme of the committee inquiry focused on the work environment survey, which was designed to be sent electronically to ministry employees. Members asked if the survey was also accessible to individuals who did not have access to a computer. They were informed that there was a mail-out component for employees who were unable to access the web-based survey.

The Committee also sought clarification on whether the survey responses were weighted by sector so that the sample represented a proper cross-section of the public service, or if they were just tabulated in the aggregate with no regard to sector of government activity, gender, occupation or ethnic background. The witness explained that weighting adjustments were used to ensure that the audit team could report the survey results by ministry, occupational grouping, age and gender; however, employment equity groups were not included. In response, committee members suggested that future reports include a more technical review of the methodology informing the reader how many surveys were sent out, what the response rates were by sector, and the types of weighting adjustments that were applied.

Another question was whether there were any other survey results that were either statistically significant or relevant. In response, the witness reported that ministries where significant downsizing had occurred tended to have the lowest scores in the survey, and that employees in the smaller ministries were more engaged than those in the large ministries.

Survey Results

The Committee also commented on the audit team's interpretation of the survey results. Some Members felt that the shifts in the 2005 work environment survey results, compared to 2001, were played down by the audit team. From their perspective, the range of scores (plus-4 to plus-14) reveals significant, not "slight," shifts during the period of transition and rapid change. Other Members, however, interpreted some of the shifts as minor, with one describing them as "lousy."

The Committee then asked a series of questions regarding the audit team's choice of private sector benchmarks to assess the results of the survey of B.C. public service employees. After suggesting this was equivalent to comparing "apples to oranges," Members inquired why there was not a comparison to another public service work environment.

In response, the audit team leader explained that at the time of the B.C. survey (November 2003), there were no comparable surveys for evaluating public sector work environments across Canada, whereas Hewitt Associates was using the same survey instrument as the audit team. The witness also informed the Committee that public sector organizations were invited to participate in the Hewitt Associates 2004 survey, but that none had made it into the top 50 companies. From her perspective, the comparison was appropriate since the government competes with these firms when recruiting talented employees. However, some Members felt that the use of private sector benchmarks casts doubt on the validity of the survey results.

The witness was also asked about the trends in the top 50 companies from 2001 to 2004, since the report only includes the shifts in the public service during this time frame. In response, she explained that since there were not really any changes in the Hewitt trends during this period, it did not seem relevant to report them. However, one committee member thought that it was "very relevant" to report that there was nothing happening in the private sector during the time when there were some improvements in the scores of the B.C. public service, despite the downsizing.

Other Members commented that it would have been useful to compare the types of corporate structures (e.g. contractual agreements) in place within the top 50 companies with the structures of the B.C. public service, and also to examine the variations in employee recognition between the private sector and the unionized public sector.

Future Surveys

With regard to future work environment surveys, the Committee asked the Deputy Minister if the Public Service Agency was planning to make any changes to the survey design — in particular, whether the agency was looking at adapting some of the questions or adding new questions, and what kinds of comparisons and benchmarks the agency was hoping to use in future surveys.

The Deputy Minister stated that the agency was working with BC Stats to refine the survey instrument so that the results can be compared to previous employee satisfaction surveys and also reveal what is going on in specific agencies and ministries. He also reported that agreement has been reached with the other provinces on 20 standard questions, which cover the employee engagement criteria developed by the Office of the Auditor General, and that these questions will be used as the benchmarks to make comparisons with the public service in other jurisdictions.

Finally, the Deputy Minister was asked whether there was a plan to make the senior levels of management – particularly the deputy ministers – accountable for the survey results and responsible for improving the employee engagement scores. He reported that the ministry-specific workforce planning process is designed to improve accountability and performance. Currently the deputy ministers are undertaking a detailed human resource planning exercise that involves examining their business plans to identify necessary skill sets, potential gaps and strategies for addressing those gaps. As Deputy Minister of the Public Service Agency, it will be his responsibility to ensure that the deputy ministers are meeting their targets and objectives in terms of improving the different aspects of employee engagement, and to report on progress made in the agency service plan report.

