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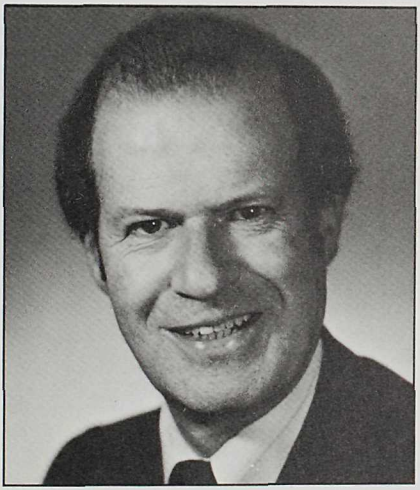
Ministry of Finance

Report for the year
ended December 31, 1980



Honourable Hugh A. Curtis, Minister

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The Honourable Henry P. Bell-Irving,
D.S.O., O.B.E., E.D.,
Lieutenant Governor of the
Province of British Columbia

MAY IT PLEASE YOUR HONOUR:

I have the honour, Sir, to submit respectfully herewith the Annual Report of the Ministry of Finance for the year ended December 31, 1980.

Hugh A. Curtis
Minister of Finance

The Honourable Hugh A. Curtis
Minister of Finance
Parliament Buildings
Victoria, British Columbia

Sir:

I have the honour to submit for your consideration the Annual Report of the Ministry of Finance for the year ended December 31, 1980.

L. I. Bell
Deputy Minister of Finance

EPUTY MINISTER'S ESSAGE

1980 was a year of analysis and examination for the Ministry of Finance—a year of new beginnings and of significant accomplishment. British Columbia's credit rating was increased from Double A to Triple A by the two major New York bond rating agencies, Moody's Investors Service and Standard and Poor's Corporation. During 1980 also, a policy of maximizing return on trust accounts managed by the ministry was adopted. As a result, the ministry undertook borrowings totalling $940 million throughout the year in order to meet the needs of the Province's Crown Corporations, hospitals and educational institutions. The lengthy process of preparing new legislation to govern the financial management of the Province was begun in 1980, with the goal of introducing a new *Financial Administration Act* in the Legislature in 1981. Within the ministry, there were many significant changes reflected in its structure and organization, including establishment of a Ministry of Finance executive committee and of similar committee systems in each of the ministry's five divisions. A ministry information service was also formed to provide increased internal communication and to enhance communication between the ministry and the public and media.

The advances of 1980 and the projects undertaken throughout the year have set the pace for a vigorous and exciting 1981—a year of challenge and of change.

L. I. BELL
Deputy Minister

INTRODUCTION

The *Annual Report* of the Ministry of Finance is intended as a review of the ministry's activities during the calendar year 1980. It is not a financial report; quarterly reports on the finances of the Province are published separately throughout the fiscal year. A detailed look at the Province's finances is also provided in the *Budget*, the *Public Accounts*, the *Estimates*, and the *Financial and Economic Review*.

The *Annual Report* provides an overview of the functions and achievements of the various divisions of the Ministry of Finance during 1980.

There are five divisions of the ministry, each headed by an Assistant Deputy Minister who reports to the Deputy Minister who in turn reports to the Minister of Finance.

The five divisions are:

- Economics and Policy
- Treasury Board Staff
- Revenue
- Office of the Comptroller General
- Treasury and Administration

Operating outside the divisional structure but reporting on administrative matters to the Deputy Minister are the:

- Purchasing Commission
- Provincial Capital Commission

Both the Purchasing Commission and the Provincial Capital Commission are responsible to the Legislature of British Columbia through the Minister of Finance.

The Executive Coordinator for the ministry and the Director of Information Services also report directly to the Deputy Minister.

CONOMICS AND OLICY DIVISION

The *Economics and Policy Division* provided a long and short range strategic perspective on economic, fiscal and financial issues of concern to the government. It was responsible for preparation of the *Province of British Columbia Budget* and related background papers. Throughout the year, the Economics and Policy Division staff members analysed and forecast provincial economic conditions and analysed national and international economies.

nancial Analysis anch

The *Financial Analysis Branch* of the division participated during 1980 in the drafting of a discussion paper on the *Financial Administration Act*, and provided support to the Task Force on the *Financial Administration Act*, appointed by the Minister of Finance in November 1980, to receive submissions and to review proposed changes to the draft legislation.