COMMITTEE RECOMMENDATION

The Committee endorses the three recommendations of the Auditor General's 10th Report for 2004/05, *Building a Strong Public Service: Reassessing the Quality of the Work Environment in British Columbia's Public Service*, and recommends the same to the Legislative Assembly.

AUDITOR GENERAL REPORT No. 6, 2005/2006:

Monitoring the Government's Finances

Prior to carrying out its review, the Public Accounts Committee requested a briefing on the impact of the government's adoption of generally accepted accounting principles (GAAP) for reporting its financial results. This briefing took place on December 7, 2005 and was conducted by senior officials from the Ministry of Finance.

The Committee met on January 31, 2006 to consider the Auditor General's latest annual report on the state of the government's finances, having decided that this assessment would be more up to date than the November 2004 report referred by the House. It heard presentations by the Office of the Auditor General and the Ministry of Finance.

BACKGROUND

SUMMARY OF REPORT

The purpose of the report is to provide legislators and the public with the best information for assessing the financial position and performance of government. Since the content of the report is quite technical, a new questions-and-answers section (Part 3) explains in simple terms the revenue and expense trends, revenue sources, expense sustainability, debt and interest, and infrastructure sustainability.

Part 1 of the report contains detailed information on financial measures and trends in the province from 1996/97 to 2004/05 (the first fiscal year the summary financial statements were fully GAAP-compliant). The financial information framework details the revenues and expenses, assets and liabilities for both general programs and government business enterprises over the nine-year period. The trend analysis shows that in the year ended March 31, 2005, British Columbia incurred an annual surplus of \$2.6 billion (compared to \$1.3 billion deficit in 2003/04). The overall debt or accumulated deficit at March 31, 2005 totalled \$3.2 billion (compared to \$5.7 billion at March 31, 2004).

The audit team also used seven indicators of government financial condition, developed by the Canadian Institute of Chartered Accountants (CICA), to measure sustainability, flexibility and vulnerability. These indicators reveal that the government's financial position in 2004/05 was more sustainable and flexible than in the previous fiscal year but also more vulnerable, as the government was relying more on transfer payments from the federal government.

Part 2 of the report compares B.C.'s performance to that of several provinces and the government of Canada, by using three financial indicators. In 2004/05, British Columbia's economy, as measured by the percentage increase in GDP per capita, performed better than Canada's but not as well as Alberta, Saskatchewan and Newfoundland and Labrador; however, in terms of total GDP, the province's GDP per capita continued to be below the Canadian average. Other findings were that the ratio of net liabilities to GDP had been somewhat stable in B.C. over the past nine years; and that the province's credit rating in 2004/05 was second highest, with Alberta and Canada first.

The report makes one recommendation encouraging the government to expand its use of financial statement discussion and analysis in the *Public Accounts* so that legislators and the public can better understand the major trends, indicators and decisions that have affected the government's financial position and performance.

SUMMARY OF FINANCE MINISTRY'S RESPONSE

The Deputy Minister of Finance informed the Committee that the province has made significant progress in financial reporting, and that the 2004/05 public accounts received an unqualified audit opinion from the Auditor General. The witness also reported that the *Public Accounts* contains a financial statement discussion and analysis section, and that the CICA indicator analysis is included in the 2005 *Financial and Economic Review*.

The Committee also learned that relative to other provinces, B.C. ranks among the first in terms of timely release of the annual public accounts. In addition, its financial reports (budget, quarterly reports and public accounts) are consistent with GAAP, complete and comparable. At the same time, the government recognizes the need to improve the accessibility and intelligibility of the province's public accounts, so that the public is better able to understand the financial statements.

Regarding the Auditor General's recommendation, the Deputy Minister stated that the province's number one priority continues to be ensuring full compliance with GAAP. On the matter of additional financial trend and ratio analysis, the government is adopting a wait-and-see approach for two reasons. First, the practices recommended by the Public Sector Accounting Board in June 2004 are not currently GAAP-compliant and may change. Secondly, trend analysis is difficult to do, with the apples-to-apples comparison between jurisdictions posing the most significant hurdle to overcome.

The ministry plans to look at developing trend analysis over time, based on GAAP-compliant financial statements rather than the format suggested by the Auditor General. It also plans to incorporate CICA financial indicators where it makes sense and to make comparisons to other provinces once greater consistency in accounting practices is achieved across Canada.

COMMITTEE INQUIRY

After hearing from the witnesses, the committee inquiry focused on the topic of the comparability of financial information. Individual committee members also asked about the ministry's expectations regarding federal transfer payments and the taxation revenue trend since 2003 (exhibit 2, p. 16).

Comparability of Financial Information

Financial Indicators

The Committee asked the Deputy Minister of Finance to clarify the statement in her written presentation (p. 9) that the province reports some of the financial indicators "but the indicators are not generally accepted among senior governments as there is some disagreement about their value and about which ones should be used." In response, the witness explained that measures like GDP per capita are comparable across jurisdictions. However, the debt side is more difficult, since each credit rating agency — Dominion, Moody's, S&P — has a different way of calculating the debt profile of each province and defining the net-debt-to-GDP ratio. In

response to a follow-up question, the Deputy Minister reported that these agencies are supportive of the direction the province has taken, and they cite compliance with GAAP as one of the key strengths.

Committee members also commented on the lack of analysis in the Auditor General's report of why the GDP per capita for British Columbia is below that of Saskatchewan and Ontario and close to Manitoba's (appendix B). Does it mean that we have more retirees on fixed incomes, or that there is a productivity problem, or that our wage rates are lower? In response, the Auditor General explained that the purpose of the report is the provision of financial information, and that it is the role of the management group to undertake any analysis and provide explanations.

Vulnerability Indicators

Another line of questioning related to the use of CICA indicators of vulnerability. Members noted that the discussion of vulnerability indicators in the report (pp. 45-48) did not include any reference to the instability of the province's resource sector, particularly to the two positive, or anomaly, years (2000/01, 2004/05). They learned from the Auditor General that the audit team had only used the two CICA vulnerability indicators. He recognized, however, that a more in-depth explanation would include the extent to which a jurisdiction is vulnerable to changes in commodity prices.

B.C. Financial Trends

Another line of inquiry focused on whether the adoption of legislated GAAP in 2004/05 had a dampening effect on the financial trends for the previous eight years. The Committee learned from the Deputy Minister that the biggest challenge in terms of incorporating the SUCH sector into the budget plan was to make sure that there was consistency of assumptions regarding the spending profile among the schools, universities, colleges and hospitals.

Members also asked whether the nine-year budget graph showing the annual surplus/deficit trend from 1997 to 2005 (exhibit 9, p. 29) was actually comparing "apples with apples," given that GAAP compliance was not a requirement until 2004/05. The Auditor General explained that the results were adjusted to include the SUCH sector to make sure that the comparison is valid.

COMMITTEE RECOMMENDATION

The Committee endorses the recommendation of the Auditor General's 6th Report for 2005/06, *Monitoring the Government's Finances*, and recommends the same to the Legislative Assembly.

AUDITOR GENERAL REPORT NO. 4, 2005/2006:

Building Better Reports: Our Assessment of the 2003/04 Annual Service Plan Reports of Government

The Public Accounts Committee met on January 31, 2006 to consider the Auditor General's fourth annual assessment of the quality of government performance reporting, having decided that the third annual assessment referred by the House was now out of date. The Committee heard presentations by the Office of the Auditor General and the Ministry of Finance.

BACKGROUND

SUMMARY OF REPORT

Since 2001, the Auditor General has released four reports examining the quality of government performance reporting in British Columbia. The purpose of the annual assessment of report quality is to ensure that the public and legislators receive the best information possible for assessing the performance of the provincial public sector.

The report under review assesses the 2003/04 annual service plan reports of 19 ministries and 15 key Crown agencies, as well as the government-wide strategic plan report. The assessment team conducted a "desk review" of the reports, rather than auditing the information to attest to its accuracy. They used the B.C. Reporting Principles as the basis for their assessments of the reports. Assessments under each principle were categorized according to the stage of development: "start-up," "in process," "fundamentals in place," or "fully incorporated."