The Financial Analysis Branch was also responsible for preparation of the quarterly financial reports of the government.

scal Planning and x Policy Branch

The *Fiscal Planning and Tax Policy Branch* of the division evaluated the fiscal impact of government programs and analysed proposals affecting provincial taxation and revenue policy. The branch monitored and evaluated tax and expenditure relationships with local governments. The Fiscal Planning and Tax Policy Branch also played a major role in preparation of the provincial budget and related documents.

onomic Analysis and recasting Branch

The *Economic Analysis and Forecasting Branch* of the division analysed and compiled general economic intelligence throughout 1980, including national and international conditions and developments affecting the economy and finances of British Columbia. The branch also coordinated fiscal and economic reviews of submissions to the provincial Cabinet, and prepared the British Columbia 1980 *Financial and Economic Review* in revised format.

deral/Provincial lations Branch

The *Federal/Provincial Relations Branch* of the division provided economic advice to the government on federal/provincial matters during the constitutional meetings involving the senior levels of government during 1980. The branch also participated in the successful Ministry of Finance presentation to the United States bond rating agencies which resulted in the upgrading of the Province of

British Columbia's credit rating from Double A to Triple A. The branch also participated in initial preparations for renegotiation of the *Federal/Provincial Fiscal Arrangements and Established Programs Financing Act, 1977.*

REASURY BOARD TAFF

Treasury Board Staff functioned throughout 1980 as a support staff to the Treasury Board Committee of Cabinet. It was responsible for coordinating and administering the resource allocation process throughout government and provided advice to Treasury Board on the best utilization of the government's human and financial resources.

Among the major services provided to government ministries and agencies by Treasury Board Staff during 1980 were:

- review of proposed budgets
- assessment of expenditure requests and operating performance
- program evaluation
- assessment of management policies, practices, systems and procedures.

Treasury Board Staff also advised and recommended on the management of government resources and of government structures in a corporate context.

udget Policy and dministration Branch

The *Budget Policy and Administration Branch* developed budget plans and strategies as requested by Treasury Board, and developed policy and procedures for zero-base budgeting and for mid-year budget revisions as well as for financial reviews of Crown Corporations and agencies. Ten additional government ministries or offices were converted to the zero-base budgeting process for the 1981/82 fiscal year. The Budget Policy and Administration Branch also directed compilation of the annual estimates of government revenue and expenditure for 1981/82. As well, the branch assisted in implementation of the five-year forecast system for the 1981/82 budget year, and made a beginning towards a system of distinct capital budgeting.

licy Field Branches

The *Policy Field Branches* of Treasury Board Staff provided technical advice to ministries during budget preparation, and analysed and provided advice on request to Treasury Board both during budget presentation and on mid-year ministry requests to alter or add to resource allocations. The branches also ensured that effective accountability measures were in place in all ministry programs throughout 1980, and ensured that the Social Services and Economic Development Committees of Cabinet were aware of the financial implications of proposed government activity and legislation.

Where necessary, the branches analysed the financial implications of federal/provincial agreements and their impact on government services. The branches also monitored and analysed the financial impact of wage negotiations, in cooperation with the Government Employee Relations Bureau.

Deregulation Branch

The *Deregulation Branch* reviewed existing provincial legislation and regulations to ensure that they served a useful public purpose. The branch also identified and initiated action to rectify the following:

- areas of government control which unnecessarily inhibited economic development,
- areas of social service which, through unnecessary regulations, inhibited the provision of equitable treatment in reasonable time to all citizens, and
- areas of activity within the government which inhibited the timely completion of work.

The Deregulation Branch also set up the government-wide Suggestion Awards Program and administered the program in its initial months of operation.