The assessment team concluded that the 2003/04 annual service plan reports do not yet fully inform readers about government's performance. However, the team observed steady, albeit measured, progress in the overall quality of reporting over the previous year — particularly by Crown agencies.

The report contains three recommendations:

1. That government identify an executive sponsor to coordinate and support the implementation of various performance management and reporting initiatives across government.
2. That executive responsibility for performance management and reporting, including the "operationalization" of the B.C. Reporting Principles, be assigned to a senior official having sufficient authority to effect changes, such as a senior Deputy Minister.
3. That the process of examining service plans and annual service plan reports begun by the Select Standing Committee on Crown Corporations be extended to other standing committees of the Legislative Assembly.

SUMMARY OF GOVERNMENT'S RESPONSE

The Ministry of Finance was asked to respond on behalf of government, and the Deputy Secretary to Treasury Board appeared before the Committee in this capacity. He stated that the provincial government continues to be committed to improving accountability and agrees that more work is needed. However, reporting lags pose a challenge, since there is a time lag

between the release of the Auditor General's report and the creation of service plans. Nonetheless, the insights of the assessment team are valuable on a going-forward basis.

Regarding the discrepancy between Crown agency improvements and "some slippage" in ministry results, the Deputy Secretary suggested that the reporting of ministry performance is more complex with respect to goals and outcomes than for Crown agencies, which focuses on more business-type operations with less policy complexity. He also noted that the guidelines for the 2005/06 and 2006/07 service plans emphasize the need for ministries to clearly identify the public purpose served, establish how the business of each ministry links to the government's five great goals, and identify their involvement within cross-ministry initiatives.

Turning to the report's first recommendation — the need for an executive sponsor — the witness informed the Committee that a clear, centralized hub for ministry service planning, and reporting support and guidance, was established in August 2005 within the Deputy Minister's Policy Secretariat.

On the second recommendation, the need for strong leadership, the Committee learned that each minister is accountable for his or her ministry service plans and annual reports, while Crown boards are accountable for performance management and reporting.

In regard to the third recommendation, the Deputy Secretary reported that all service plans and annual service plan reports are tabled in the Legislative Assembly, and that all MLAs can review them in the budget estimates debate. In addition, Crown agency plans and reports are subject to review by the Select Standing Committee on Crown Corporations.

COMMITTEE INQUIRY

After hearing from the witnesses, the committee inquiry focused on the following topics: the assessment results; the complexity of ministry performance reporting; and the future role of standing committees. Individual committee members also asked about the future components of performance reporting (ref. Global Reporting Initiative) and the future assessment of the 2010 Winter Olympic Games.

Assessment Results

The Committee commented on the tenor of the assessment results for the 2003/04 reports, noting that the use of terms like "limited...progress" and "slight improvement" downplayed the success that has been achieved in government performance reporting. They cited, in particular, the downplaying of the report's overall finding for 2003/04 that "a total of 27 fundamentals-in-place assessments were attained, a significant increase over the 12 that were attained in each of the last two years." (Report, p. 25) In response, the leader of the assessment team explained that to strike the right balance, examples of government organizations that have done well are cited in the report and weaknesses are simply generalized.

During the inquiry, committee members also learned that the trend for the 2004/05 service plan reports (to be reported on in March 2006) is similar to the trend reported for 2003/04. They asked the Auditor General to clarify his statement summarizing the overall results for the 2004/05 annual service plan reports: "Ministries not doing as well, Crown agencies moving forward [and] stronger and the government overall strategic report not being very good." (Hansard Transcript, 1100)

The Auditor General explained that the latest assessment shows that Crown agencies are continuing to make progress at a greater speed than ministries, whose progress is quite slow. In addition, the government-wide reporting that brings it all together is weak because it misses some opportunities to explain how the overall system of government works. He then acknowledged that progress had been made in performance reporting since the passage of the 2001 *Budget Transparency and Accountability Act* and the adoption of the B.C. Reporting Principles in 2004. These significant steps had placed British Columbia in a leadership position compared to other jurisdictions across Canada.

Ministry Performance Reporting

Members also commented on the complexity of ministry performance reporting — particularly for the Ministry of Education, where some of the information collected for different accountability exercises is not perceived as useful on the ground. They noted that a series of subjective judgements lies behind the choice of “objective” performance indicators.

The Committee also inquired about the impact of the change to multi-year strategic planning from a single-year fiscal planning model on ministry operations. In response, the Deputy Secretary to Treasury Board stated that the change has created more stability and an evolving, adaptive planning process, with ministries perceiving the rolling three-year service plans as yardsticks that can be modified each year. The A/Comptroller General added that the move to a three-year planning process has improved the focus on goals and objectives and outcome measures, and that the change in culture is making ministries and Crown agencies much more focused on managing performance, as well as on reporting performance publicly.

Future Role of Standing Committees

Some Members raised concerns about the Auditor General’s third recommendation to expand the role of standing committees in reviewing ministry service plans and annual service plan reports. They felt that this new role would detract from existing committees’ explorations of very focused topics (e.g. adult literacy initiatives), and that the estimates debate provides sufficient opportunity for the review of ministry service plans.

In response, the leader of the assessment team reported that about ten years ago, a previous Public Accounts Committee had suggested that plans and reports be referred to standing committees focused on particular sectors of government. It was thought at that time that such deliberations would promote discussion of what government had planned to do and what it had actually done.

COMMITTEE RECOMMENDATION

The Committee endorses the three recommendations of the Auditor General’s 4th Report for 2005/06, *Building Better Reports: Our Assessment of the 2004/04 Annual Service Plan Reports of Government*, and recommends the same to the Legislative Assembly.

AUDITOR GENERAL REPORT No. 5, 2005/2006:

Keeping the Decks Clean: Managing Gaming Integrity Risks in Casinos

The Public Accounts Committee met on Wednesday February 8, 2006 to consider the Auditor General's report on managing gaming integrity risks in British Columbia's casinos. It heard presentations by the Office of the Auditor General, the Gaming and Policy Branch in the Ministry of Public Safety and Solicitor General, and the British Columbia Lottery Corporation.

BACKGROUND

SUMMARY OF REPORT

Commercial gaming (casinos, bingo, lotteries and horse racing) is a significant B.C. industry in terms of employment and revenue generation for the province and municipalities (\$819 million in 2004/05). Since the size of the industry is beyond the scope of a single audit, the report focuses on the casino gaming business, which has been outpacing other forms of gaming in recent years and now generates the lion's share of total government gaming revenues (\$515 million in 2004/05).

The 2002 *Gaming Control Act* and gaming control regulations provide a comprehensive legislative framework for gaming in British Columbia. The Act separates the regulation of gaming from the gaming operations. It identifies the Gaming Policy and Enforcement Branch as responsible for regulating casinos and other forms of gaming in the province, while the B.C. Lottery Corporation is charged with the conduct and management of casinos, lotteries and commercial bingo halls.

The purpose of the audit conducted by the Office of the Auditor General was to assess whether the government is adequately managing gaming integrity risks in casinos to ensure that error, criminal exploitation and employee dishonesty are minimized. The audit was conducted between September 2004 and January 2005 and examined the 19 operating casinos, but not community gaming centres.

The report's overall conclusion is that the government, through the Gaming Policy and Enforcement Branch and the B.C. Lottery Corporation, is adequately managing gaming integrity risks in casinos. Adequate steps are being taken to ensure that casino industry participants meet high standards of honesty; gaming equipment operates fairly according to approved standards; gaming activities are conducted honestly; and government receives its correct share of casino revenue.

To further improve controls on the industry, the report contains 13 recommendations relating to the registration of industry participants, the certification of gaming equipment in provincial casinos, and the conduct of gaming activities. Nine recommendations are directed at the Gaming Policy and Enforcement Branch regarding improvements in registration of industry participants, certification of gaming equipment, audit and compliance procedures and public reporting. The report also contains four recommendations for the B.C. Lottery Corporation, including specific suggestions on how to improve the reporting to its board of directors and how to strengthen surveillance in the casinos.

SUMMARY OF GOVERNMENT'S RESPONSE

Gaming Policy and Enforcement Branch (GPEB)

The Assistant Deputy Minister (ADM) began his presentation by providing the Committee with an overview of the province's gaming industry, its structure and activities. He also provided some information on the extent of public participation — for example, 85 percent of British Columbians gamble on a routine basis.