EVENUE DIVISION

During 1980, the *Revenue Division* administered all taxing statutes that are the responsibility of the Minister of Finance. These included statutes covering property taxation in rural areas of British Columbia, statutes covering taxation of consumer goods including fuel and tobacco products, and statutes covering taxation of personal and corporate income.

eal Property Taxation ranch

The *Real Property Taxation Branch* levied and administered taxes and special levies on taxable real property lying outside incorporated municipalities in British Columbia. This rural area comprises more than 98 per cent of the land area of the Province as well as 20 per cent of its net taxable values and approximately 20 per cent of its population.

The 1980 rural taxation roll contained 277,765 tax accounts covering net taxable values of $2.2 billion under the *Taxation (Rural Area) Act* and *School Act* respectively. In the 1979/80 fiscal year, levies and collections for rural areas of British Columbia included:

Provincial property taxes	$ 23.1 million
School taxes	151.3 million
Local government taxes	32.0 million
Other taxes	.85 million
	$207.25 million

The branch administered the *Land Tax Deferment Act* under which several categories of property owner (including handicapped and senior citizens) are eligible to defer payment of property taxes. In 1980, a total $792,400 was deferred under this program. By December 31, 1980, a total 1,076 full deferment agreements and 82 partial deferment agreements were in effect, representing more than $3.2 million in deferred property taxes.

The branch participated in two principal areas of policy formation during 1980: the development of a formula for payment of annual operating grants, and the fixing of percentages of actual value for use in preparation of the 1981 assessment roll.

The Surveyor of Taxes participated in the activities of the Local Government Committee on Indian Matters which is studying the various approaches to providing local government services on Indian reserve lands.

Consumer Taxation Branch

The *Consumer Taxation Branch's* activities included the registration of taxpayers and the audit and inspection of taxpayers' records under the following statutes:

- *Social Service Tax Act*
- *Hotel Room Tax Act*
- *Tobacco Tax Act*
- *Gasoline Tax Act*
- *Gasoline (Coloured) Tax Act*
- *Motive Fuel Use Tax Act*
- *Horse Racing Tax Act*

In 1980, the branch collected a total $1,020,814,637 in taxation revenue, with the following source breakdown:

Social Service Tax Act	$701,975,639
Hotel Room Tax Act	14,725,936
Tobacco Tax Act	71,027,089
Gasoline Tax Act	161,459,747
Gasoline (Coloured) Tax Act	33,725,154
Motive Fuel Use Tax Act	27,857,140
Horse Racing Tax Act	9,269,589
Fuel Oil Act	774,343

A total of 64,840 taxation collectors were registered with the branch in 1980, including 60,811 under the *Social Service Tax Act.*

The branch's audit program achieved record tax recoveries in 1980:

Number of audits completed	2,721
Average number of audits per auditor	48.2
Total audit assessment recovery	$12,400,162
Average recovery per audit	$ 4,557
Average recovery per auditor	$ 219,588

A total of 1,071 collection actions were taken during 1980 by way of writ, judgement or third party demand.

For the locations of the Consumer Taxation Branch offices, see map page 10.

Income Taxation Branch

The *Income Taxation Branch* assessed and administered taxes under:

- *Mining Tax Act*
- *Logging Tax Act*
- *Corporation Capital Tax Act*
- *Insurance Premium Tax Act*
- *Probate Fee Act*

The branch also administered the provincial payment of federal income tax on behalf of natural gas producers on income earned between May 6, 1974 and December 31, 1976 (when the legislation was repealed).

As well it administered the *Succession Duty Act* and *Gift Tax Act* in respect of estates of persons dying and gifts made prior to January 24, 1977 (when the acts were repealed).

Under the *Income Tax Act* the branch audited political donations relating to the tax credits and registered political party signing authorities.