In response to the nine recommendations pertaining to the GPEB, the witness reported that the branch agreed with most of them and has already acted on many of them. In regard to recommendation No. 12 — that the integrity of gaming be confirmed as the primary responsibility of the branch's general manager — the witness informed the Committee that as the general manager, his primary statutory function is to ensure the integrity of gaming in the province. This priority was reconfirmed by the Solicitor General in a 2005 letter to the Auditor General.

The ADM also reported that recommendation No. 13 — that the GPEB report annually to the Legislative Assembly on the state of gaming integrity in provincial casinos — will be implemented, with the 2004/05 report to be tabled by March 31, 2006 and the 2005/06 report by June 30, 2006.

British Columbia Lottery Corporation (BCLC)

After stating that the Lottery Corporation was pleased with the key findings of the Auditor General's report, the BCLC director of corporate security reported on actions taken to implement recommendations Nos. 6 to 9 relating to the conduct of gaming activities. First, in regard to recommendation No. 6, the BCLC has updated the public information it provides on its website pertaining to the odds of winning at slot machines and provides the same information in brochures available at each casino and community gaming centre.

Next, to comply with recommendation No. 7, quarterly reports are now being presented to the BCLC board's audit committee on audits of all casinos, bingos and community gaming centres and on the state of compliance of each individual facility with prescribed policies and procedures. Finally, the BCLC has taken steps to implement the surveillance certification program (recommendation No. 8) and surveillance system component plans (recommendation No. 9).

COMMITTEE INQUIRY

After hearing from the witnesses, the committee inquiry focused on the following topics: the implementation of the surveillance system component plans; the social impacts of video slot machines; the effectiveness of the *Gaming Control Act*; and cross-jurisdictional comparisons. Individual committee members also asked about the growth in gaming and casino revenues.

Surveillance System Component Plans

Concerned about the prospect of having substandard surveillance equipment in B.C. casinos, the Committee asked for clarification of the report's finding that seven of the casinos surveyed did not yet have current surveillance system component plans approved by the BCLC. In response, the audit team leader stated that the consequences are not that significant since these

casinos do have surveillance equipment in place, and the BCLC is working with them to develop proper plans.

Video Slot Machines

Some Members expressed a concern about the social impacts of the increasing use of video slot machines in the gaming industry. One asked the witnesses whether any steps have been taken to investigate the harmful effects, since the findings of a Harvard Medical School study suggest that video slot machines, which are faster than reel-type, have the potential to be more addictive.

In response, the ADM of the GPEB informed the Committee that the province has a responsible gaming strategy, including the problem gambling program. The BCLC President added that the Corporation's goal is to make sure that the players are well informed and make healthy choices about participating in gambling. In addition, the screen of every slot machine in British Columbia has instantaneous messaging on it that reinforces responsible play, and a self-exclusion program is in place at every gaming facility.

On a related topic, the Committee inquired whether the provincial government has considered creating an independent gaming research organization, based on the Alberta model. In response, the ADM of the GPEB stated that the branch has decided not to adopt the independent agency model. Instead, it has put in place a responsible gambling strategy. The primary goals of the strategy are to reduce the incidence of problem gambling, provide good service and change the way programs are delivered in casinos. In addition, the branch is taking part in a multi-year socioeconomic study of four lower mainland communities and conducts a prevalence study of problem gambling every five years. Subsequently, in response to another question, the witness assured Members that the branch has no plans to introduce video lottery terminals into bars.

Gaming Control Act

Another line of questioning focused on whether the province's *Gaming Control Act* is an effective piece of legislation. The leader of the audit team described the Act as a step in the right direction since it has put some parameters and a structure in place that help the province to run gaming in a good fashion, whereas previously gaming was governed by a federal act.