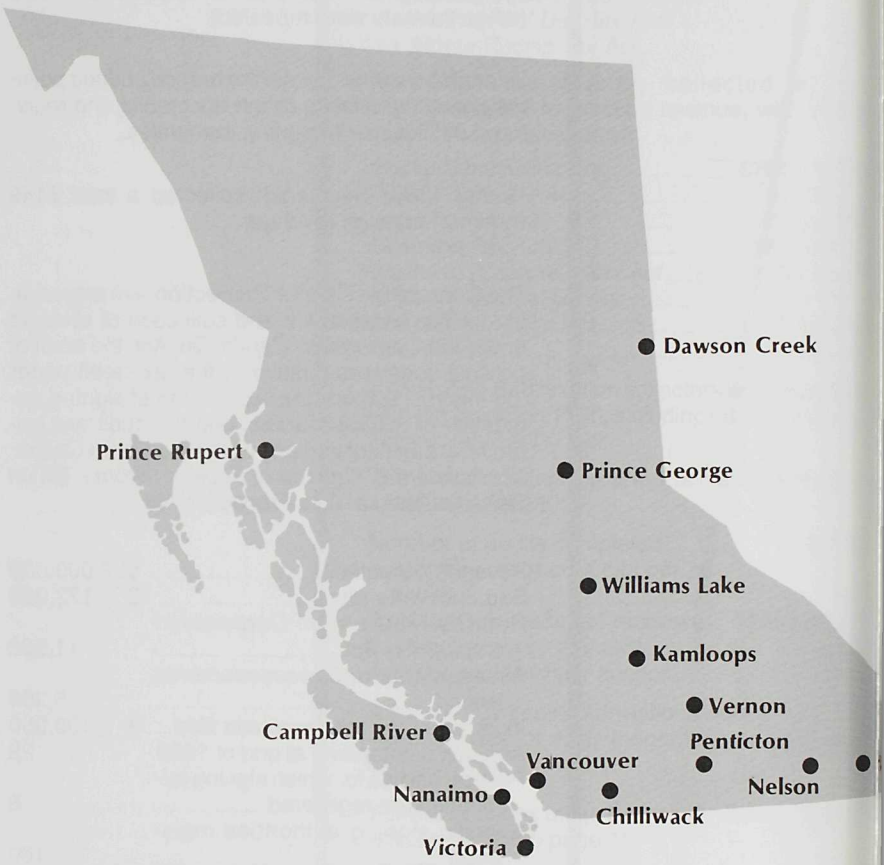
During 1980, the branch collected a total $149 million of taxation revenue.

The Corporation Capital Tax Section was responsible for the assessment and collection of revenue under the *Corporation Capital Tax Act,* the audit of political donations relating to the tax credit under the *Income Tax Act,* the registration of signing authorities of political parties, and the audit and approval of payments arising under the *British Columbia Payment to Canada of Federal Income Tax on Behalf of Natural Gas Producers Act.*

Revenue collected	$52,000,000
Bad debt write-offs	$ 173,000
Returns filed under *Corporation Capital Tax Act*	11,552
Assessments and reassessments issued	5,384
Increase in tax over amounts filed	$ 3,100,000
Appeals outstanding at end of 1980	22
Political parties for which signing authorities are registered	6
Specific signing authorities registered	100
Returns filed (federal amount claims office)	72
Payments to Federal Government	$ 6,400,000

The Logging and Mining Tax Section was responsible for the assessment and collection of tax under the *Logging Tax Act* and the *Mining Tax Act.*

CONSUMER TAXATION BRANCH OFFICES



Revenue collected	$77,000,000
Bad debt write-offs	$ 279,000
Returns filed	1,165
Assessments and reassessments issued	1,549
Increases in revenue over amounts filed	$ 2,600,000
Appeals outstanding at end of 1980	12

The Insurance Premium Tax and Fire Services Section was responsible for the assessment and collection of tax under the *Insurance Premium Tax Act* and for collection of fees under the *Fire Services Act.*

Revenue collected	$17,000,000
Bad debt write-offs	Nil
Returns filed	570
Assessments and reassessments issued	271
Increase in revenue over amounts filed	$ 578,700
Appeals outstanding at end of 1980	Nil

The Succession Duties, Probate Fees and Gift Tax Section was responsible for the assessment and collection of duty and tax under the *Succession Duty Act* and *Gift Tax Act* in respect of estates of persons dying and gifts made prior to midnight, January 24, 1977 on which date the acts were repealed.

This section was also responsible for assessment and collection of probate fees for estates filed prior to March 11, 1980 and for the issuing of required releases for all estates filed.