The Committee also inquired how the passage of the *Gaming Control Act* has changed the role of local government. In response, the ADM of the GPEB stated that the Act now requires the approval of a municipality before a gaming facility may be located or relocated within its boundaries. As well, under the Act, a municipality now receives 10 percent of net revenue from any community casino and one-sixth of net revenue from any destination casino. In response to a follow-up question about the difference in revenue share, the witness explained that since a destination casino is part of a complex that contains convention centres and hotels, the impact on the local community, as well as the investment, is much bigger and so the province decided in 1997 to make a higher payment. The Committee also learned that for all new casinos, regardless of their classification, the municipality will receive the same share.

Cross-jurisdictional Comparisons

Members asked the witnesses if they had done any type of cross-jurisdictional comparisons on gaming. The Deputy Auditor General explained to the Committee that the audit criteria used by other jurisdictions had been examined, but not the incidence of gaming across Canada. The

BCLC President and CEO reported the Lottery Corporation regularly does cross-jurisdictional comparisons on all forms of gaming. British Columbia, for example, ranks eighth on a per-capita basis on gaming expenditures per adult and has the lowest penetration of electronic gaming devices of any province.

In response to a follow-up question, the ADM informed the Committee that the GPEB is planning to continue pursuing a cautious approach to any expansion of the gaming industry in the province, as opposed to rampant growth. He explained that the branch's comprehensive business strategy strikes a balance between meeting the demand of the marketplace while addressing the social responsibility issues, and anticipated that the B.C. gaming industry will evolve slowly in the future.

COMMITTEE RECOMMENDATION

The Committee endorses the 13 recommendations of the Auditor General's 5th Report for 2005/2006, *Keeping the Decks Clean: Managing Gaming Integrity Risks in Casinos*, and recommends the same to the Legislative Assembly.

AUDITOR GENERAL FOLLOW-UP AND ATTESTATION REPORTS

AUDITOR GENERAL FOLLOW-UP REPORT

DECEMBER 7, 2005 MEETING

- *Follow-up of A Review of Government Oversight of Multi-Employer Public Sector Pension Plans in British Columbia* (February 2005)

At the meeting on December 7, 2005, the Public Accounts Committee heard presentations by the Office of the Auditor General and the Public Sector Employers Council Secretariat regarding the status of the original recommendations. The Auditor General reported that all five of the recommendations were either fully or substantially put in place. The Public Sector Employers Council reiterated its commitment to complete the implementation of the said recommendations.

The Committee received the report and endorsed the Auditor General's plan not to carry out any further follow-up work relating to the five recommendations of the original report.

AUDITOR GENERAL ATTESTATION REPORT

FEBRUARY 8, 2006 MEETING

- *Attestation Report on Partnerships British Columbia's Project Report: Achieving Value for Money: Abbotsford Regional Hospital and Cancer Centre Project* (February 2005)

At the meeting on February 8, 2006, the Public Accounts Committee heard presentations by the Office of the Auditor General, Partnerships BC and the Ministry of Health.

Members learned that the purpose of the Auditor General's attestation report was to provide a review level of assurance that the key management assertions made by Partnerships BC in its project report were reasonable. The fieldwork team concluded, using a moderate level of assurance, that Partnerships BC's report fairly describes the context, decisions, procurement processes and results (as of February 1, 2005) of the Abbotsford Regional Hospital and Cancer Centre project.

In the question-and-answer session, the committee inquiry relating to the attestation report focused first on the limited scope of the review engagement. Some Members also questioned the fieldwork team's endorsement of the use of the concept of net present value (a time-value-of-money concept) to compare the final project agreement with a public sector delivery model. Others asked for clarification on the selection of the discount rate for computing net present value.

Regarding Partnership BC's project report, the Committee inquired about the following topics: the project's lessons for other public-private partnerships (P3s); the project's design innovations; the accountability provisions in the project agreement with the private partner; the health authority's role in the ongoing contract monitoring; the future application of P3s for capital projects; the dual mandate of Partnerships BC (P3 proponent and P3 evaluator); the status of the project results to date; the relative merits of the U.K. procurement process; the

financial impact of the project's lengthy P3 procurement process; and the accessibility of Partnership BC's shadow bids.

The Committee accepted the Auditor General's Attestation Report on Partnerships British Columbia's *Project Report: Achieving Value for Money: Abbotsford Regional Hospital and Cancer Centre Project* (February 2005).