Revenue collected	$3,000,000
Bad debts written off and remissions of tax	Nil
Returns filed	12,099
Assessments and reassessments issued	3,608
Releases issued	95,000
Appeals outstanding at end of 1980	1

OFFICE OF THE COMPTROLLER GENERAL

The *Office of the Comptroller General* maintaine central accounting, reporting and payment sys tems for the government and provided an interna auditor function for the independent review of th effectiveness and efficiency of financial contr systems. This division also produced the two-vo ume *Public Accounts* and verified governmen expenditures.

Deputy Comptroller General

During 1980, under the supervision of the Deput Comptroller General a comprehensive review c the provincial government's accounting policy wa carried out, as recommended in the 1979 *Report c the Auditor General*. The accounting firm c Coopers and Lybrand was retained to advise an assist in this review. The aim was to submit t Treasury Board a revised set of accounting pol icies, in 1981.

The Deputy Comptroller General served as member of the task force appointed by the Ministe of Finance to review the proposed *Financial Ad ministration Act.*

Liaison between the Office of the Comptroller Gen eral and the various government ministries wa strengthened during 1980 through regular meet ings of the Comptrollers Council, which brough together ministry comptrollers and senior officer of the Office of the Comptroller General to discus policy, financial systems and controls, and othe matters.

Internal Audit Branch

The *Internal Audit Branch* conducted appraisals c government financial controls and related organi zational performance, and reported on the effec tiveness and efficiency of the financial function i government. The branch also audited major finan cial systems under development and audited an certified claims made under federal/provincia cost-sharing agreements.

During 1980, the branch conducted:

Regular audits	49
Special audits	6
Systems development audits	7
Audits of claims made under federal/provincial cost-sharing agreements	25

* Involving claims totalling $250 million.

›erations Branch

The *Operations Branch* was responsible for the payment and control of the personnel costs of government in 1980, which included:

- more than 60,000 employee records
- an average of 43,500 employees paid monthly
- an average monthly payroll of $70 million
- absence management and sickness costs of $210 million
- employee travel expenses of $15 million

The divison also carried out the payment and control of the non-personnel costs of government in 1980, which included:

- approximately 427,000 invoices per month
- $800 million in cheques issued per month
- 80,000 cheque requisitions per month, with approximately 4,000 requisitions rejected per month
- payments of $53.7 million from the Public Trust
- payments of $25 million from Special Purpose Funds

The Operations Branch also carried out the processing and control of the ministry's automated financial systems, including:

- the processing of 44,812 cheque requisition batches with a transaction value of $14.933 billion
- issuance of 3.5 million cheques
- processing of 528 revenue receipt batches with a transaction value of $42.785 billion
- input/output control and user testing of 35 major and 92 subordinate accounting systems

‹entral Accounting
‹anch

The *Central Accounting Branch* of the division developed a computerized accountable advances system during 1980 permitting ministries to receive the necessary data to control their advances and to significantly reduce the number of outstanding advances. The branch controlled payroll cheque production, and consolidated and remitted payments for employee benefits and statutory deductions, ensuring that proper deductions had been taken from employees' pay cheques.

The branch also provided accounting services and control for funds held in trust by the Province, controlled and reconciled the various central accounts of the government, and provided day-to-day general ledger accounting for the government. A new mini-computer system was installed in the Trust

Accounts Section in July 1980, which has permitted software enhancements required by the Comptroller General and the Public Trustee. The processing time for trust account transactions was reduced considerably during 1980.

TREASURY AND ADMINISTRATION DIVISION

The *Treasury and Administration Division* performed the functions of provincial treasurer. Included in the tasks carried out by this division were banking and investment, debt management, issuance of government cheques, as well as providing the Ministry of Finance with accounting, pay, personnel, data processing and control, and facilities management services. A broad range of government services were also made available to British Columbians in 61 communities throughout the Province by the Government Agencies Branch of this division (see map page 16).

Controller's Office

The *Controller's Office* of the Ministry of Finance accounted for all ministry expenditures and coordinated the preparation of the ministry budget estimates. This office received and deposited all provincial revenues, and was responsible for the maintenance and regulation of all government bank accounts. In 1980, zero-base budgeting was introduced in the Ministry of Finance for the preparation of 1981/82 ministry spending estimates. The Controller's Office provided advice and information on this process during budget estimates preparation.

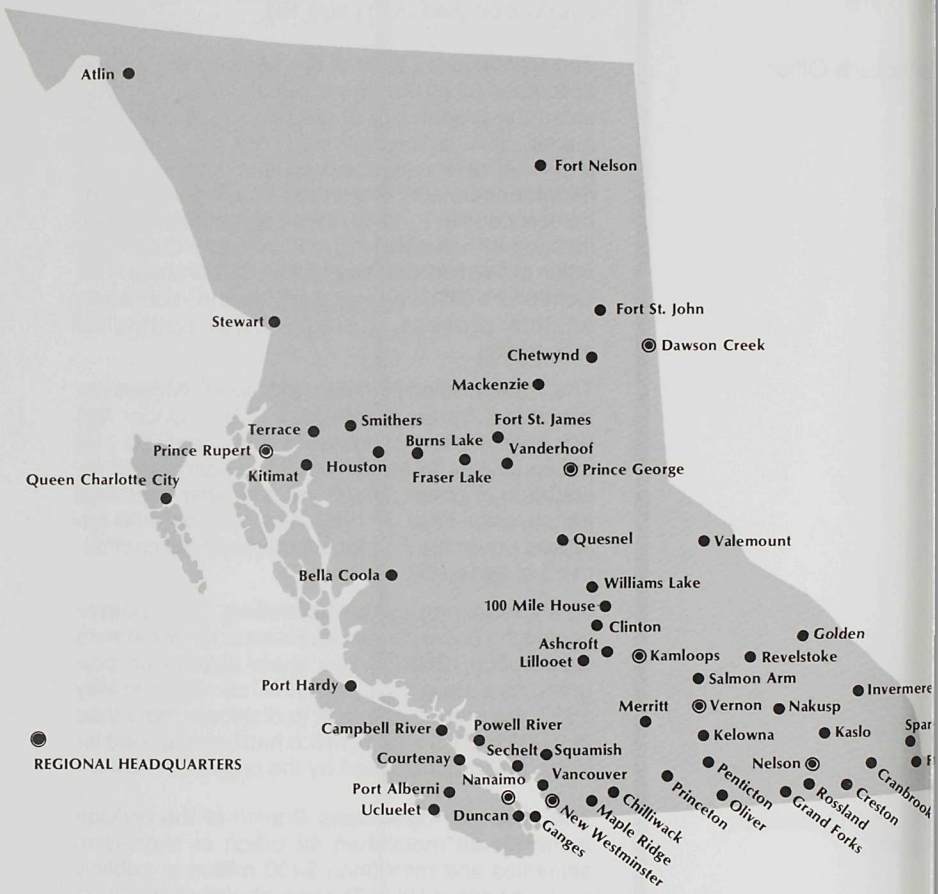
The *Transmission Line (Underground) Act* was administered by the Controller's Office. Under this act, grants were provided to municipalities and public utilities to encourage the underground installation of power, telephone and other overhead transmission lines. In 1980, nine projects were approved under the Act, for a total provincial commitment of $614,000.

As a special project, the Controller's Office administered the British Columbia Resources Investment Corporation (BCRIC) free share distribution program. As a result of a special mail campaign in May 1980, the branch was able to distribute more than 200,000 BCRIC shares which had been applied for in 1979, but not claimed by the original deadline.

Financial Operations Branch

The *Financial Operations Branch* of the division administered more than $2 billion in short-term securities and more than $400 million in publicly traded bonds in 1980. The branch also coordinated the statistical research for prospectuses and operated more than 300 security accounts. In 1980, this branch assisted in accessing the public capital market for the British Columbia Hydro and Power

GOVERNMENT AGENCIES



Authority for the first time in more than five years with a $200 million bond offering in Canada on December 22. The branch also assisted the Municipal Finance Authority of British Columbia in its capital funding program by providing mid-term funds. The Securities Section of the branch completed a computerized accounting and inventory system, and added improved securities monitoring facilities.

rsonnel Branch

The *Personnel Branch* of the division included ministry organization and manpower planning, job analysis and classification among its responsibilities. On December 31, 1980 the Ministry of Finance had 1,233 employee positions, of which approximately 60 per cent were filled by women and 40 per cent by men.