DOCUMENTS DISTRIBUTED

OCTOBER 6, 2005

Office of the Clerk of Committees, Members' Guide to Parliamentary Committees, July 2005

Office of the Clerk of Committees, Status Report on PAC Business, July 2005

Office of the Auditor General of British Columbia, Introduction to the Office of the Auditor General

Office of the Auditor General of British Columbia Newsletters, *On Guard*, November 2004 and May 2005

Role and Function of the Office of the Comptroller General, October 2005

British Columbia, Ministry of Finance, Office of the Comptroller General, *Public Accounts, 2004 – 2005* and *Ministerial Accountability Report, 2004 – 2005*

NOVEMBER 23, 2005

CCAF-FCVI Inc. Research Series Booklets

Recommendations of the Public Documents Committee to the Public Accounts Committee, Fall Session 2005

Office of the Auditor General of British Columbia, Financial Statement Audit Coverage Plan for Fiscal Years 2006/2007 through 2008/2009, November 2005

Schedule for Public Accounts Committee, OAG Reports and Issues as at October 24, 2005

NOVEMBER 29, 2005

Copy of *Document Disposal Act* [RSBC 1996] Chapter 99

Correspondence from Gary A. Mitchell, Chair, Public Documents Committee to Rob Fleming, Chair, Select Standing Committee on Public Accounts, November 22, 2005

Correspondence from David J. Fairbotham, A/Comptroller General to Craig James, Clerk Assistant and Clerk of Committees, December 12, 2005

Select Standing Committee on Public Accounts, Draft Schedule

DECEMBER 7, 2005

Office of the Auditor General of British Columbia, Presentation to the Select Standing Committee on Public Accounts Re *Building a Strong Public Service*, December 7, 2005

BC Public Service Agency, Presentation to Public Accounts Committee Re Office of the Auditor General's *Building a Strong Public Service*

Office of the Auditor General of British Columbia, *Follow-up of a Review of Government Oversight of Multi-Employer Public Sector Pension Plans in British Columbia*

Government's Response to *Follow-up of a Review of Government Oversight of Multi-Employer Public Sector Pension Plans in British Columbia* (OAG, February 2005), PSEC, December 2005

Province of British Columbia, Presentation re Implementing GAAP: History, Challenges and Future Directions

British Columbia, Ministry of Finance, Office of the Comptroller General, *Public Accounts For the Fiscal Year Ended March 31, 2005*

JANUARY 31, 2006

Office of the Auditor General of British Columbia, Presentation re *Monitoring the Government's Finances* (November 2005)

Ministry of Finance, Presentation to the Public Accounts Committee re *Monitoring the Government's Finances* (November 2005), January 31, 2006

Office of the Auditor General of British Columbia, Presentation re *Building Better Reports: Our Assessment of the 2003/04 Annual Service Plan Reports of Government*

Provincial Government Response to Auditor General Report, *Building Better Reports*, January 31, 2005

Office of the Auditor General of British Columbia, Quick Reference Guide to the BC Performance Reporting Principles

Province of British Columbia and Office of the Auditor General of British Columbia, Performance Reporting Principles for the British Columbia Public Sector, November 2003

Select Standing Committee on Public Accounts, Minutes, December 7, 2005

FEBRUARY 8, 2006

Resolutions for Records Retention and Disposal Authorities Tabled on 8 February 2006 before the Public Accounts Committee

Office of the Auditor General of British Columbia, Presentation re *Keeping the Decks Clean: Managing Gaming Integrity Risks in Casinos*

Gaming Policy and Enforcement Branch, Presentation to Public Accounts Committee re Auditor General Report on the Integrity of Gaming, *Keeping the Decks Clean*

British Columbia Lottery Corporation, Presentation to Public Accounts Meeting re Auditor General Report, *Keeping the Decks Clean: Managing Gaming Integrity Risks in Casinos*, February 8, 2006

Office of the Auditor General of British Columbia, Some Comments about Our Review Opinion on the AHCC Report

Partnerships British Columbia, Overview of Project Report, *Achieving Value for Money – Abbotsford Regional Hospital and Cancer Centre Project*, February 8, 2006