Approximately 95 persons were employed in the ministry during 1980 under special programs throughout the Province, including programs to employ handicapped persons, high school and university students.

During 1980, the branch recruited employees for 410 regular positions and 384 auxiliary positions. The regular employee vacancies resulted from:

Promotions within the ministry	123
Resignations	112
New positions	74
Promotions or transfers to other ministries	39
Retirements	22
Deaths	3
Other reasons	37

The branch initiated a training program in 1980 which included:

- a three-day management training course for 45 senior ministry officers.
- development of an audiovisual presentation on the ministry's functions and activities primarily for new employees of the ministry.

Twelve ministry employees received long-service awards for service of 25 years or 35 years at Government House in Victoria.

ta Processing
anch

The *Data Processing Branch* provided data entry services for all ministries and for several Crown Corporations in 1980, and managed all computerized systems in the financial area.

The branch processed approximately 2,000 data processing jobs per month via the DATA 100 remote job entry computer facility, with more than 1.5 million lines printed each month. The data entry section keyed more than four million records per month for the Ministry of Finance, for other ministries and for Crown Corporations.

The Systems Management Section of the branch participated in the recovery of $445,609 from the federal government which had been overpaid by the Province for Unemployment Insurance deductions.

Government Agencies Branch

Through the *Government Agencies Branch* British Columbians were provided with access in their communities to a wide range of government services and programs. Statutory functions performed by the government agents included those of water recorder; provincial collector; gold commissioner; marriage commissioner; registrar of births, deaths and marriages; official administrator; registrar of voters; and issuer of Autoplan Insurance and motor vehicle licences. Government agents also collected revenue for the Ministry of Finance and accepted payment of certain accounts such as provincial hospital and medical insurance. In 1980 there were government agencies in 61 British Columbia communities, with 381 staff members in eight administrative regions. An additional six employees worked in the Victoria headquarters. During the year, new agencies were opened at Fraser Lake, Sparwood, Nakusp, Maple Ridge, Squamish and Sechelt.

Government agencies processed 1,708,571 general revenue transactions in 1980 with a total value of $512,529,446. A total of 402,906 Insurance Corporation of British Columbia transactions were completed with a value of $33,619,443.

The *Trade Licence Act* of 1888 was repealed in 1980 and replaced by the *Business Licence Act*. The new act is to be administered by the government agencies; it updates the licence categories and the fee structure for merchants and tradespeople carrying on business in the non-municipal areas of the Province.

The government agencies participated in the British Columbia Resources Investment Corporation free share distribution program by processing ap-

peals from persons whose applications for free shares were rejected by financial institutions.

The mechanization of the agencies' accounting and informations systems continued in 1980 and was scheduled for completion in 1981.

EXECUTIVE COORDINATOR

The *Executive Coordinator* assumed responsibilit for liaison with the Ministry of Attorney General fc provision of legal services to the Finance Ministr and for preparation of new or amended legislatior

The Coordinator also undertook special projects a the request of the Deputy Minister.

INFORMATION SERVICES BRANCH

During 1980, the *Information Services Branc* provided information to the public and to the new media concerning the Ministry of Finance and th financial and economic affairs of the governmen The branch also was responsible for publication c ministry reports and discussion papers, prepare news releases and coordinated the ministry's inte nal communications program, including initiation c the ministry newsletter *The Treasury*. Ministry ac vertising was coordinated by the Information Serv ices Branch in 1980.

GISLATION MINISTERED BY E MINISTRY OF IANCE

Assessment Act
Assessment Authority Act
Auditor General Act
Bonding Act
British Columbia Electric Company Limited Acquisition Act
British Columbia Railway Company Share Capital Purchase Act, 1972
British Columbia Railway Finance Act
Capital Commission Act
Commonwealth Trust Matching Financial Assistance Act
Corporation Capital Tax Act
Deficit Repayment Act
Educational Institution Capital Finance Act
Esquimalt & Nanaimo Railway Belt Tax Act
Financial Control Act
Financial Information Act
Funds Control Act
Gasoline (Coloured) Tax Act
Gasoline Tax Act
Gasoline Tax Act, 1958
Horse Racing Tax Act
Hospital District Finance Act
Hotel Room Tax Act
Income Tax Act
Inflation Control Act
Inscribed Stock Act
Insurance Premium Tax Act
Land Tax Deferment Act
Law Stamp Act
Loan Authorization Cancellation Act
Logging Tax Act
Mining Tax Act
Ministry of Finance Act
Motive Fuel Use Tax Act
Municipal Aid Act
Obsolete Statutes Repeal Act, 1980
Pacific North Coast Native Cooperative Act
Petroleum Sales Act
Power Development Act
Probate Fee Act
Public Service Bonding Act
Purchasing Commission Act
Revenue Act
Social Service Tax Act
Special Assistance in the Cost of Education Act
Special Funds Act, 1980
Special Purpose Appropriation Act, 1980
Supply Act—annnual

System Act
Taxation (Rural Area) Act
Tobacco Tax Act
Toll Removal Act, 1964
Trade Licence Act
Transmission Line (Underground) Act
Unclaimed Money Act

INISTRY OF FINANCE
JBLICATIONS
80

British Columbia Budget, March 1980

British Columbia Medium-Term Economic Outlook and Fiscal Analysis, March 1980

Financial and Economic Review

Interim Financial Statements for the Ten Months Ended January 31, 1980

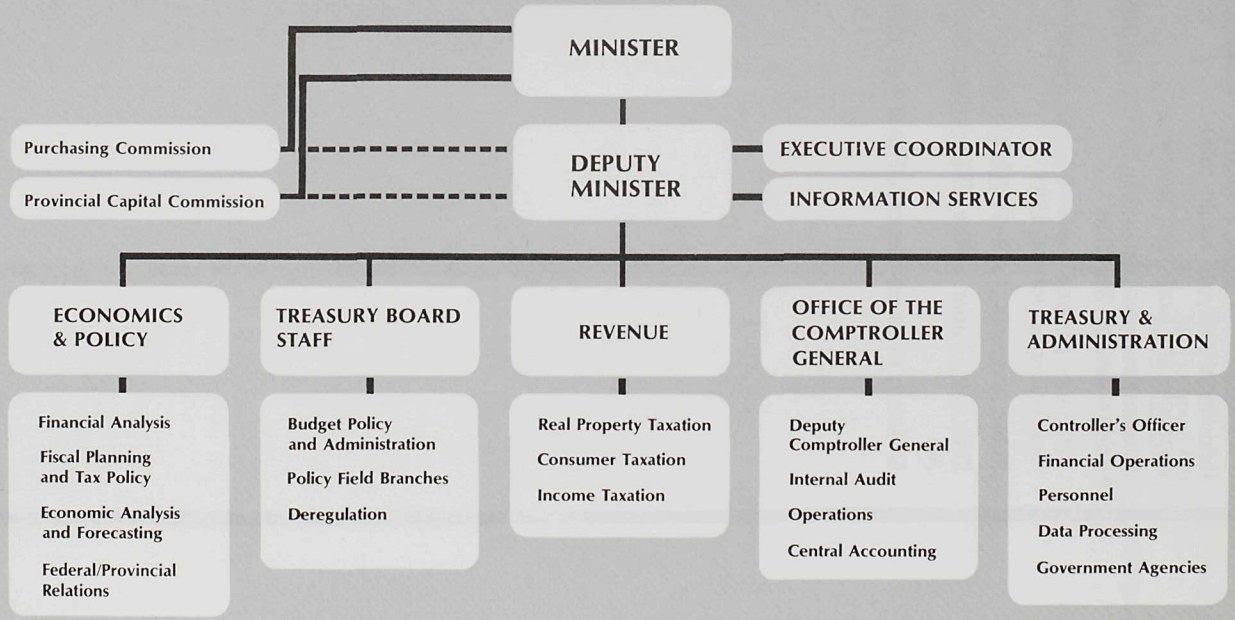
Estimates of Revenue and Expenditure, Fiscal Year Ending March 31, 1981

Public Accounts, 1978–79 (Vols. 1 and 2)

Discussion Paper: A New Financial Administration Act

Quarterly Financial Reports, Fiscal Year 1980–81

MINISTRY OF FINANCE



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